2014 BMO Global Metals & Mining Conference Presentation Transcript 24 February 2014

Building a Sustainable Business at US$1,300/oz
2014 BMO Global Metals & Mining Conference

NICK HOLLAND
23 to 25 February 2014

Forward looking statements

Certain statements in this document constitute "forward looking statements" within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934.

In particular, the forward looking statements in this document include among others those relating to the Damang Exploration Target Statement; the Far Southeast Exploration Target Statement; commodity prices; demand for gold and other metals and minerals; interest rate expectations; exploration and production costs; levels of expected production; Gold Fields' growth pipeline; levels and expected benefits of current and planned capital expenditures; future reserve, resource and other mineralisation levels; and the extent of cost efficiencies and savings to be achieved. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the company to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa, Ghana, Australia, Peru and elsewhere; the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions, exploration and development activities; decreases in the market price of gold and/or copper; hazards associated with underground and surface gold mining; labour disruptions; availability terms and deployment of capital or credit; changes in government regulations, particularly taxation and environmental regulations; and new legislation affecting mining and mineral rights; changes in exchange rates; currency devaluations; the availability and cost of raw and finished materials; the cost of energy and water; inflation and other macro-economic factors, industrial action, temporary stoppages of mines for safety and unplanned maintenance reasons; and the impact of the AIDS and other occupational health risks experienced by Gold Fields' employees.

These forward looking statements speak only as of the date of this document. Gold Fields undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Thank you very much, and good afternoon to all of you.

Gold Fields has gone through a very significant transformation over the last 18 months.

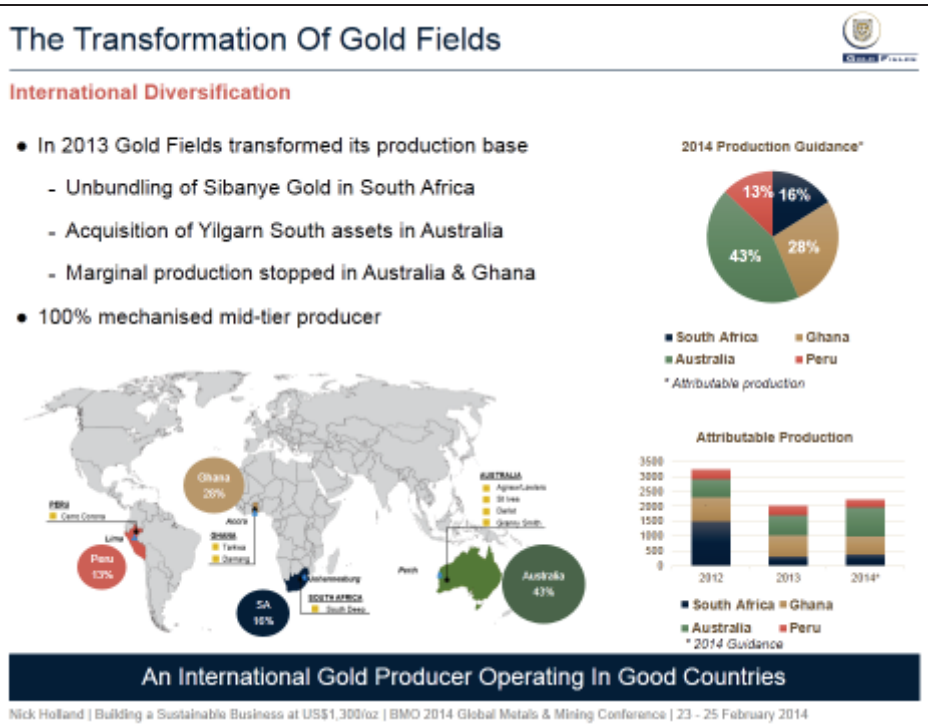
I've been coming to these conferences here in the States for about 15 years, and most of us have over the years been talking about long-term production targets, growth, where we'd like to get to, and most of us have not achieved those targets. Over the past few years our share prices have stalled despite the higher gold price.

So, we decided, let's go back and consult our key investors. Let's talk to the money out there and find out, what do people really want from gold companies, and from us in particular? And the message we got from them was we had to get back to the fundamentals of cash-on-cash returns, fundamental cash flow, and making sure that we can deliver that to the bottom line for the benefit of shareholders and they can take it either in dividends or reinvesting it into growth.

Based on that research, around about mid-2012 I did the Melbourne Mining Club presentation where I focussed on What Investors Want and, by default, how we in the gold industry were falling short of those expectations, and what we had to do to regain their support and confidence.

After that we sat down to determine what we had to do to Gold Fields to meet those challenges. At that time we decided it was time to fundamentally change the way we run this company, so that we could begin to meet the expectations of investors. We had to walk the talk.

So, middle of 2012 we changed the direction of Gold Fields to say it's not about ounces and production targets any more, it's about cash flow and returns, and how do we change our company to reflect that. Over the past 18 months we have worked very hard on that transformation and while we have made a lot of progress, it is still a work in progress.



I would say that 2013 has been the most fundamentally transformational year in the history of Gold Fields, because straight away we changed the complete composition of the Company.

We started shutting down marginal production in the middle of 2012. We took out about 70,000 or 80,000 marginal ounces. A lot of people said, why are you doing this? We said well, we're trying to get a margin, we're trying to improve the actual cash flow of the Company.

Now, I didn't know at the time that the gold price was going to go down as much as it did in the beginning of 2013, but thank goodness we started repositioning the Company when we did.

The pie chart in the top right corner probably tells you the entire story in that South Africa used to be the dominant contributor to our production base, and by the time we'd done everything that we wanted to do in 2013, South Africa had come way down to around about 16% of total production. And that was basically from being more than half of the portfolio.

How did we achieve that? We decided to unbundle the more mature mines in South Africa, Kloof-Driefontein and Beatrix, and create a separate company, Sibanye Gold. And the reason we decided to unbundle it is that we felt it would be the best way for us to create value for our shareholders. It's not always easy to sell a package like this, as there aren't exactly ready-made buyers out there.

