H1 2016 Results

KEEPING THE FOCUS DESPITE HIGHER GOLD PRICE

Nick Holland

18 August 2016

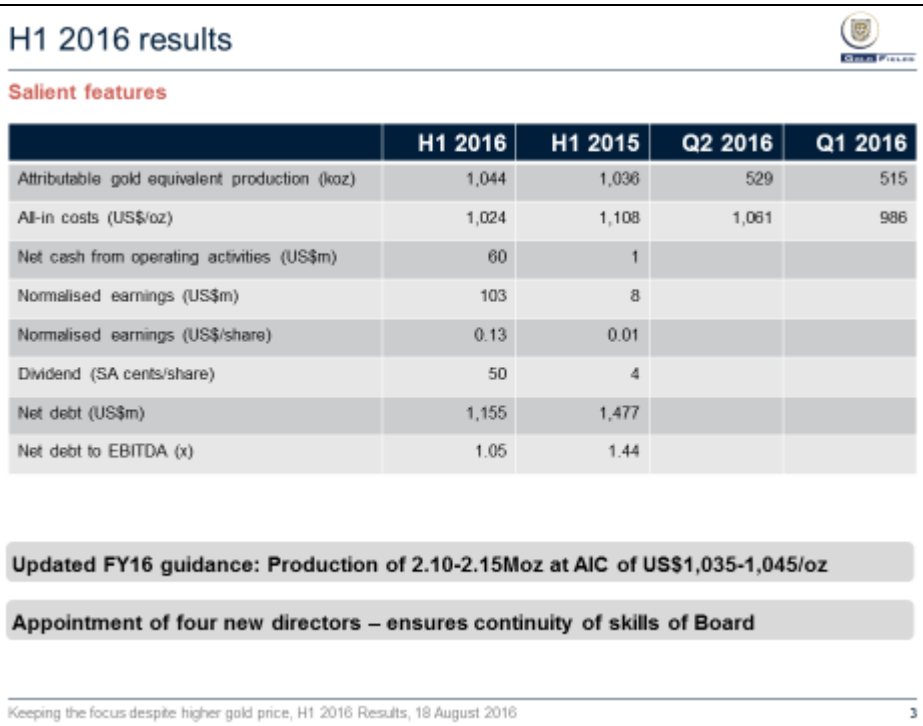
GOLD FIELDS

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.



H1 2016 results

Salient features

	H1 2016	H1 2015	Q2 2016	Q1 2016
Attributable gold equivalent production (koz)	1,044	1,036	529	515
All-in costs (US$/oz)	1,024	1,108	1,061	986
Net cash from operating activities (US$m)	60	1		
Normalised earnings (US$m)	103	8		
Normalised earnings (US$/share)	0.13	0.01		
Dividend (SA cents/share)	50	4		
Net debt (US$m)	1,155	1,477		
Net debt to EBITDA (x)	1.05	1.44		

Updated FY16 guidance: Production of 2.10-2.15Moz at AIC of US$1,035-1,045/oz

Appointment of four new directors – ensures continuity of skills of Board

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Good morning everyone and welcome to this half-year results presentation up to the end of June. I must say before we lead into the results it's quite interesting, when I was having my Christmas holidays in Cape Town last year I was quite depressed about the gold market and the prospects for 2016. And we had used a gold price of $1,100 an ounce when we did our 2016 business plan. So it is nice to see that the gold price has in fact picked up and surprised us on the upside. So certainly that does help to produce better results than what we might have expected before the year started. So long may it continue.

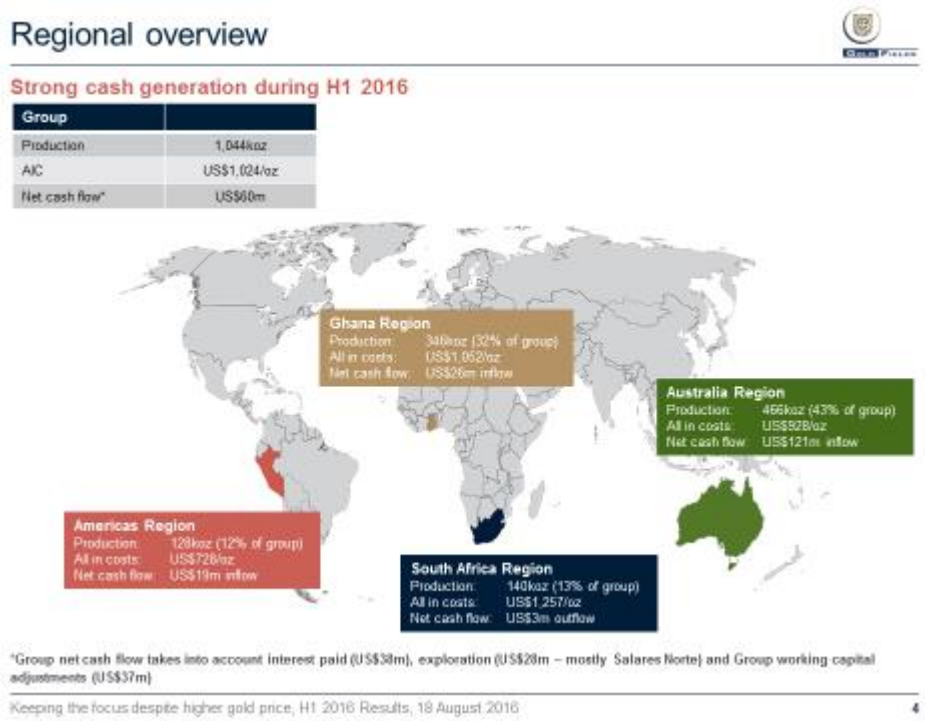
Looking at the numbers our job is not to worry about the gold price. It is to worry about how we make money at any gold price. So for the half year we have done better than last year. As you can see we produced just over 1 million ounces at 1.044Moz. That is 1% higher than the same period of last year. As you can see we produced 529,000 ounces in Q2 2016 which is higher than the previous quarter.

We made $60 million of net cash from operating activities, which takes into account finance charges and exploration projects. It is everything except loan repayments really. So we made money in the first half of the year. It is all about making money. And of course we made some earnings. That enabled us to pay a dividend so we have declared a dividend of 50 SA cents a share. Some people asked us this morning, what is your policy going to be on dividends? The policy is unchanged. 25% to 35% of our normalised earnings will be paid out as dividends. We don't see any change to that. This translates to 25% of our normalised earnings, so it is in the lower end of the range. Paul wants to try and improve on the second half if we can. Let's be conservative in the first half and depending on market conditions, try and reward shareholders again at the end of the year, of which I am one.

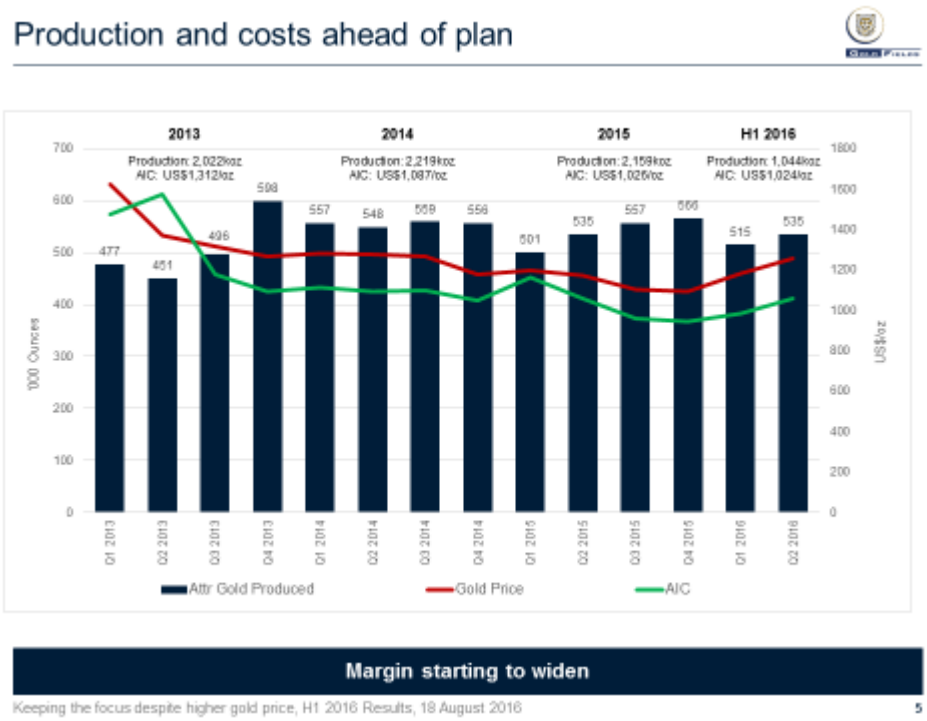
Net debt has come down to $1.15 billion. Interestingly that is down around $600 million since the end of 2013. So we have made some really good progress on repairing the balance sheet. You heard both Paul and I say in the last 18 months or so that we wanted to get the net debt to EBITDA ratio down to 1.0x. Well, we are down to 1.05x, ably assisted of course by the gold price, but at least we have used it to make sure that we're getting our balance sheet in better shape.

Guidance. We have upped our guidance by 50,000 ounces to a range of 2.1Moz to 2.15Moz. And if we achieve the upper end of that guidance that would put us pretty much in line with the production

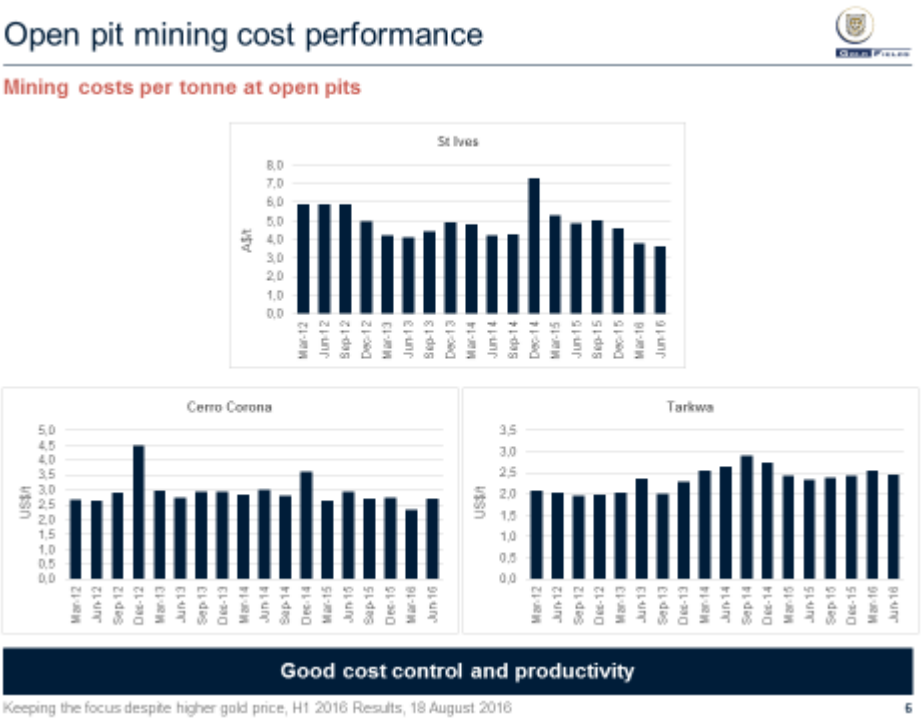
we did last year. Costs are going to be unchanged. We have restructured our board. Some people are coming up for retirement, so we have had four new members who have joined including Terence Goodlace, who is leaving Impala Platinum soon as CEO. So I think that is going to really strengthen the bench as it were. And some offshore directors too are joining us, given that most of our growth is going to be offshore.