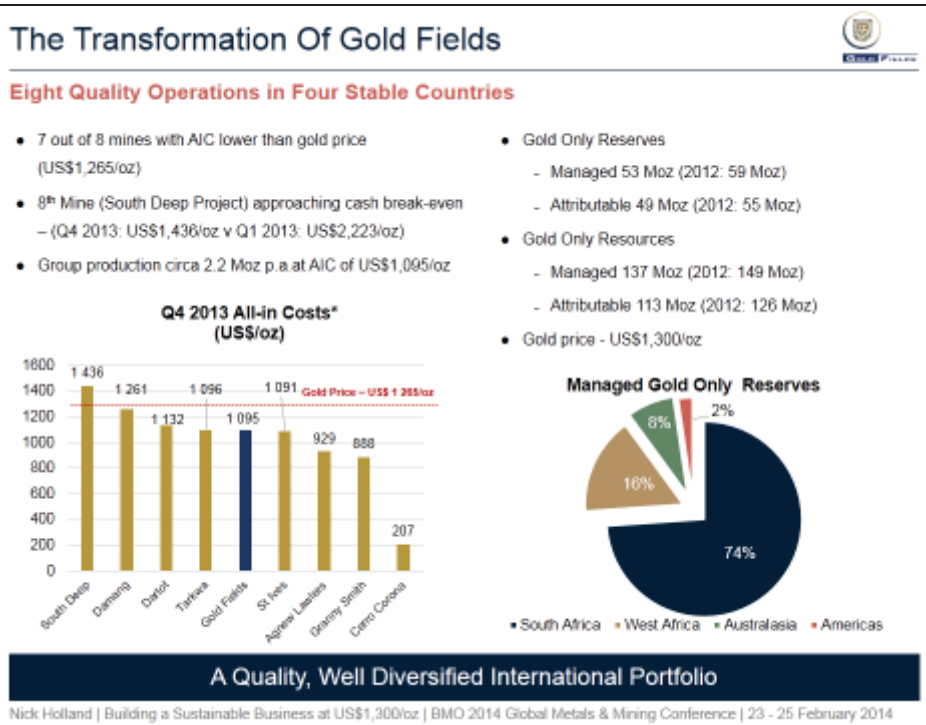
And the other thing is, we were able to liberate the management of those assets, because essentially today it's pretty much the same management that's running those mines but with a new CEO. And they could put to use the cash flows in either paying dividends to shareholders or in reinvesting into their ore bodies.

Thus over this period of time when gold companies have been coming back to shareholders for more money, we're the one company that in fact has given something back to the shareholders in the form of a script dividend, a share that has actually performed extremely well since it's been unbundled.

At the same time, it's helped us to focus on what we had left in the portfolio, and also to add another acquisition to the portfolio which we were able to do in the last quarter of 2013.

We bought the Yilgarn South assets in western Australia from Barrick, a deal that I think has been beneficial to both parties, and that's helped us to consolidate our position in Australia. And now, it's made us the second largest producer in western Australia, a million-ounce position, with all-in costs (AIC) of below $1,000 per ounce.

So, a fundamental change in Gold Fields over the last year.

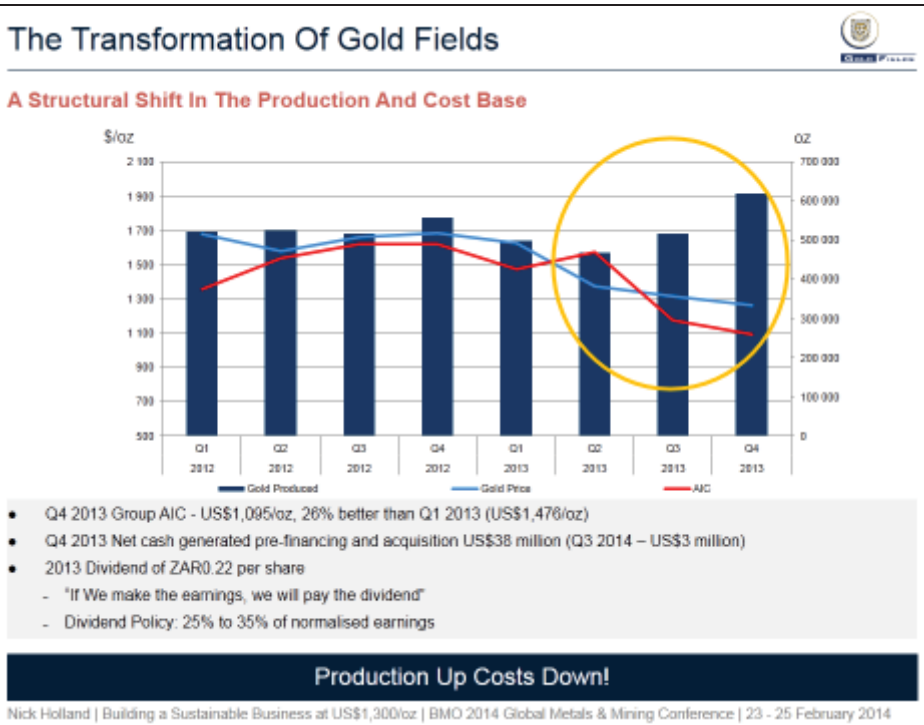


If we look at that transition and what it's meant for the last quarter. This is at a time when the gold prices dropped to $1,265, which is what our average price was in quarter four, and which is down about $500 to $600 from the highs.

We were able to get seven of our eight mines to have costs below that gold price.

The eighth mine, South Deep, which I'll talk about in a little bit of time, is still above that gold price but it's still a project, and is in the process of building out. But the rest of the portfolio, as you can see, is in good shape and positioned to make money for us.

This morning we put out our reserves for 2013 and resources. We've come in at a $1,300 gold price as opposed to $1,500 previously and we've managed to get our reserves at 49 million ounces. That's down from 56 million ounces the previous year. That's about a 12% reduction, but if you knock off the depletion it's about a 7% or 8% reduction principally on the back of the lower gold price. We haven't really lost any reserves of consequence due to modeling. It's really all been down to the price differential, and those ounces remain in the ground for us to exploit into the future. So, a robust reserve position.



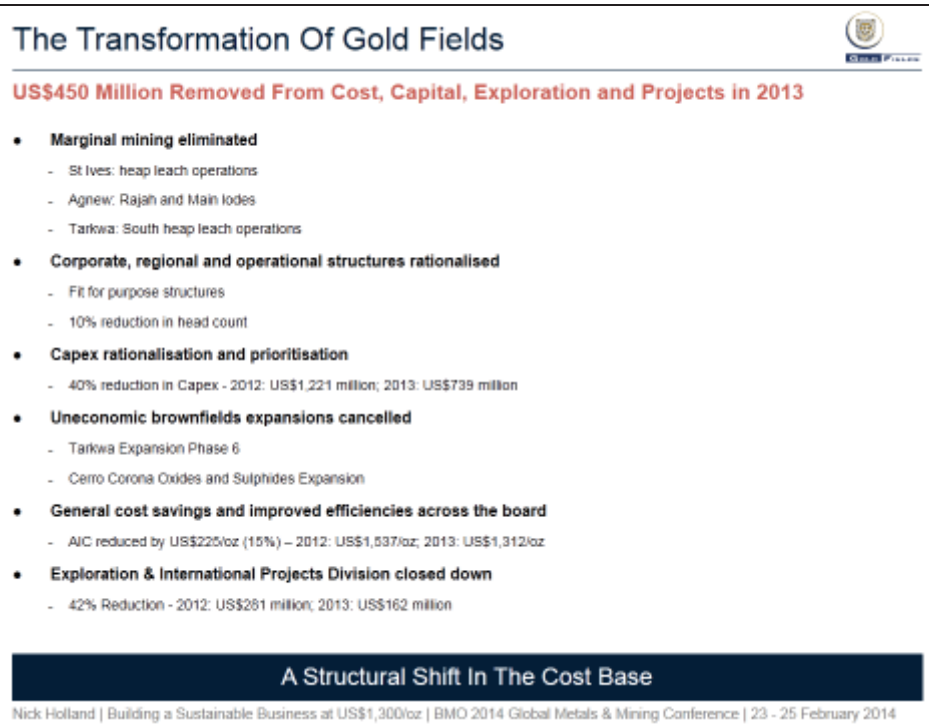
This slide shows our transformation over the last eight quarters, with our production in the blue bars. The red line is our all-in cost. The blue line is the gold price.

Over the last two quarters we've seen the production go up, particularly with the Yilgarn South deal consummated in quarter four, and you can see the all-in cost going down.

Now I think the combination of those two things will help Gold Fields to withstand a $1,300 gold price and lower.

IT'S IMPORTANT TO NOTE THAT WE HAVE NOT SET THIS BUSINESS UP TO BE BREAK-EVEN AT A $1,300 GOLD PRICE, WE'VE SET THIS BUSINESS UP TO MAKE A 15% CASH MARGIN, AFTER EVERYTHING INCLUDING TAXES, AT A $1,300 GOLD PRICE.

In other words, at our planning price of US$1,300 per ounce, we would like every asset to generate around $200 per ounce of free cash flow after everything; after taxes, after capital, after royalties. Now, some of them are already there, and some need a little bit of work to get there, but that means effectively that we're structuring those business that in the worst-case scenario, we can still break even at somewhere close to $1,000 per ounce.



We've managed to actually re-base our costs by $450 million per year in 2013, a very significant reduction in just six to nine months. How have we done it?

We've reduced our marginal mining across the portfolio. We started doing that in 2012. There was further work to be done in 2013. In fact, the last piece of that work was closing the North heap leach operations in Ghana in December, which we finished over that period of time. That's at Tarkwa. We've rationalized our corporate and regional structures. We've reduced our head count by 10% across the world and we've dropped our capital from $1.2 billion to $739 million. In fact, in 2014, that figure will be less.

What's critically important, though, is to remember that we have not taken capital out of the system that's going to hurt the short to medium term production trajectory of our operations, and I've been in this game long enough to remember when gold was at $250 an ounce in 1999. We were forced as an industry and as a company to start deferring very important development, and that hurt us in the years that followed. So this time, we're not going to make that mistake again.

And what's critical is, that we continue to do our development in our declines, in our underground operations. We continue to strip our pits. Because we could easily take out another $100 an ounce or so out of our cost, but it would be short-lived because we'd see the impact on production further down the track.

We've taken out brown fields projects that we don't believe add returns, and as you can see we've taken out some $225 million.

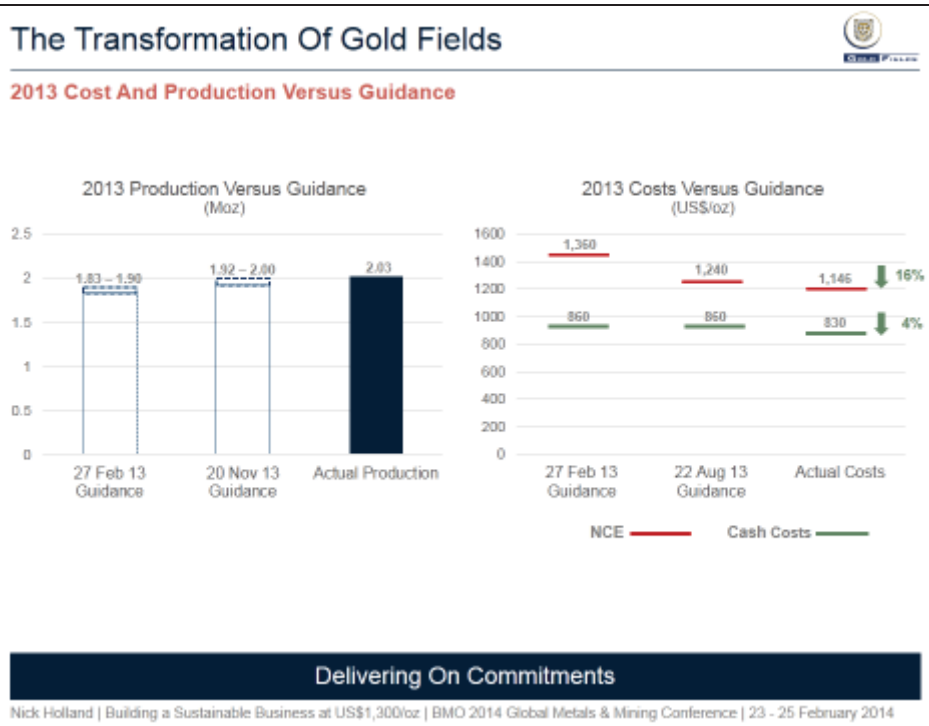
Our all-in cost in 2012 was $1,537. 2013 it's down to $1,312 and in 2014 we've guided $1,150. Now I think it shows you how the company has fundamentally changed itself.

(Note that we do not speak about all-in sustaining costs (AISC), but all-in costs (AIC) which is the correct cost measure to focus on)

We decided to break up the Growth and Exploration Group, which spent $281 million in 2012, and in 2014 will only spend $40 million. Unfortunately as explorers over the last 16 years, we've not been able to discover and bring a new mind to production. In fact we've been far more successful in M&A.

Looking at our portfolio of nine mines, all but one of those mines have actually been acquired over a period of 15 years, and all of them are very accretive acquisitions. So, it shows how successful we have been with M&A as opposed to trying to be explorers.

We've decided now, we can't be everything that a mining company historically may have been. We will continue to have greenfields exploration projects but very, very judicious. We used to have 20 around the world. We're now probably going to have a handful principally in the Americas, and I think that's going to give us our best bang for our buck.



It's all about delivery, and we heard that in the previous presentation.

In 2013, Gold Fields delivered more than what its promise was. More importantly though, it's not just about ounces or production. We delivered cost performances which were significantly better than guidance. In fact, our NCE -- Notional Cash Expenditure including capital - was 16% below the guidance. And even if you strip out the Yilgarn deal, it doesn't change the numbers significantly.