Looking at the regional overview, as I said 1.044Moz for the half year at all-in costs of $1,024/oz making $60 million after exploration and finance. Looking at the regions, the Ghana region made $26 million in that half year. Australia has made $121 million. This is after everything. It is after capital expenditure, it is after taxes, it is after royalties. This is money that we put in the bank. Different people have different versions of free cash flow. What goes in the bank is important for us. The South Africa region had a net cash outflow of $3 million, but that is a hell of a lot better than we had in the previous year. So we are getting closer to that breakeven as we sit for the half year. And the Americas made about $19 million in cash.

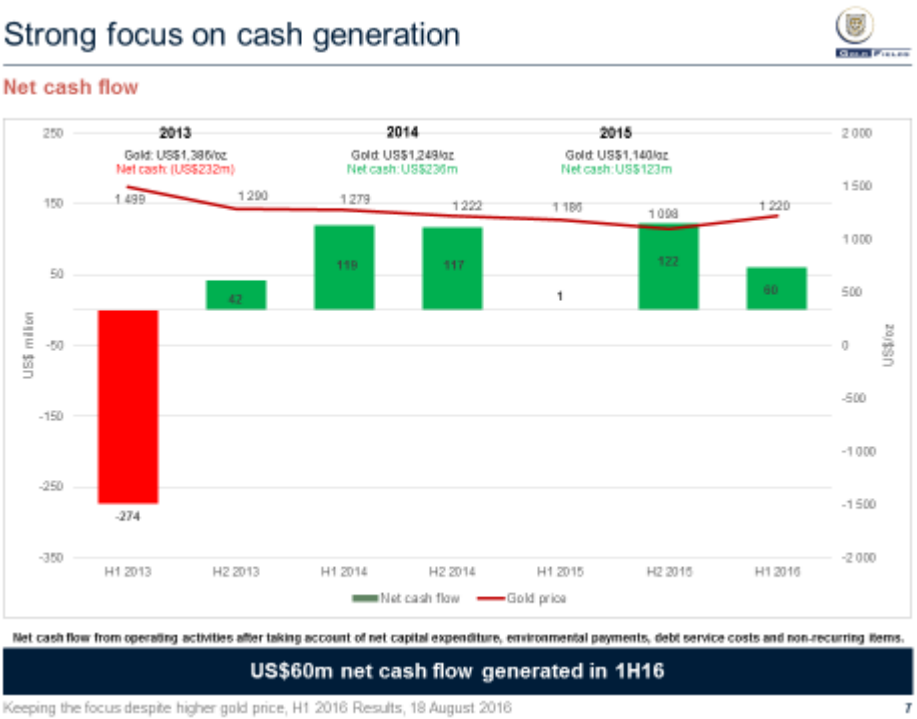


This is a graph we put up every time we present. And it is nice to show a three-and-a-half-year history where we show the production for each quarter. You can see it has gone up a little bit. The gold price of course has come down and now it has turned up again. Our costs have come down. But interestingly the margin between the gold price and All-in Costs is starting to expand. I think the important lesson we in the gold industry have to learn is to avoid making the same mistakes we made in the past now that the gold price is going up. The mistakes we've made in the past when we gave the improved gold price back in terms of increased costs etc. We have to try and expand that margin. That's what shareholders are looking for.

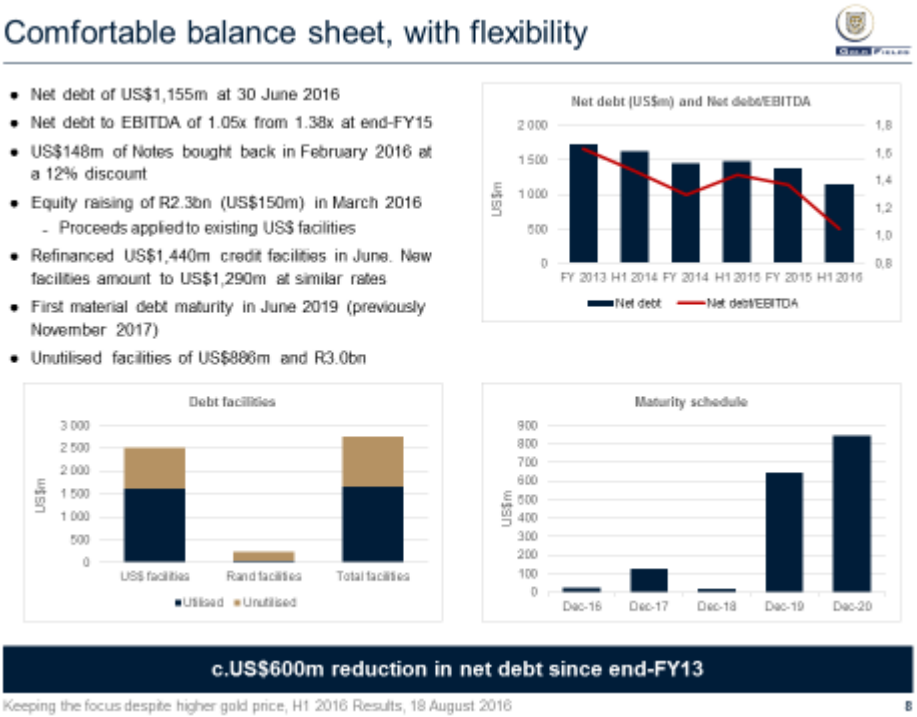


Some interesting graphs. Three of the predominantly open pit operations around the world. And one of the things we look at internally is our mining cost per ton because we think this is a key driver to reducing our costs. If you look at St Ives – this is in A$ terms – they have come down significantly over the past year in particular. And I must give credit to the teams on the mine in improving productivity, improving their overall planning, and not change in terms of people coming in and out of the shift. And it has all started to bear good fruit.

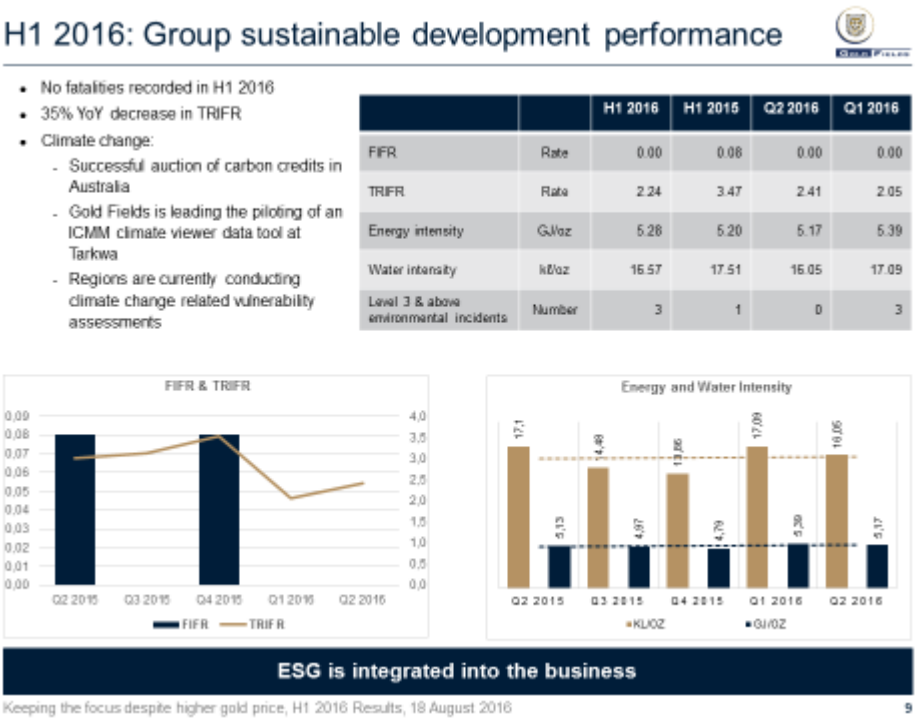
If you look at Cerro Corona our costs today are really lower than what they were three or four years ago. That is a fantastic achievement. So they have absorbed inflation. And also you look at Tarkwa over here. Very low cost. If you look at open pits across the world, it is quite tough to get your costs down to $2.00/t to $2.50/t and we are getting pretty close to that on the predominant open pit operations across our portfolio.



Cash flow. This is another slide you have seen before. This is when Gold Fields went through its evolution when we significantly restructured the company. And then after we had rebased - even though the gold price was going down - we started making good cash over that period. And we have done that again. So that is now a trend that we like and we want to continue that into the future.

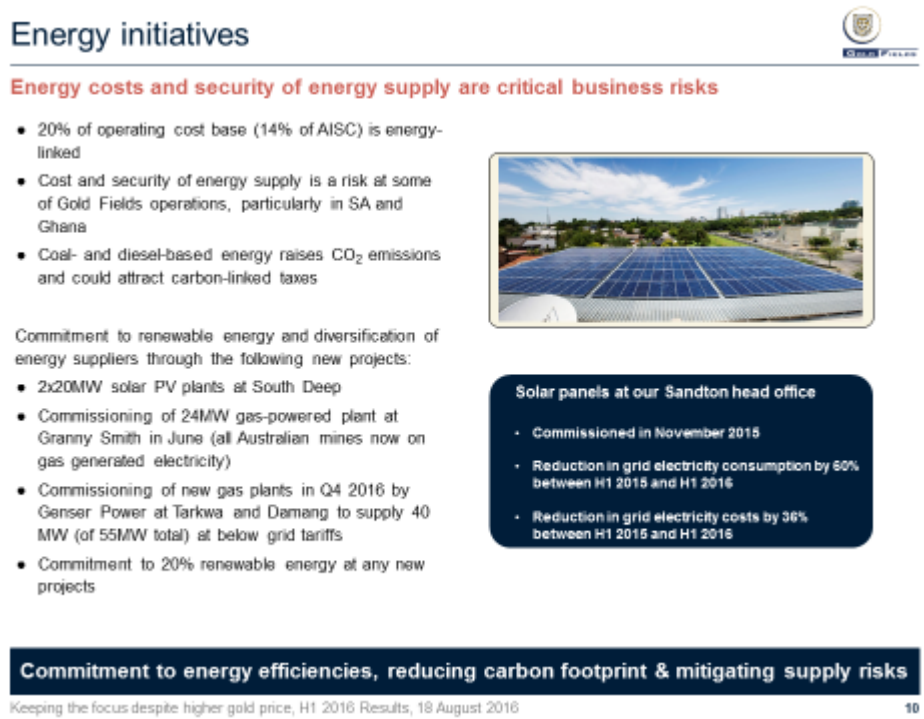


The balance sheet I've talked about. We've got the debt down as I've mentioned to $1.15 billion. We did refinance our debt facility and we managed to get $1.29 billion which certainly exceeded our expectations. Interest rates are similar to what we had before. And now we have been able to push out our maturity schedule so that it looks like this, whereas previously we had a whole bunch maturing in 2017. We've got headroom too. We've got $1 billion plus available, so if we need to spend it , it is there. And I think the covenants are pretty good for us. We will try and keep reducing the debt.



Sustainable development issues are becoming more in focus where shareholders are asking questions not only about the bottom line but the things behind the bottom line. Safety, how we are doing on safety, how we are doing on health? Well, the group has improved its safety record by 35% against the previous year in terms of TRIFR. This is a really good achievement there. We have got to keep going on safety. We have had no fatalities so far this year. Obviously every day is an important safety day. The industry in South Africa has got work to do because we have got 57 fatalities year to date against 46 in the previous year. So that's not where we want to be as an industry, and we are all trying to help each other to do better than that and working with government.

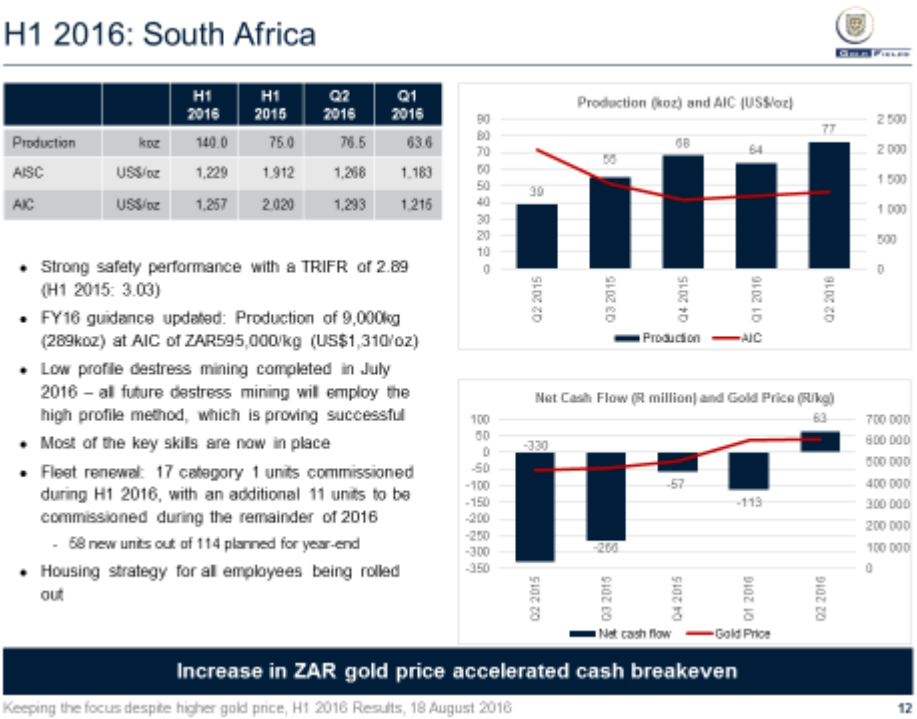
Climate change. We put in a gas-fired station now at Granny Smith. That has been commissioned. And in fact we are able to get some carbon credits which will give us an income of just under $1 million over around about six or seven years. But more importantly we are reducing our carbon footprint. We are looking at other opportunities across the world as well to try and move off thermal coal power, including here in South Africa.



If we look at energy specifically – it accounts for around 25% of our operating costs, so it is a big ticket item. We believe this has the potential to escalate exponentially over the next decade, so we will have to work carefully on this. We know that COP21 has come up with interesting observations about energy sources. So we are looking to see if we can reduce our reliance on that, but also ease the pressure on the grid here in South Africa. We are looking at a solar project at South Deep. We are now at a point where we're in discussions with a preferred bidder. A lot of work to do. The devil is in the detail.

But we hope to be able to give you something tangible by the end of the year as to what we will be able to do on solar at South Deep. Potentially up to 40 megawatts. We have installed capacity there of about 115 megawatts. Obviously you can't use 40 megawatts all the time with solar, but that's a potential project for the future. Also in Ghana we've had quite a lot of problems with reliability of the grid. Unfortunately, the maintenance by the state of the grid has not been good, and we have had a lot of power interruptions which have hurt us in terms of production. So I think the key to get off the grid in Ghana is to secure a better and more stable supply but also to reduce our costs. Again, we should be able to give you an update on that by the end of the year. So two very important projects in two of our four regions to reduce our costs, reduce our reliance on thermal energy and get more security of supply.

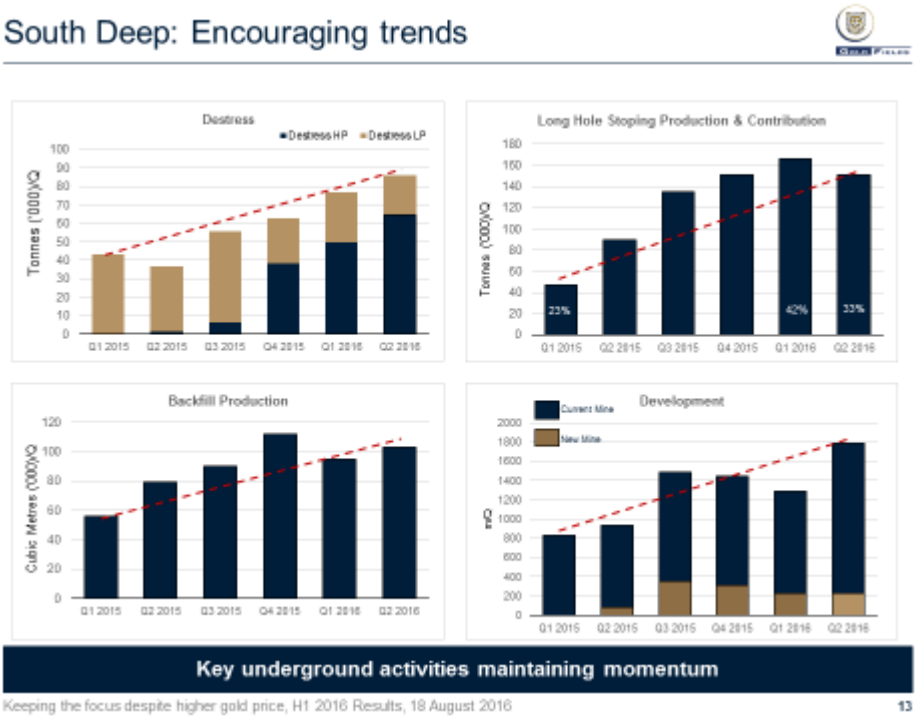
Operational review
GOLD FIELDS



Looking at the operations, at South Deep in South Africa. Well, you can see that the production has improved significantly over the last number of quarters. Our costs have come down. If we look at the half year this time last year we were at $2,000/oz, now we are down to $1,257/oz. So I think that is trending in the right direction. And some people have asked already this morning how have you achieved this. Certainly we have brought in more skills across the operation from senior management all the way down. We have been training our people. We have assessed 90% of our operators. We have started assessing our supervisors. We are assessing the artisans. We have an artisan re-training programme. It is starting to bear fruit. But I think it is going to take two to four years to get our operators and artisans to the level we want. So these are incremental improvements that we're seeing.

From a cash flow perspective we have managed to stop the bleeding and we got into a small positive position in this last quarter which is nice to see. We've got a lot of new fleet that has come in. by the end of the year - about half of the fleet would have been purchased either this year or last year. That is a deliberate attempt to improve both the quality and the actual type of equipment. Because we have stopped low-profile destressing we need to rationalise our equipment. We need to get different equipment in.

But also to be blunt our maintenance has not been great over the last number of years. And fleet that should last four or five years has been lasting three years. I would love to improve that. I would love to tell you we can improve that by tomorrow, but it is not going to happen. It is going to take time. In the meantime we have to keep buying new fleet and try and get the guys to up their game on the maintenance, which is nowhere near the level that we would like it to be at. But nevertheless the trends are positive. So 87% improvement in production this half year against last half year.



Here are some of the leading indicators that I look at in particular with the team, because if you get these right you've got a better chance of sustaining and improving your production. You can see over here the de-stress tonnes were 0% of the total in Q1 2015. Now it is virtually all the tonnes. We would expect that because the high-profile has a bigger aerial coverage than the low-profile so you get more tonnes per metre advanced. And we have stopped all of the low-profile now. We have stopped it earlier than what we thought we would. That is not because we are ahead of schedule. I think some of the geotechnical risks that we were seeing led us to the conclusion that we should actually move to high-profile much quicker.

High-profile has been going now for a year. I don't think we have optimised it anywhere near to the level we want. But the operators like high-profile. We were underground yesterday and talking to some of the operators, and they feel much better now that they can do the entire value chain. Other than the charge-up everything is now fully mechanised using the big double boom jumbos that we are using underground. So they feel much better about it. It's quicker. It's safer. Face shapes are better. The support is being installed better. But obviously we have still got some ways to go in terms of optimising this, and I think that will be a continual improvement over the next number of years.

As you can see the long hole stoping has been increasing. We had a little pullback in the last quarter because we had a couple of falls of ground. We only have seven Simba rigs which do the long holes underground, and unfortunately we lost two of them for a period of time with falls of ground. So we are getting back to that. We are going to address that problem by getting more swing units so that we are not constrained by those particular areas. That is really the meat and potatoes of the operation. You can get between 4,000 and 8,000 tonnes out of a stope whereas a drift or a bench will only give you somewhere between 400 and 800 tonnes in a blast. So you can see that is where the leverage is and always has been at South Deep.