The Transformation Of Gold Fields

Balance Sheet

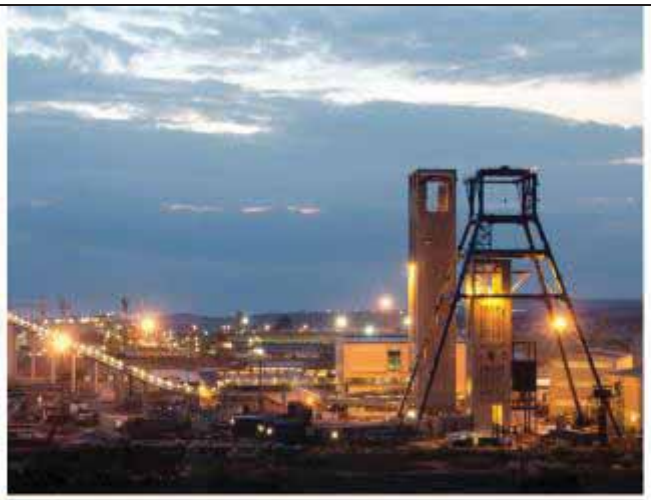
- Total outstanding debt US$2.06 billion
- Cash on hand US$325 million
- Net debt US$1.74 billion
- Net debt / EBITDA: 1.53 (Q4 2013 annualised)
- 49% of debt is a 10-year US$ bond (US$1.0bn), no covenants, fixed coupon of 4.875%, maturity 10/2020
- 35% of debt (US$720m), maturity 11/2015 with option to extend for 1 year, negotiating 2 years
- Head room circa US$750 million

Conservative Debt Maturity Ladder

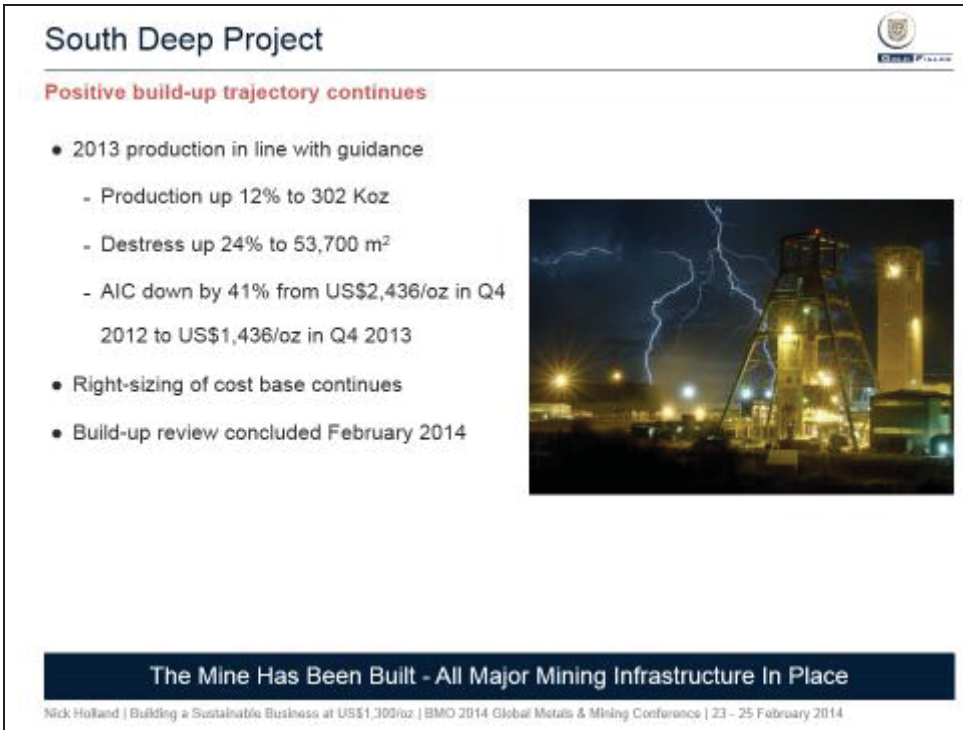
Nick Holland | Building a Sustainable Business at US$1,300/oz | BMO 2014 Global Metals & Mining Conference | 23 - 25 February 2014

How strong are we from a balance sheet perspective? Our net debt is $1.74 billion. The Net debt-to-EBITDA ratio was 1.5 on annualized basis at the end of quarter four. That's well within our covenants. Those covenants kick in at around 2.5 times, in most cases. But the most important thing that helps me and my CFO to sleep at night is that half of our debt is long term - $1 billion by 2020. There's no repricing risk on that bond. It's a 4.87% bond that matures 2020. Of the balance, about $700 million matures at the end of 2015, and we have the right to extend that by a year. And I'm sure that we'll exercise that right.

So, in other words, for the next three years we don't have any chunky maturities coming, and that puts us in a good position because over that period of time I would expect South Deep to get to a cash-positive position from where it is at the moment.



OPERATIONAL CHALLENGES MANAGED



Let's talk about the operations very briefly, and start with South Deep. The only remaining mine in South Africa that we have, or should I say, project, because it is pretty much still ramping up. A fully-mechanized operation that employs around about 5,000 people. One of the largest reserve and resource bases in the world with 40 million ounces of reserve and 80 million ounces of resource.

2013 was a pretty good year for us. Our production was up 12% on the previous year, and that was pretty much in line with what we guided.

Our reef tonnes were up 26%, so that was a very significant change. Destress, which is opening up the ore body at depth, was up 24% to 54,000 square meters. And our all-in costs went down from $2,436 in quarter four of 2012 to $1,436 in quarter four last year. That is a $1,000 per ounce reduction.

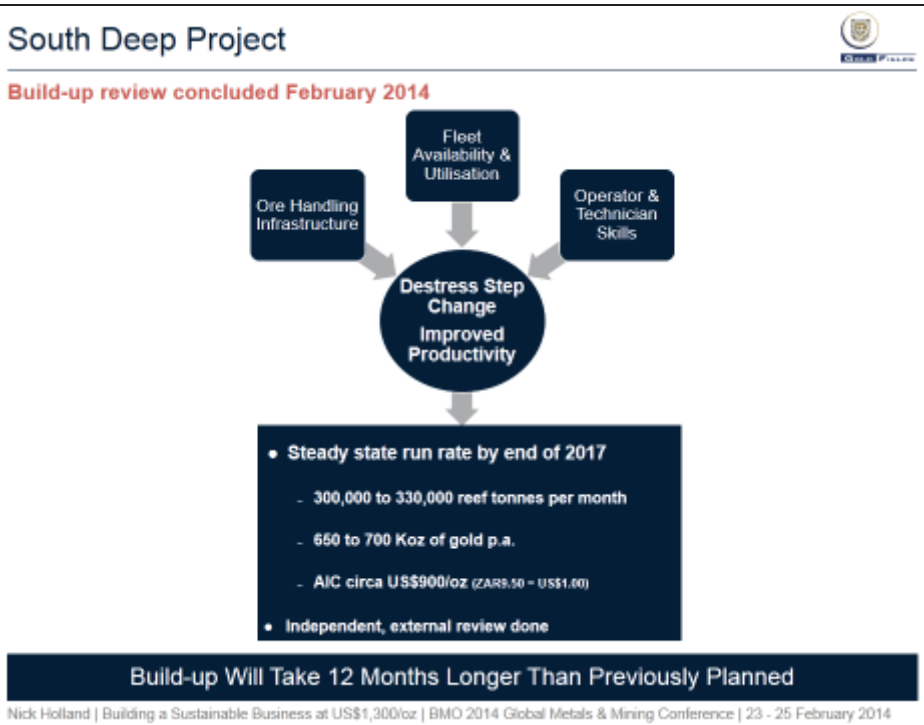
How did we achieve that?

We're over the hump of the capital expenditure at South Deep.

We've actually built the mine, it's done.

That's the important thing. We built the plant expansion, we built the second shaft that will take us to full hoisting capacity. We have built the backfill plant. We've built the new tailings dam. We've also built five phases of refrigeration and cooling capacity that will make sure that this mine can operate at the required temperatures underground.

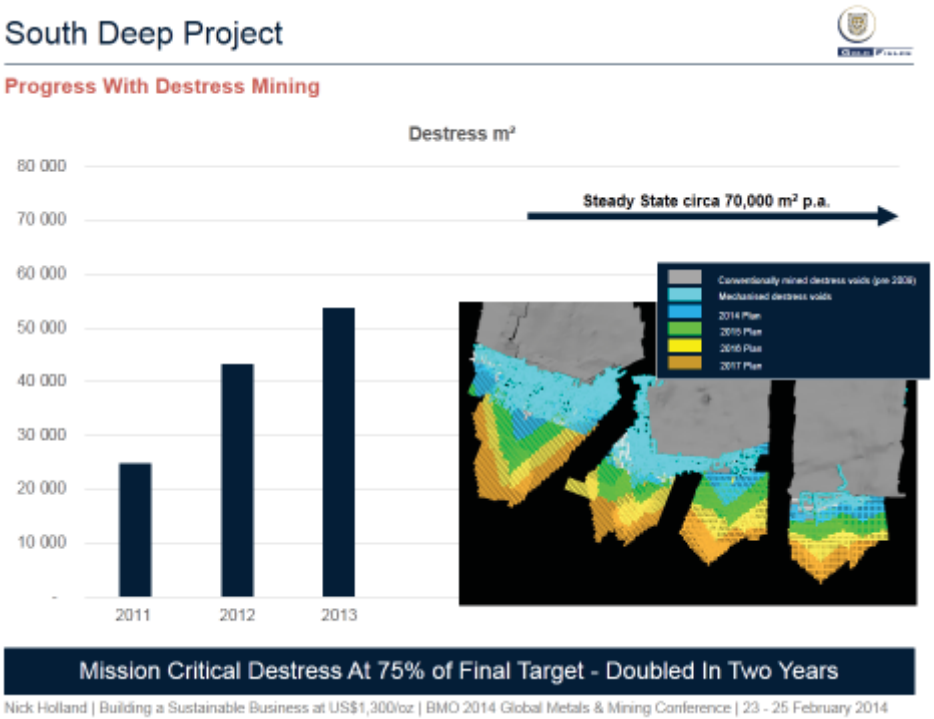
So essentially, we built the mine, we're over the hump of capital, the key requirement now is for mining execution, we need to continue to destress or develop the ore body so that it can actually give us the flexibility to drive it to full production.



Now, we did have a review of the profile of South Deep to determine whether we could still achieve our goal of full production by 2016. Given the complexity of the project, we found that we're going to need an extra year to get it to full production. Nothing's changed in the business case. Nothing's changed in the quality of the ore body, and we're still very confident that this mine is going to deliver superior cash flow for many years to come.

So, what we've now said is that we believe that this will be a 300,000 to 330,000 reef tonnes per month operation. About 650,000 to 700,000 ounces annual production. Previously that was 700,000 so we've just given ourselves a little bit of comfort there. All-in costs of $900 per ounce at full production, and we expect to hit this run rate by the end of 2017.

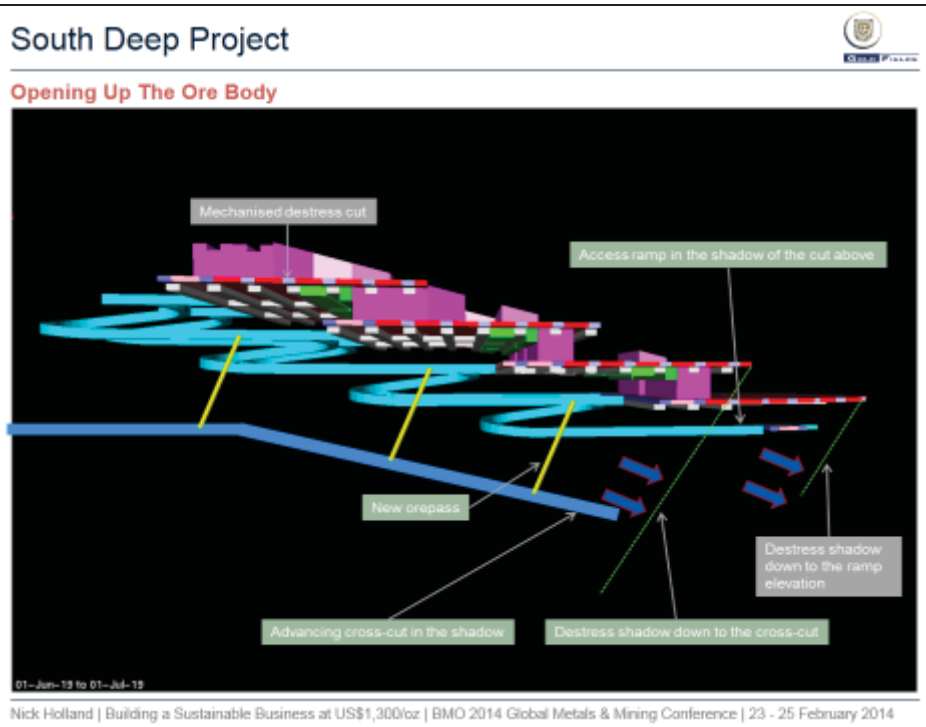
We've decided to bring in the best skills that we've got in our Australian mines - so we now have the previous GM of Agnew Gold Mine as the new GM of South Deep. He started in January, and he's brought a team of 15 people with him. And they'll be based here in South Africa permanently for three years as we see through the critical point of this buildup. We want these people on board to make sure that we transfer best skills across the world, particularly in the area of our operators at the face and our technicians in the workshops. We find that there isn't really a comparable mine or operation in South Africa that has the skills that we need to make sure we underpin this buildup.



I talked about the destress and how important it was. Well, we need to get to 70,000 square meters at South Deep by 2015, and you can see over the last two years we've gone up over twice from where we were. So, we're about 25% away from where we need to be, and we're confident that we can hit that if we can keep the pace of this increasing over time.