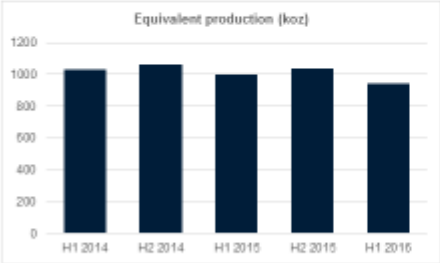
Backfill has been going up nicely. Development has been going up. So we have just got to keep these trends moving along.

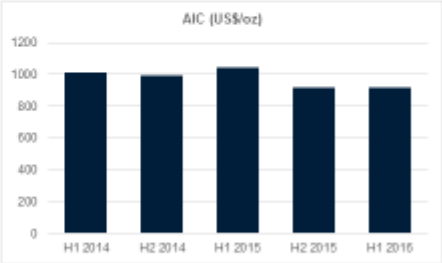
And this is what it looks like now. Remember we have moved to these six corridors or are in the process of moving towards them. That's south, and you can see there are smatterings of low-profile still. We are basically finished that now. We will fill those areas and then mine through it and open up the access to the open stopes over time. So that's going to simplify the entire mining operation as we move forward.

Solid global portfolio

Production and AIC (ex South Deep)

- Attributable production H1 2016: 904koz (Q2 2016: 453koz)
- AIC H1 2016: US$917/oz (Q2 2016: US$949/oz)
- Net cash flow from international operations H1 2016: US$166m (Q2 2016: US$97m)





Healthy cash generation

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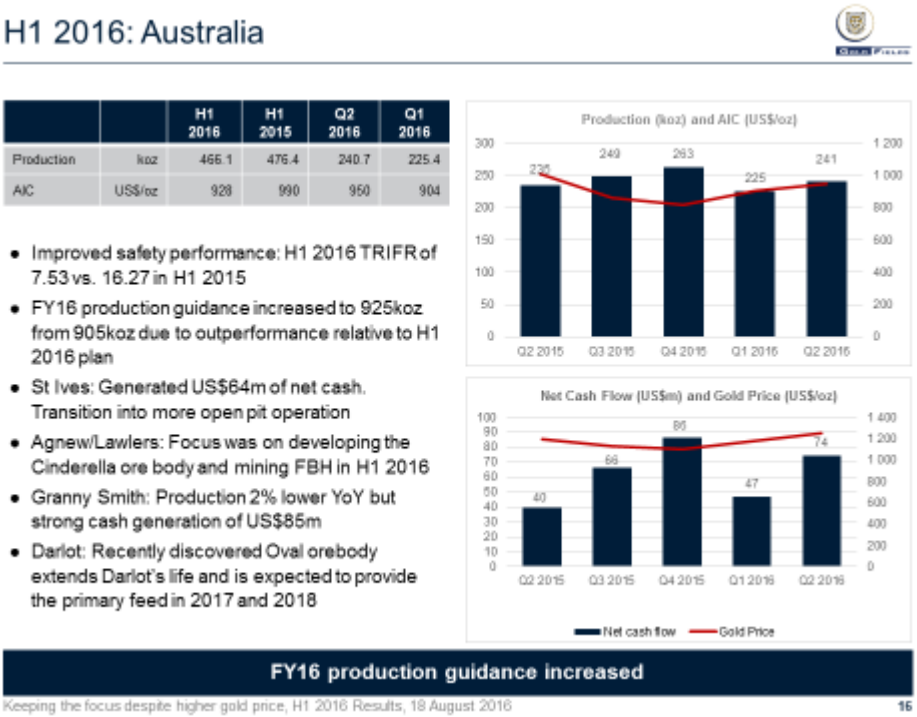
Looking at the international portfolio - believe it or not there is a company beyond South Deep which in the half year has made 904,000 ounces at $917/oz and put $166 million money in the bank. So that's not a bad portfolio to have outside South Africa. And how is it doing per region?



Australia has done 466,000 ounces in the half year. In the quarter we did 240,000 ounces. So we are ahead of where we thought we would be. That is why we have upped the guidance for the year. We have decided that we could probably do about 925,000 ounces instead of the 905,000 ounces that we initially talked about. Safety, I must mention it. Our team has done an amazing job on safety. Our TRIFR has come down to 7.53 from 16.27. And Darlot in particular went 283 days without a reportable injury. And that's an underground operation too. So it can be done. If you get safety right you generally find that the operation performs better as well.

I'm going to talk briefly about the individual operations. Cash flow for the half year, as you have seen was $121 million. Costs are pretty good. The Australian market is pretty buoyant. Obviously we are watching the costs carefully because if the mining industry recovers there may be some pressure on costs. We are not seeing a lot of pressure yet, but that might change in time.

Commitment to exploration investment

	H1 2016 deliverables
Full Year Budget A$93m (4 sites)	Expenditure A$52m (Year to Date)
	Drill metres = 347,456 metres on ground
	Extensive geophysics & modelling – all sites

Delivering growth		
Resource extensions	Granny Smith	Wallaby Z100, 110, 120
	Darlot	CDA Oval
	Agnew	FBH and Kim
	St. Ives	Invincible UG, Invincible South, Retribution
Growth	Granny Smith	Wallaby Z125, 130, 135, 140, 150, Northern Fleet
	Agnew	Waroonga North
	St. Ives	Paleochannels

Exploration programme starting to yield results

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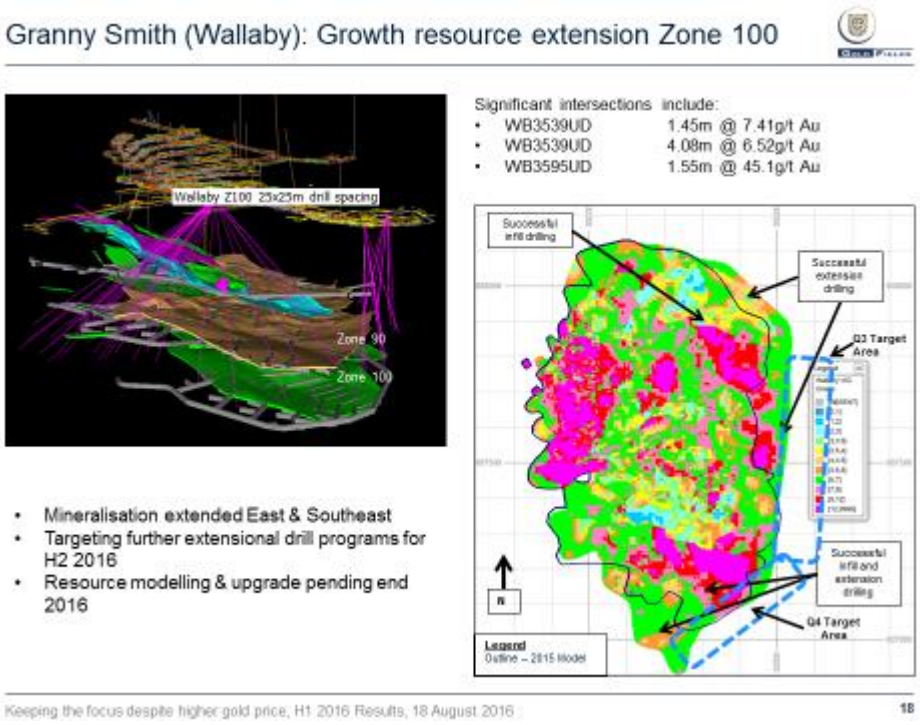
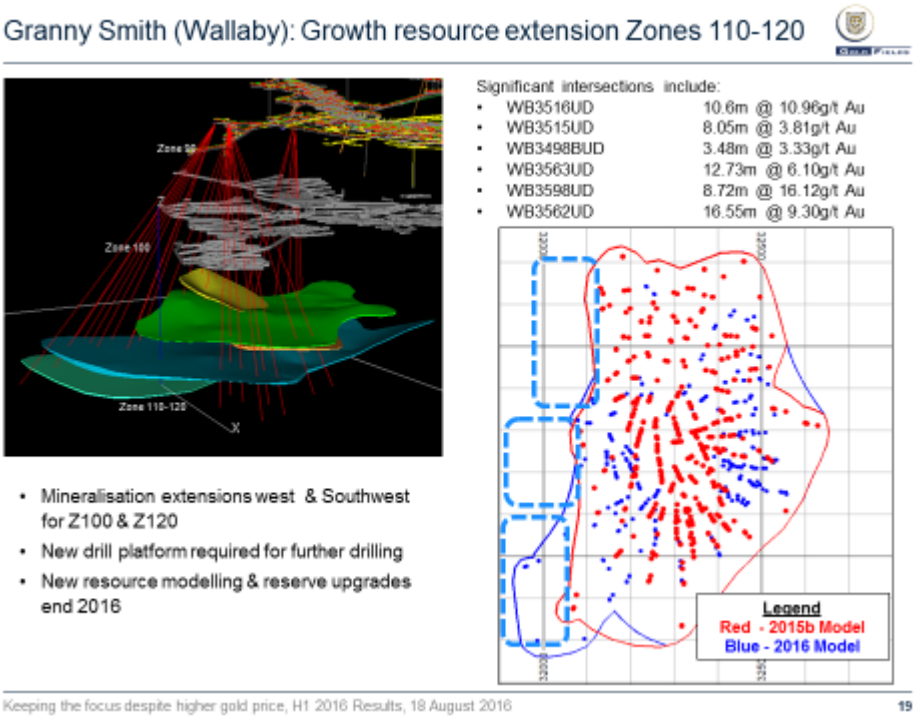
We are spending a lot of time and effort on exploration in Australia given that this is an orogenic system unlike the Wits style orebodies, namely the paleoplacers that have big continuous tracts of mineralised land. We don't have that in Australia. We have clusters, we have discrete ore bodies. A lot of it is under cover and you've got to find it.