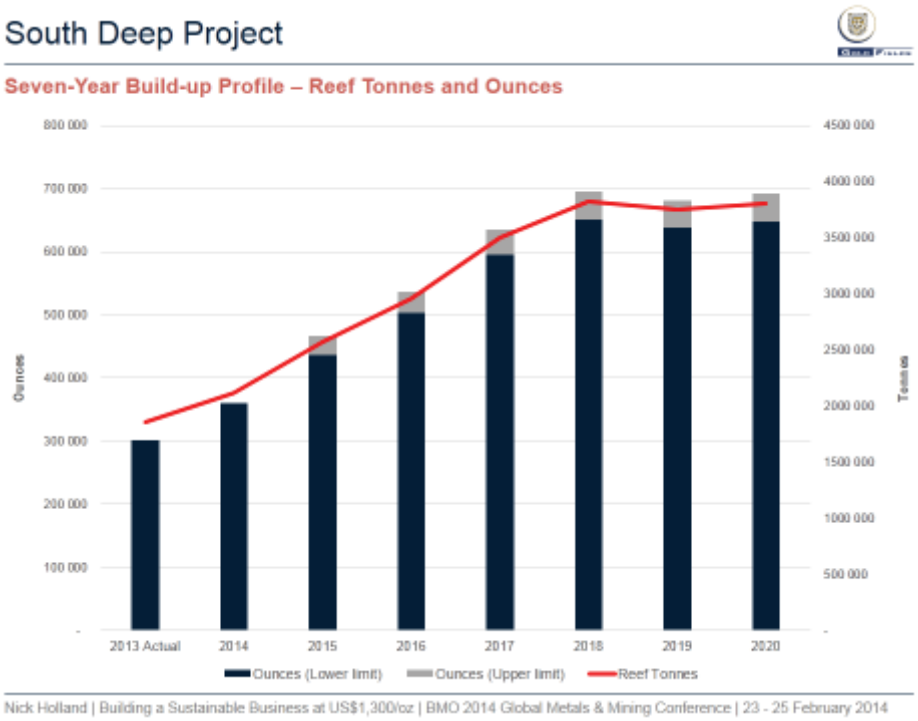
I think the other important thing here is the strike of the ore body. It's about 1.4 kilometers. This is the more proximal part of the ore body. Critically the destress we've done over the last three or four years over here in corridor four, and over here in corridor three, is in the higher grade portions of the ore body. This is between 6 and 8 grams a tonne in this particular area.

So the good news is that where the heart of the gold will be going forward, we've made very good progress on the distress. The different colors on this slides shows you the destress that we'll need to do over the next four years to underpin full production. So, we're getting closer to where we need to be in terms of this operation.

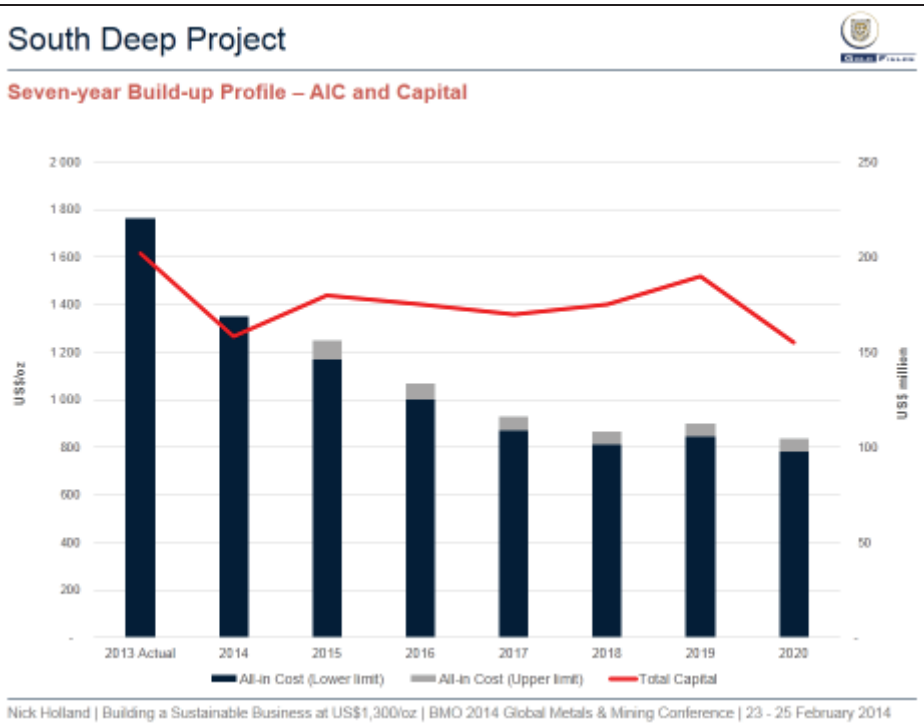


Here's a schematic showing a section view of the destress. These are these 2.2-meter cuts in the ore body. Why do we need to do them? Because we're mining big open voids at 3 kilometers under the surface of the earth. So in order for us to move these stresses to above and below where we're mining and to the periphery, we put these 2.2-meter cuts in the ore body about 120 meters in length, that overlap each other. We then have the follow-on ramps underneath as well as the cross-cuts and the ore passes.

And then we come back and we mine on the open stopes a retreat basis. These are the vertical slots in between these levels. These are about 15 to 20 meters apart. So, that's in essence is going to be the mining method that we deploy here.

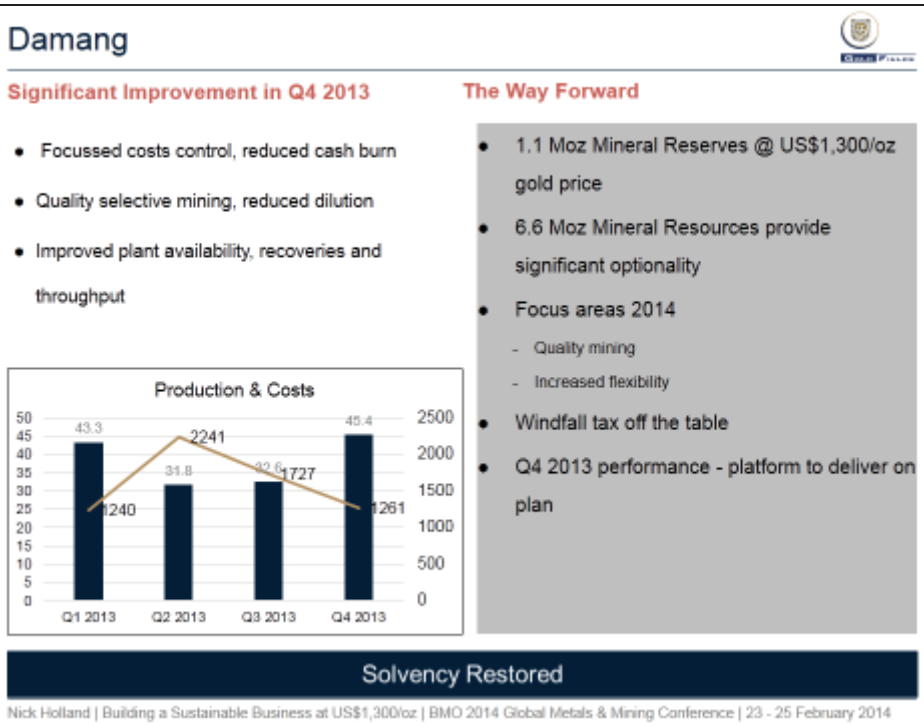


This is the buildup. We've given this on the website in a tabular form. Essentially 2018 then will be the first full year of production at the new level that we've given you.