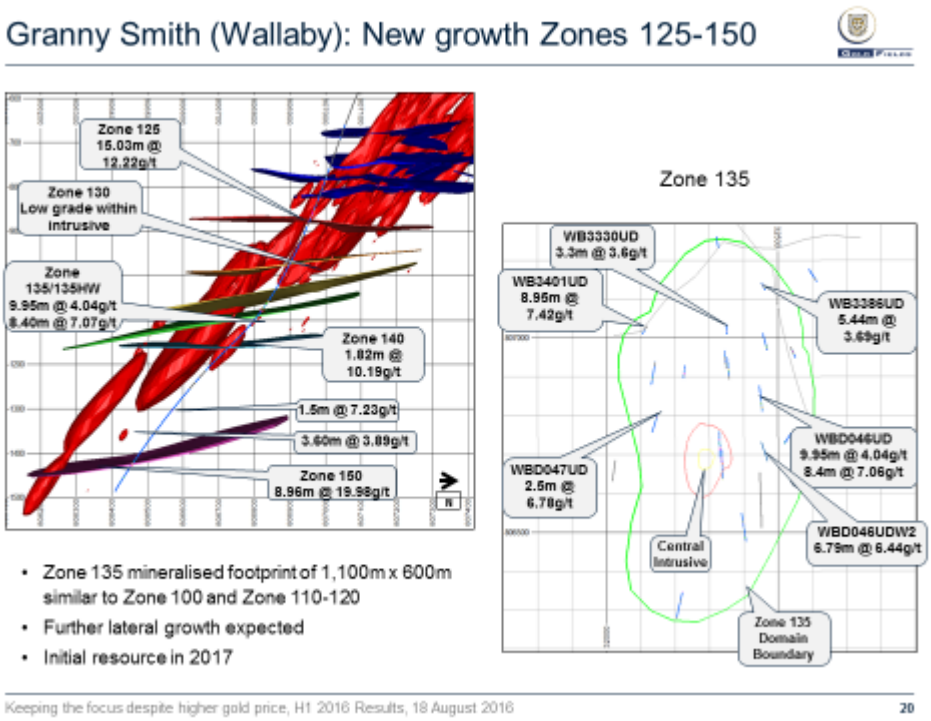
So we are spending a lot of time and effort on drilling. We have got a budget this year of A$93 million. We are about halfway through that. We have had really good success. We are putting metres into the ground so we are spending the money in the right place, and we've got lots of opportunities. Granny Smith in terms of resource extension continues to surprise on the upside. At Darlot we think we have got a new ore source that will carry us through for a couple years that we're firming up on. And in Agnew we are moving away from some of the traditional ore sources which was Kim and Genesis 500. We are moving more into FBH and something called Cinderella. Hopefully Cinderella will prove to be good for us into the future. St Ives is changing. It used to be predominantly underground. Now it is predominantly open pit, so that's a big change. And we are getting really good productivities. We are outperforming at Invincible.



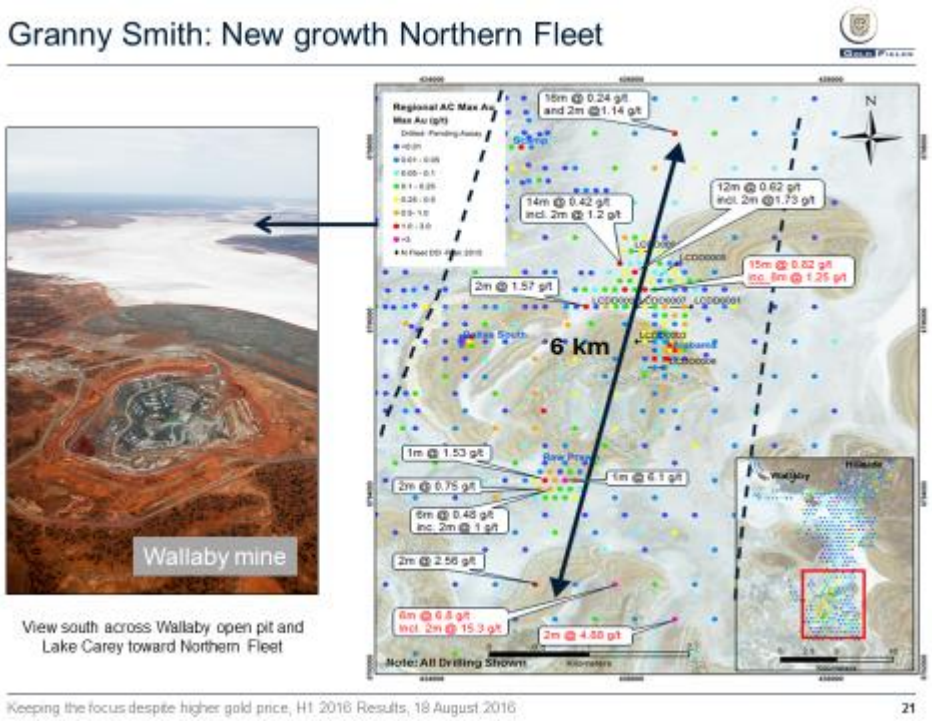
We can talk briefly about some of these. If we look at Granny Smith, zone 100. Just to remind you, at Granny Smith we are mining the Wallaby underground mine and it has a series of gently-dipping parallel lodes. And the centre of gravity for us this year is zone 100. Zone 90 is still there but zone 80 and zone 70 are starting to be completed. And the thing that makes us excited is we're seeing that this particular ore body continues to grow. And we are seeing here extensions to the east and the south-east. And these are the sort of grades that we are getting out of here. Quite spectacular intersections. So this continues to grow. So each of these footprints is about 1km long and about 500m wide. That is an indication as to what we're looking like here. And it is reconciling very well. If we look below zone 100, zone 110 to 120, again a similar kind of issue. We are seeing additions to the south and south-west.



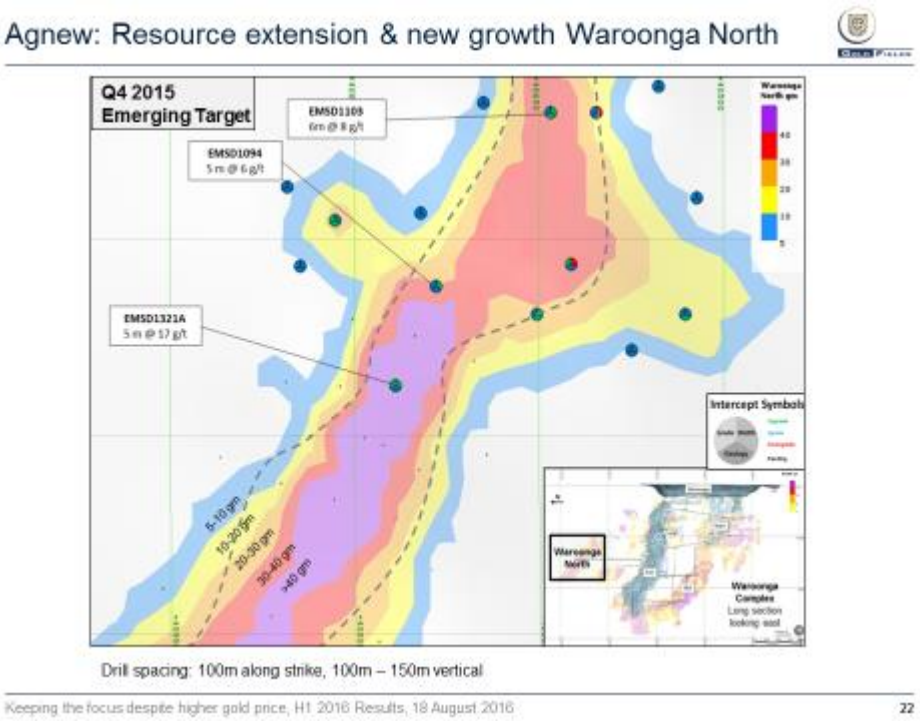
As you can see we are doing more infill drilling over here and extensional drilling that is growing the ore body. I won't go through all of these, but again some pretty speculator intersections that we're seeing there. So again this is getting bigger for us for the future.



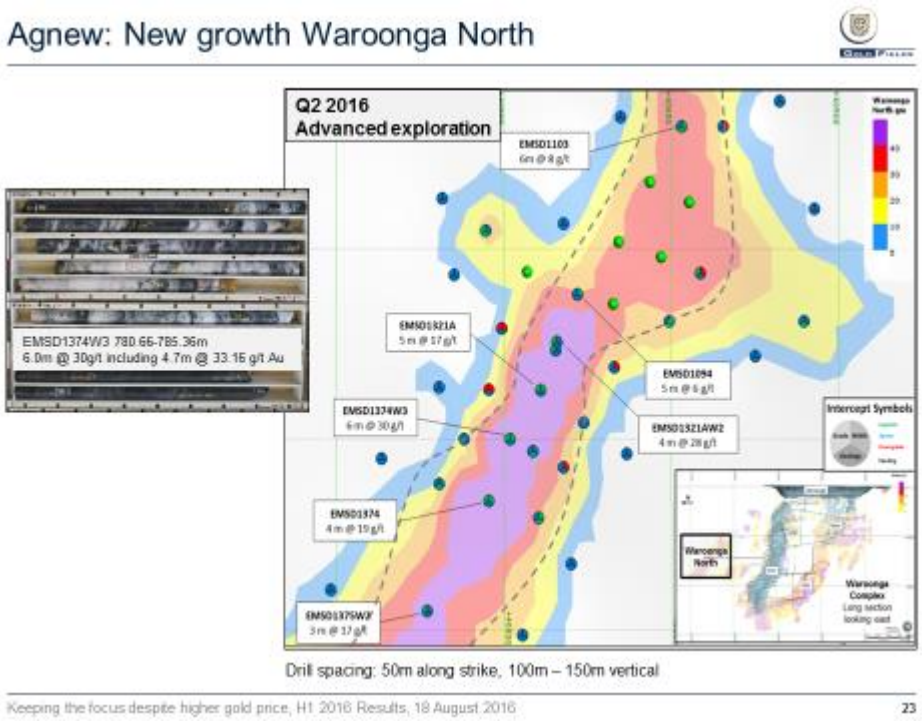
The new zones below that, Zone 125 to Zone 150, what we are seeing with the drilling we are doing is again we are getting this footprint, a replication of the footprint about 1km long and about 500m wide. And we expect more lateral growth to come through. I will leave the drill intersections for you. So this is all stuff for the future at Granny Smith.