This slide shows the dropoff in the capital over the next few years. We have deferred some capital here on an ice plant, which we only need to bring in in 2019 which is why we have a hump in capital over there. And there's the strong decline in the all-in cost.

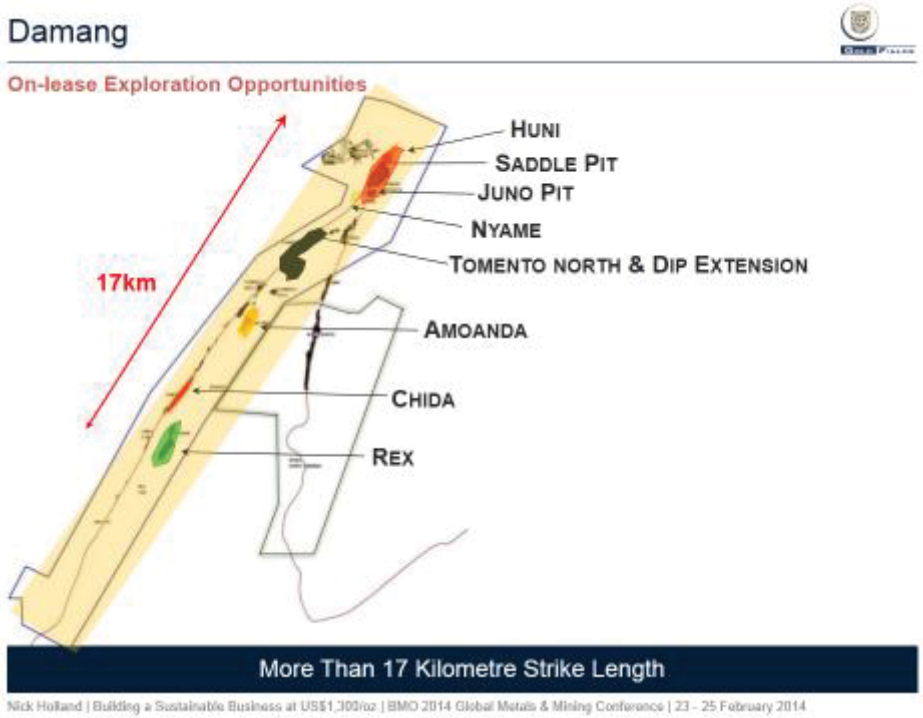
The reason for this is two-fold. One is, we have 90% of the costs already in the system to underpin full production, Secondly, at full production 70% of the mining will be open stoping, a much more productive method, whereas at the moment only about 25% of our production is open stoping.



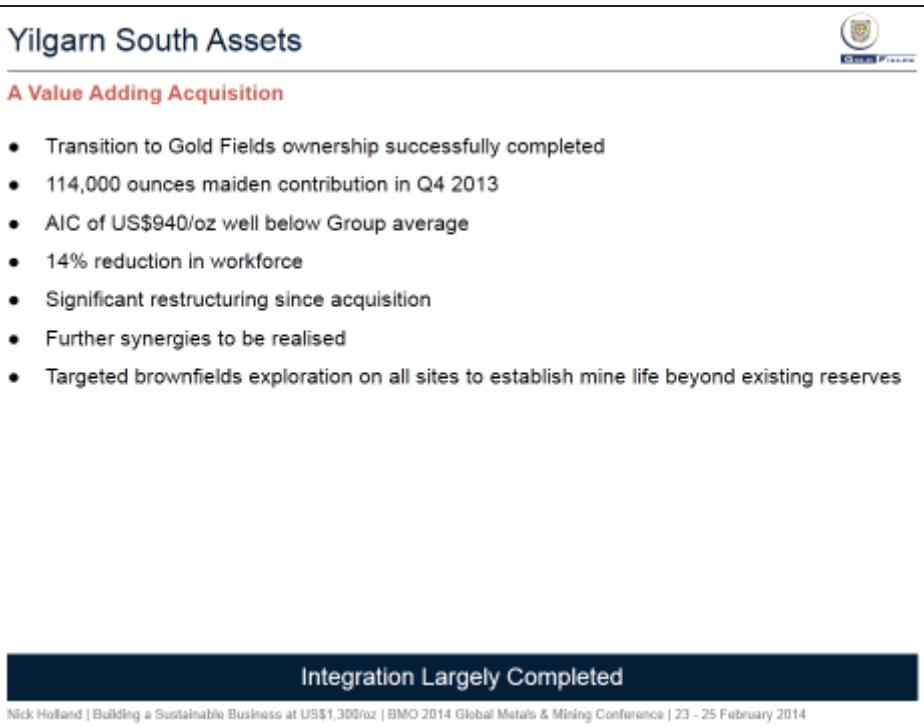
All right, let's go further north, Damang. I'm going to mention Damang specifically because it was losing us money over 2013. We did think of closing it down at one point, but I'm pleased to say that with a focus on back-to-basics, and in particular input controls and reducing dilution, we've managed to increase the production by around about 40% quarter-on-quarter in quarter four. We've dropped our all-in costs by $500 per ounce, we've got Damang back in the black. And we've given ourselves an economic life of mine of at least five years, 1.1 million ounces at $1,300 per ounce. There's still a big resource here for us to chase, and that's not going to be related to price. We've got to work out how we can get that back into reserves in an economic fashion.

The bulk of those resources are a cutback of the original pit, which was a high grade pit of 2 grams a tonne. We'll be doing some studies on that over the next couple of years to see what the potential is.

Taxes and royalties in Ghana have been a big issue, but we've managed to get the windfall tax off the table and we continue to try and drive a stability agreement with the government that is on a level playing field with the other major producers in the country.