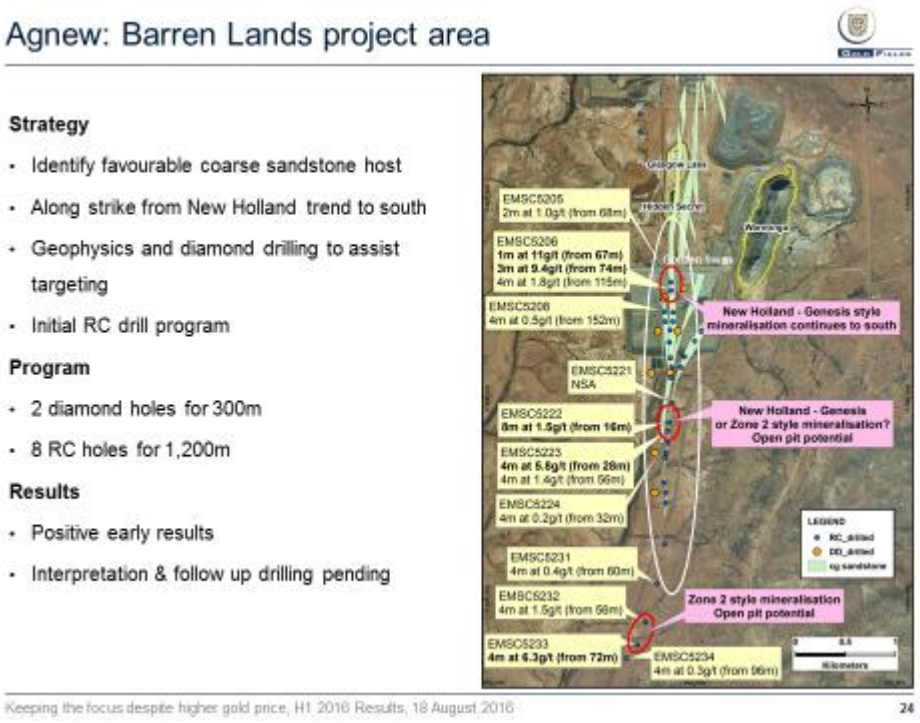
Now, one of the things that we're doing at Granny Smith, given the fact that we're only filling about half of the capacity – the plant can do about 3 million tonnes a year, we are only putting about 1.5 million through – is we are looking beyond. Here is the Wallaby mine over here. That's the old open pit so the portal is in the bottom here. And here is the salt lake, Lake Carey. And we hadn't done much work on that until we bought these mines. So we have started to do some work on it. And there is something called Northern Fleet. You can see it in the distance if you stand there. You've got a 6km anomaly over here with significant intercepts. So that needs more work, but that is one of the most exciting prospects that we have at Granny Smith. So not only are we finding additions at Wallaby, we are finding regional additions across the tenement package. So we will continue working on that.



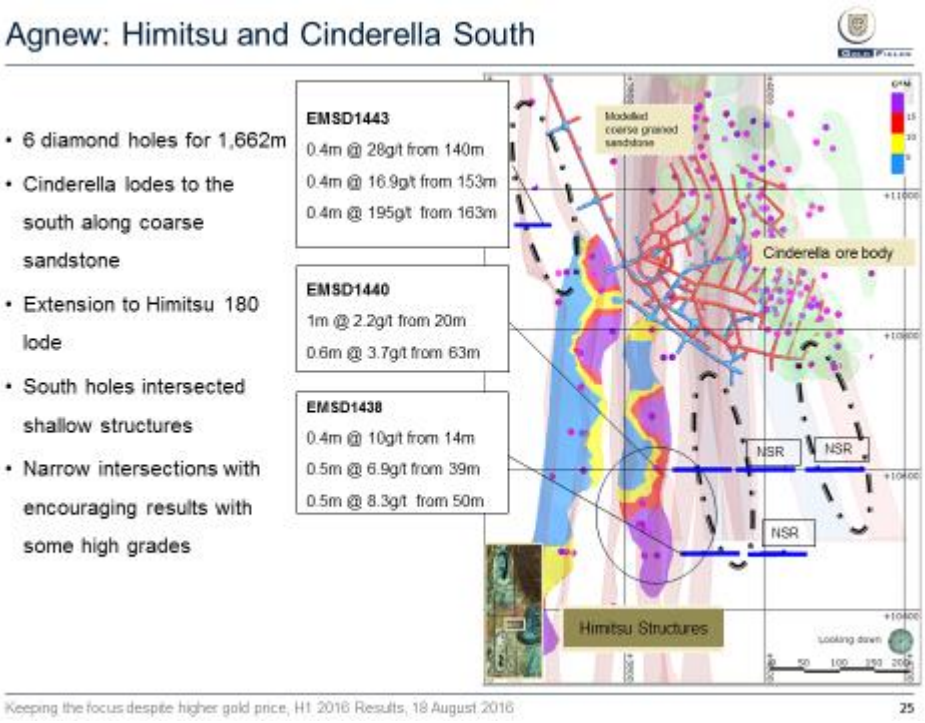
Here is another good story at Agnew. We had something called Waroonga North. That's Kim over there. And this is in a sheer zone which is parallel to Kim. Most of Kim is mined out. We are down over here now. And we thought this might be a replica of Kim. This is some of the initial drill results we had in Waroonga North in Q4 2015. Not much as you can see. And then we have updated that. In Q2 2016 more drill holes, and they are all looking pretty good.



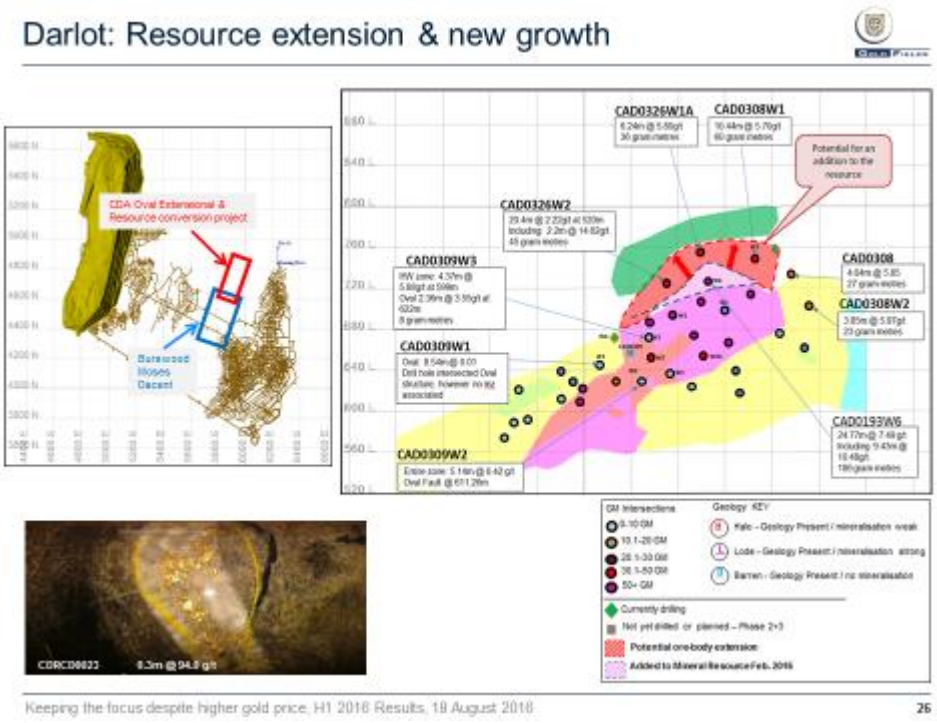
So all of these intercepts are excellent. One diamond drill hole over here, 6m at 30g and within that, which is that hole over there, 4.7m at 33g. Now, what we are doing to fast-track this is do an exploration drive across from Kim – it is only a few hundred metres – into this area and then we are going to generate some drill cuddies and then do some really focussed underground drilling to tighten this up. And that is going to happen in the second half of this year. So if all goes well this could be a potential new ore source.



Again like Granny Smith we are not just looking in the areas we are mining on the Agnew tenement. We are looking beyond the areas we are mining into the lease itself. We've got this area called Barren Lands which is really this circle here below Hidden Secret. Hidden Secret is on the extremity of the New Holland operation. And we have done some initial drill results which also look very good. And there is potential here for open pits as well as some underground targets. So I think it just shows you that if you work these leases, if you spend time and effort on exploration, like the last 30 years you will get good results again into the future. So that's a big focus for the rest of this year and obviously into next year.



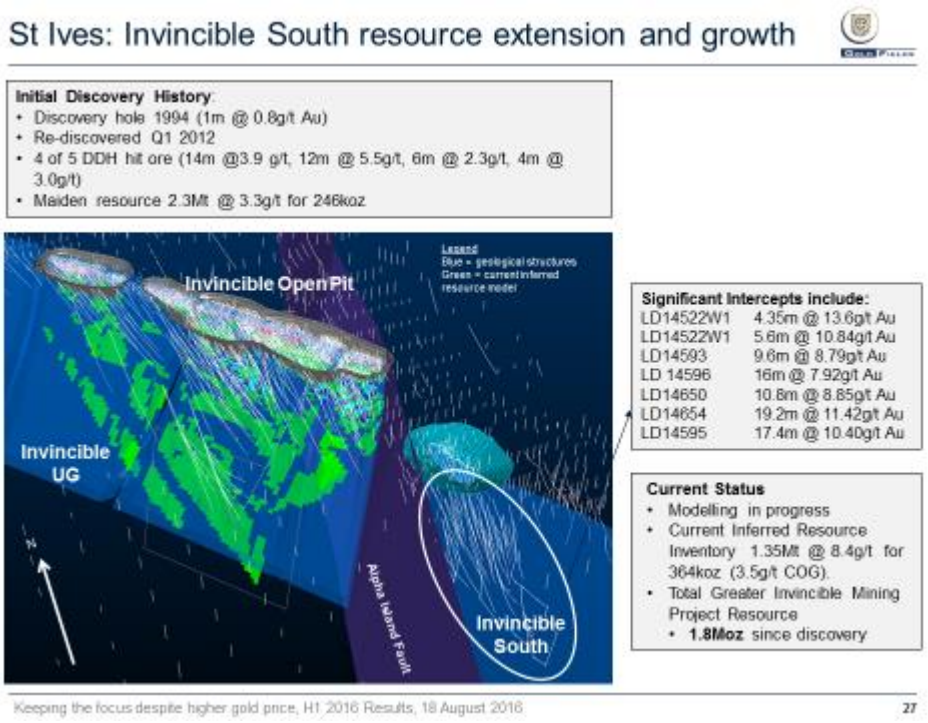
I talked about Cinderella which is becoming the main ore source now at New Holland, part of Agnew. You can see it over here. What is interesting is we're hoping that Cinderella will extend into something called Himitsu, which is basically very close. The development drives could just be extended into it. We have done some initial drilling again. Although the intersections are fairly narrow the grades are pretty good. So there is certainly enough smoke here for us to continue our work and hopefully there will be an extension of Agnew. I can't guarantee it, but something for the future.



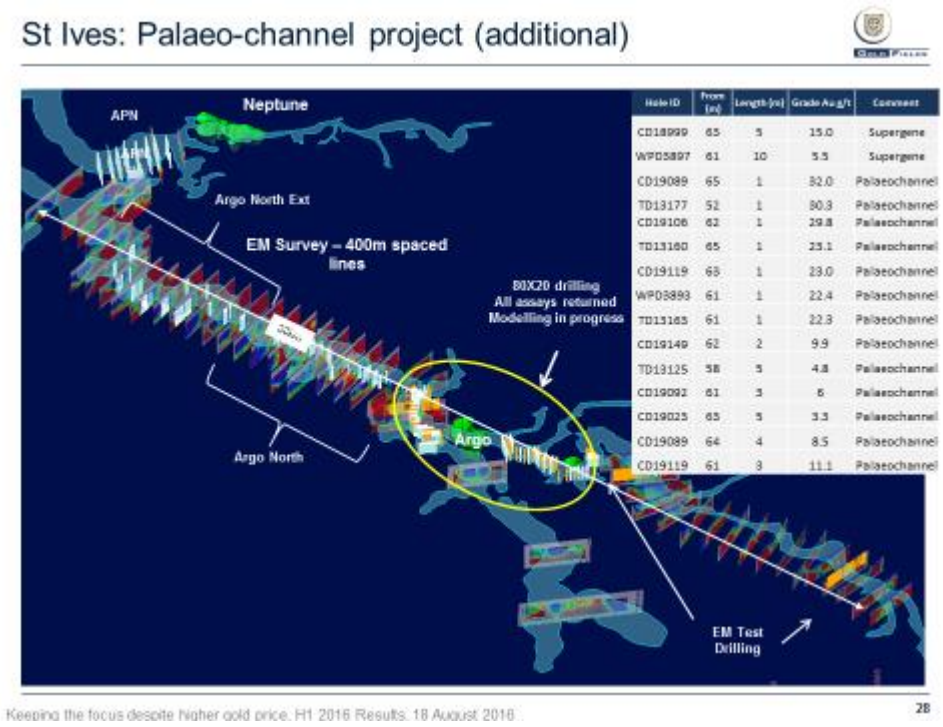
Now, we talked about Darlot in the analyst discussion earlier. Here is Oval which is going to be the centre of gravity in 2017 and beyond. We are in Lords South Lower which is over here, so again it is very close. We have got some good drill results in Burswood and in Oval. You can see some of them over here. And we are starting to develop into Oval now because we want to get that into production in the early part of next year.

A little bit of early marketing in the photo on the screen. It is always nice to put up visible gold. 0.3g at 94g per ton, three ounces. We would love to get more of that. But that's an indication that there is some good stuff down there still.

You know when we bought Darlot back in September 2013 we only had a mine plan of about four months. So three years later we are still going. We are making money. We are investing into exploration. I think if you spend the time and the effort on these things they will be good to you.

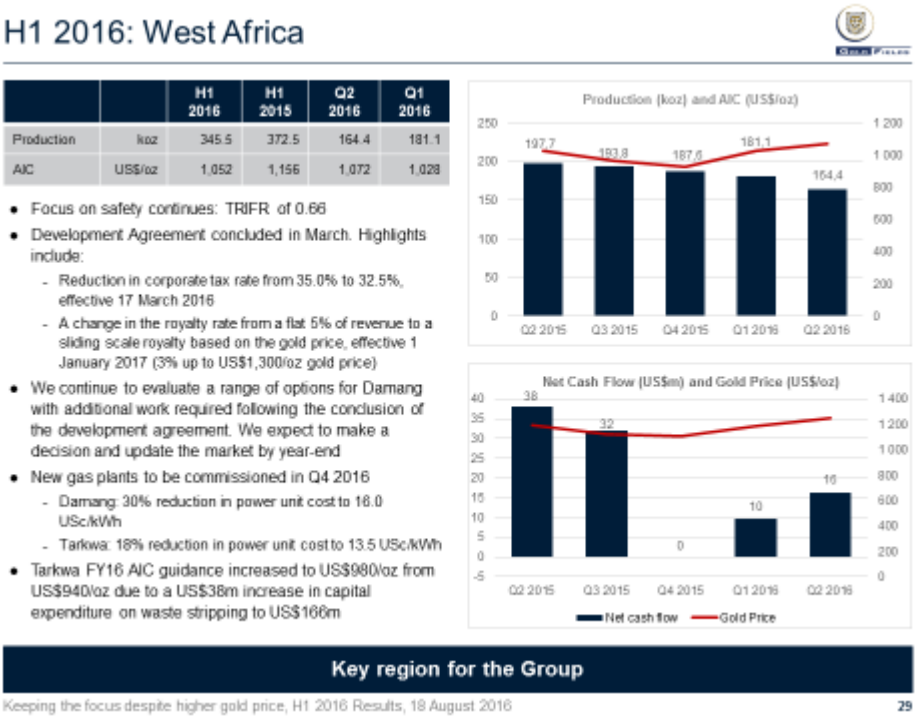


At St Ives on the Speedway Trend, which goes across Lake Lefroy, we have got something called Invincible South which looks like it is going to be an underground mine. Here is the Invincible Pit I talked about, the five stages over here. That is performing exceptionally well. Here is the underground over here that we will graduate to over time. And here is Invincible South. Good drill results. This looks again like this will be a potential ore body for the future at St Ives.



The one thing we haven't talked about much is the paleochannel projects. Now, these are essentially old riverbeds, some of which may have been transported in. Some of the sandy material may have been transported in. But there is supergene material which is indicative that it actually is localised. So it is a mixture of stuff that has been transported in and stuff that is there. We have got 30km that we're looking at over here. And we have done some electromag surveys where we have identified where the paleochannels are. 400m lines. And now we are starting to drill across the area.

Now, Argo is a project we did mine in the past. And also as you know Neptune stage one we mined last year. We are now developing into stages two to five as we speak. So we are looking at the potential for a paleochannel project to add to St Ives. Here are some of the intercepts that we've got already. Again there is more than enough interest here for us to keep going. So this could be a very significant contributor to St Ives over time. 30km of anomaly is a lot to get through. It is going to take some time.

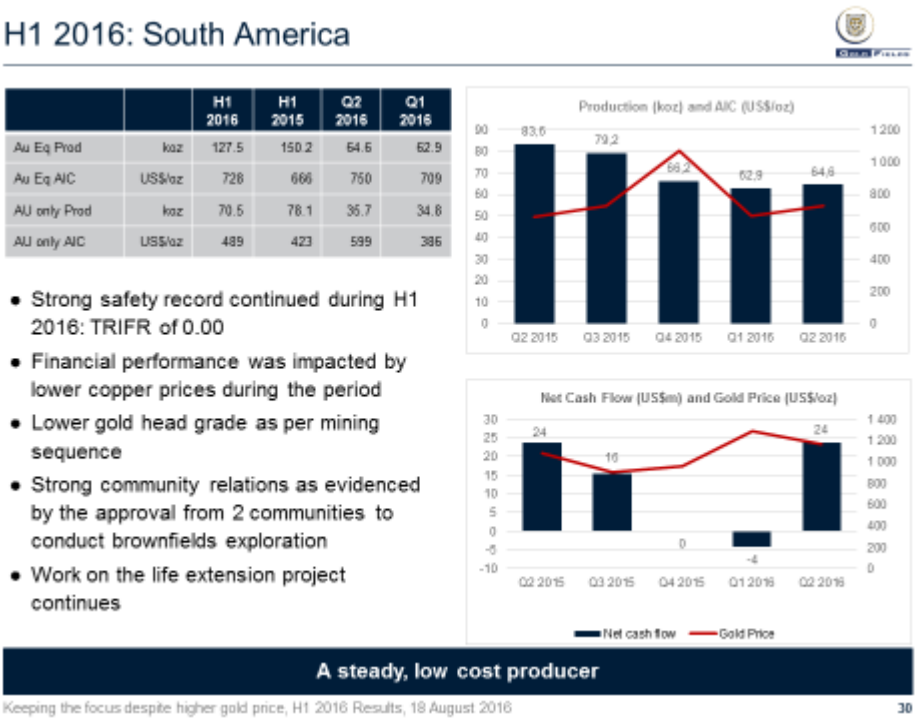


Moving to West Africa, I think a solid performance. We are pretty much in line with our guidance again. 164,000 ounces for the quarter, slightly down on last year. Last year was a stellar year for Tarkwa. We did 580,000 ounces. We knew we couldn't repeat that. We are down to about 560,000 ounces which is what we pretty much expect to do.

Damang is in a state of transition where we expect to do about 150,000 ounces this year. But we are really now only mining Amoanda as the principle ore source and we are processing low-grade stockpiles. We have got quite a lot of low-grade stockpiles of about 1g/t. We are putting those through the plant. So we have to make an urgent decision now on the recapitalisation of Damang.

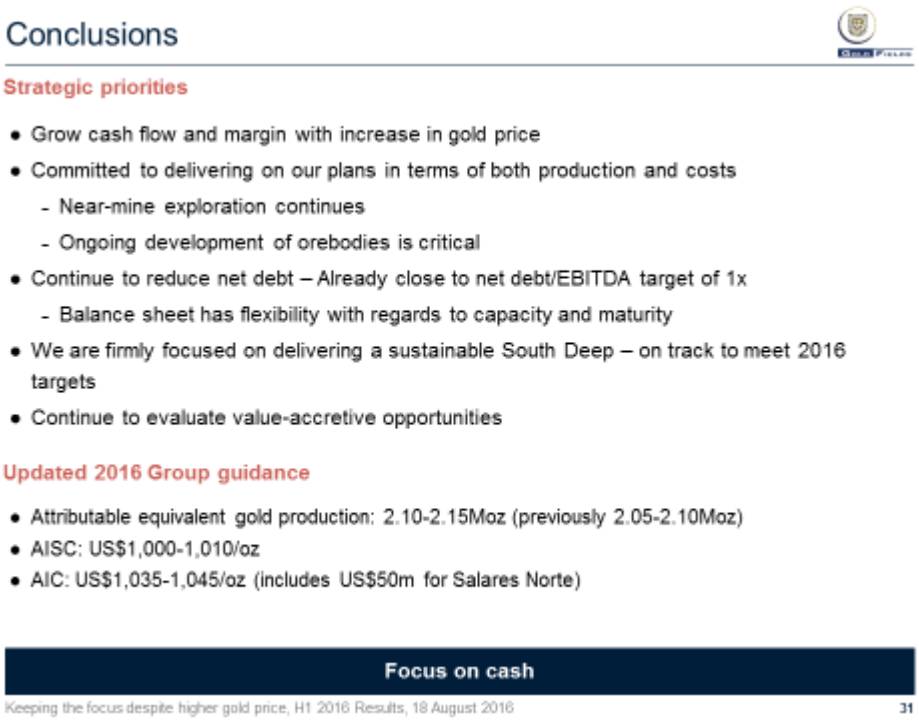
We have 6Moz in resource at over 2.5g/t. Most of that sits below the original Damang pit that we mined very successfully for ten years. We stopped that in 2013. And we are now running almost a feasibility level type project. It has taken a bit longer than we would like, but we want to do it right. We don't want to do it quick. I would think we would be able to between now and December come back to you and tell you what we are going to do on Damang. But I feel quite positive about the opportunity here for us to do a pushback at the original Damang pit and get into that really good higher grade 2g/t material that we mined and made a lot of money out of over ten years. Much more uniform resource blocks. Easier to mine, unlike the peripheries to Damang and some of the satellite pits which have proved to be quite difficult for us. So quite a lot of opportunity there too.