Here's the potential of Damang, and the other reason why we wouldn't want to move away here. This is the original pit here in the middle. Here's the northern extension, Huni, and the southern extension, Juno. We've mined Tomento North before, we've mined Amoanda, We walked away when gold was $400 so those pits have got big extensions at this price. And we haven't really explored a lot of the galamsey workings, the so-called illegal miner workings over here. But while they've picked the eyes out of this mineralization, there is still a lot for us to explore over time. This is not a land position that we're going to walk away from.



The Yilgarn South assets in Australia. We are delighted with the acquisition, which we completed in October last year. We've integrated the assets very speedily. First quarter we did 114,000 ounces at an all-in cost of $940 per ounce. Some people said, why are we buying high-cost assets? $940 an ounce is in the lower quartile of all-in costs in the industry, so I think that shows you these are not high-cost assets.

We see significant upside potential in the ore bodies that we have acquired, and I think you'll find that we'll be mining here for many years to come. It's the same kind of mineralization that we've got at St. Ives and Agnew. These orogenic ore bodies typically never have large reserves ahead of them, but as you'll see with St. Ives and Agnew, we replace virtually everything we mine every year and at Agnew and St. Ives, we've mined 7.5 million ounces over 12 years, and we still have a bigger reserve than what we had when we started.

We've looked to the history of Granny Smith and Lawlers. It's the same kind of trend over the last ten years. They tend to replace what they mine, so we think that these mines are going to be around in the portfolio for a long time to come. There's no way we would have bought these things if they only had a four-year lifeIt's about looking at the potential to continue to replace every year what you mine.

2014 Guidance

	Production (Koz)	AISC	AIC
South Deep Project	360	US$1,290/oz	US$1,350/oz
Tarkwa	520	US$1,100/oz	US$1,100/oz
Damang	165	US$1,240/oz	US$1,240/oz
Cerro Corona[1]	290	US$865/oz	US$865/oz
St Ives	395	A$1,210/oz	A$1,210/oz
Agnew/Lawlers	260	A$1,170/oz	A$1,170/oz
Darlot	80	A$1,385/oz	A$1,385/oz
Granny Smith	240	A$1,115/oz	A$1,115/oz
Group[2,3] (Moz Au equivalent)	**2.20**	**US$1,125/oz**	**US$1,150/oz**

Exchange rates
ZAR9.50 = US$1.00 ZAR9.00 = A$1.00

[1]: Gold equivalent ounces.
[2] If calculated on gold only basis Group production will be 2.1 Moz at AISC of US$1,125/oz and IAC of US$1,150/oz
[3] Includes project costs of US$20/oz

7% Increase In Production

Nick Holland | Building a Sustainable Business at US$1,300/oz | BMO 2014 Global Metals & Mining Conference | 23 - 25 February 2014

Here's our guidance for 2014 which is in our book. We're looking for a 10% growth in production to 2.2 million ounces. All-in costs of $1,150 which includes about $25 an ounce on growth opportunities. And again, just to reiterate, that's $150 an ounce lower than 2013, and in 2012 that figure was $1,537. I think it shows you that Gold Fields has set itself up for cash generation.

In quarter four, we were able to generate $38 million from our core operations. That doesn't sound a lot, but compared where we were in quarter three quarter two and quarter one, it's a big improvement. And we're looking to drive all of our assets into that 15% free cash flow margin.

In August last year I said the key deliverables for us were further costs and capital savings. We've done that. To complete the acquisition of the Yilgarn assets and integrate them, we've done that very speedily. To get Tarkwa's transition to Carbon-in-leach only, we've done that. We've shut the heap leach. There's still around 500 retrenchments to go unfortunately but we expect that to be completed by the end of this month.

Damang, we had to either turn it around or consider a disposal. We've turned it into the black again, and we've got five or six years of flexibility ahead of us so we've got time to think about things. South Deep, as we said, we've got to restructure and develop a new profile, which we've done, and we've also brought in some additional skills and resources to make sure that we can underpin this project.

We have a number of projects that we might like to trade. The market conditions are challenging. If we're not able to trade these assets or projects for a reasonable price, we're not afraid to hold onto them for a better time and we've cut the holding costs to ensure that it's not going to cost us a lot of money.

ends

QUESTIONS AND ANSWERS

Unidentified Audience Member:
Thanks. Nick, could you just talk a bit more about what you've done specifically in order to integrate those Yilgarn assets that you acquired? Especially with respect to staffing reductions. You were going to shut down the plant at Lawlers. Has all that been achieved, and what do you see as the bottom line savings?

Nick Holland:
At Lawlers/Agnew, one of the first things we did was to shut down the Lawlers plant and truck all the material to our plant. The Agnew plant was actually always closer than the Lawlers plant, so we immediately saved all of our trucking costs. The other thing is, we have capacity in our plant for 1.3 million tonnes. The Lawlers material is about 600,000 tonnes. We were mining about 650,000 so it actually worked out very nicely. We could send it all to the Agnew plant and displace then the low grade surface material that we previously mined and were processing, and displace that with the higher-grade underground material from Lawlers.

All of that came through at the marginal cost, so we've knocked off around $3 to $5 a tonne from the processing cost. So, that's really given us close to a $10 million a year saving. The 14% reduction I talked about across the three mines has taken out around 140 people. So, we've already seen about another $10 million or so reduction.

We haven't done much at Granny Smith. I must say Granny Smith is in very good shape. The only thing that we need to do at Granny Smith is some remedial work in the mill foundations. There are some cracks under the Sag mill that we need to fix, and certain of the circuits need to be redone. There's not going to be a lot of capital, but we'll do that.

The other thing that we need to do is put some exploration dollars into these mines. Now whilst I said earlier that we'd all but cut the growth and exploration budget across the group, which is largely greenfields, we are going to increase our near mine expenditure in Australia. Our budget in 2013 was about $30 million. In 2014 we're going to spend $51 million, and that's spread across the five mines. That's going to ensure that we get more flexibility ahead of us, but also allow us to look for new targets.

Now for example, at Granny Smith, we are only filling half the plant. We have a 3 million tonne a year plant, we're only processing 1.5 million tonnes. And we think there are opportunities for additional feed around the site. There's a big land package with a number of interesting exploration targets. We're going to do that.

Also, at Lawlers, it's largely under-explored, so there could be the opportunity for us to bring the Lawlers plant back in due course and see if we can fill that with some good underground material. But we need to explore first and look for those opportunities.

And then Darlot of course has a very short life. It only has a year of life, and the key requirement there is to do some more exploration. We've given Darlot $7 million and said to them, you've got to come up with a game-changer before the end of the year. That's the challenge for the Darlot team. And I'm pretty sure they'll get us at least another two years as a minimum. But I'm very confident that Darlot will be mining for another five to ten years as well. I'm sure that we're going to find some additional deposits on the lease.

So, all of that's been done in a very short period of time. The other thing that's beneficial in doing a deal with a major company like Barrick, is that we've taken the best of what they've got, mixed it with the best of what we've got, which really helped us to improve the overall operational performance.

ends