I talked about the gas plants at both of our mines. We are going to be moving off the grid hopefully before the end of the year in Ghana which will certainly reduce our costs as you can see by around 30% at Damang and 18% at Tarkwa. We have got our development agreement which we have put in place. We are not getting the lower royalties yet. That will kick in next year. But we are getting the rebate on some of our imported equipment and diesel and of course we are getting the lower tax rate as well. So these benefits are not fully felt yet. It will take some time for them all to flow through.



In South America we have a great safety record. No reportables at all in the first six months of the year. Like Darlot, that did 283 days with no reportable injury, Cerro Corona had no reportables in the first six months of the year. The operation is doing what they should be doing. I think they have been hurt by the copper price when you look at the gold equivalents. We do a bit of alchemy here. We convert the copper to gold and we report it as gold equivalent. Of course if the copper price goes down relative to the gold price, which has been going up, it obviously dilutes your ounces. So you can look at this either way. If you want to do it on an all gold basis then we did 70,000 ounces at all-in costs of $489/oz or 127,000 ounces at $728/oz.

We are also looking at life extention here. We have eight years left. We are looking at the potential to access most of the resources if we can, which is up to another eight years through providing additional tails capacity, waste capacity etc. So we continue to look at a project to find life extension. In addition, we are looking beyond the lease. We are looking for brownfields opportunities outside of Cerro Corona. We see a number of potential porphyry analogues similar to Cerro Corona. So we are going to be starting some exploration work on that. We have got some good deals with the community now. I think we have put the right platform in place.



So in conclusion - as we have said before we need to make hay while the sun shines. So when the gold price has gone up like it has we need to make it count and deliver it to the bottom line. That is what we are trying to do, and we will continue to do that over the balance of the year and beyond.

We are obviously committed to delivering on our plans both in terms of production and costs. And what I would like to be able to report by the end of the year is to say it has been the fourth year in a row that we've met our production targets and the fourth year in a row that we've exceeded our cost targets. That is what we are looking to do by the end of 2016.

Our balance sheet I think has improved significantly from where we were. And again I think the industry has got to take a hard look at itself and figure out how should we finance ourselves in the future, because if gold does pull back we don't want to be in a difficult position of course.

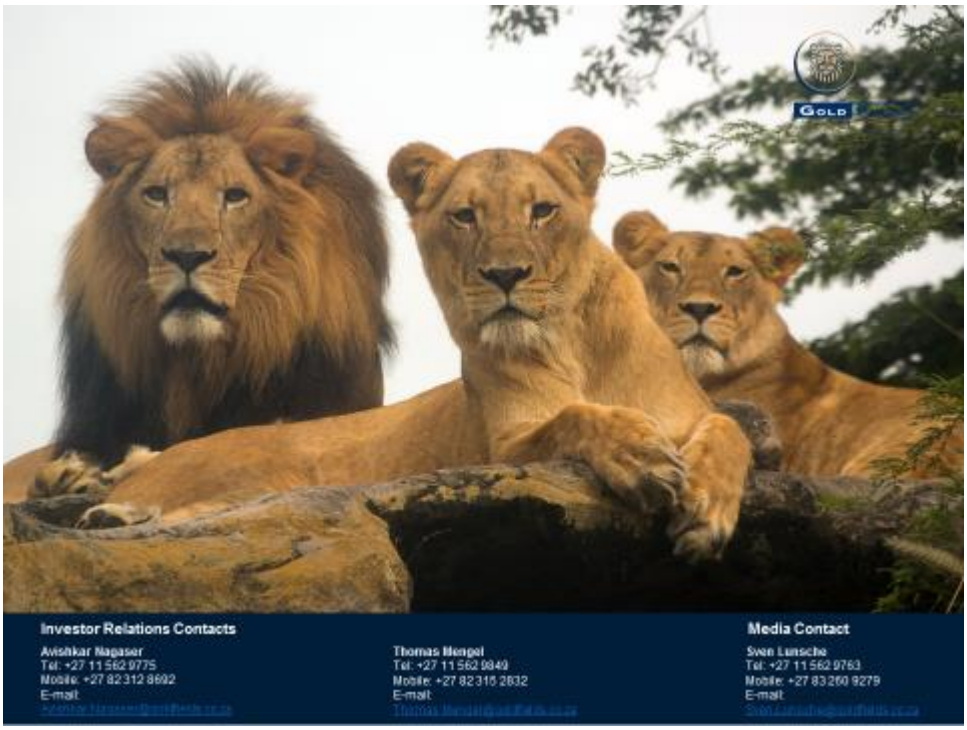
South Deep of course is key. We have got to continue the work. We are not finished. There are a lot of things still to do. I think Nico Muller and the team have done a great job to date, but it is work in progress. We can't claim victory. There are still three or four years of hard work. But the trends are positive. And as we mentioned in February 2017 we intend to give you an update as to what we see South Deep achieving as steady state production and cost. I know that a lot of people are anxious to get that. We are anxious to give it to you. But not before we are ready. I think we will be ready to do that by February.

So our guidance for the year then has been upped to the 2.10 million - 2.15 million ounce range attributable. That is up 50,000 ounces. Costs are similar to what we have indicated before. I think the important thing I will say on costs and on capital, is that it's critical that gold companies spend stay in business capital for the future. And one of the alarming trends that we are seeing, if you look at the ratio of stay in business capital to operating costs it has come down a lot over the last few years.

And we are determined to make sure that we invest not just for today but for tomorrow. And in fact that's why we have increased our capital. We are putting more into strip now in Ghana. We are putting more into South Deep to make sure we can sustain and improve our production. But that is going to be key. Look at the quality of the earnings that people are reporting. Look at the quality of

their costs. Are they spending for the future or are they just trying to survive for today?

Thank you very much for your time.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QUESTIONS AND ANSWERS:

Leroy Mnguni – RMB Morgan Stanley

Hi. It's Leroy from RMB Morgan Stanley. I've got three questions please. The first one, a lot of your performance at South Deep is linked to better grades. How long can we expect them to remain at that level? My second question, with all the work that you've been doing in exploration in Australia are there any positive contributions that you expect to come through at the end of the year to your reserves there? And could you also just give us an update on your acquisition ambitions? Where are you looking and how are those going, and also how are you considering funding them if you do find something? Thank you.

Nick Holland – CEO

Well I will deal with your third question because the answer is going to be quite short. We are looking around. There is nothing to say today. We would like to get stuff in production. That has proven to be quite difficult because everybody else is out there looking. So acquisitions would be nice, but it is not going to be the strategy which makes us or breaks us. So if we can do acquisitions, great. We did a great deal in Australia three years ago. To emulate that would be difficult because we got our payback in two years. But we are still looking around. But it's not easy. If we have got something to say we will say it. And obviously how we fund it will be linked to that at the time. Maybe I will just ask Richard and Stuart if they want to say something briefly about the ambitions in exploration and where you hope to get to by the end of the year.

Stuart Matthews – VP Operations Australia

All I can say is the work and the exploration front in Australia is going very well. We indicated here in Nick's presentation that we're doing very well in defining new projects on all our sites. Most positive is St Ives. St Ives is looking very good. We can see emerging projects. The Invincible South we are working very hard to have an initial reserve statement on that come the end of the year. There has been a lot of infill drilling happening and is still happening now. And Granny Smith is on target to probably deliver at least what they did last year, which will be significant uplift. We are working hard on CDO Oval at Darlot. That is looking very positive as well. Agnew is probably the most challenged but some really good emerging targets once we've stopped away from our ore bodies that we are immediately mining now. So it is looking very positive.

Nick Holland – CEO

On the first question I will ask Nico to respond.

Nico Muller – EVP South Africa

Thank you. I just want to add that a significant part of the gold increase has also been due to volume improvements. Our tonnes milled increased by 50% compared to the previous half year. We do expect our grades to oscillate around 5.5g per ton for the rest of this year at least.

Yatish Chowthee – Macquarie

Hi it's Yatish Chowthee from Macquarie. Just a question on Granny Smith. Given the depth of the ore body any further colour on the feasibility studies on the ventilation shaft and what sort of capex requirements would you need for the execution there? And furthermore what sort of hoisting constraints would you have at Granny Smith given that you need to migrate to deeper mining?

Nick Holland – CEO

I will ask Stuart again if he would like to comment.

Stuart Matthews – VP Operations Australia

Granny Smith at the moment is mining around 900m to 1,000m deep. We are committed on some major ventilation capital this year and next year. There are three major ventilation shafts. One of them has the capability to be a haulage shaft. But at the moment we see we can sustain that mine for its life of mine right now by just haulage from the decline.

Yatish Chowthee – Macquarie

Approximately how much in terms of capital that was put aside?

Stuart Matthews – VP Operations Australia

The capital on the ventilation will be around the $20 million mark over two years.

Yatish Chowthee – Macquarie

Thank you.

Brendan Ryan – Miningmx

Hi. Brendan Ryan, Miningmx. You talk about the rising grade at South Deep, but your numbers on page 18 don't show that. They show a steady drop in yield over the last 18 months, 4.2g down to 4g per ton. How do you explain that?

Nick Holland – CEO

So that is the underground yield combined with surface tails. If you disaggregate the surface you will get back to the numbers that Nico is talking about. On that schedule we show underground, surface and combined. I think you are looking at the combined, Brendan.

Brendan Ryan – Miningmx

Thank you.

Johan Steyn – Citi

Hi guys. It's Johan Steyn from Citi. Nick. I agree with you that most of the industry has spent insufficient capex over the last four years. How comfortable are you that you've spent sufficient amounts? I know you speak about you're going to increase capex now. But over the past two to three years your capital spend has been very close to or below your DNA charge.

Nick Holland – CEO

Certainly when we do the budget for 2017 we are going to look very carefully at our capital, and where we need to spend additional capital we will. I think in Australia if we get some of these projects into potential mines obviously we have pushbacks, we have development, and we will have to put some of that in. I think you have seen this year at St Ives we are spending quite a lot of capital on Neptune pre-strip and of course continuing to deepen Invincible. So I think there will be potential for additional capital coming down the road. But the way we look at it is, is it a good spend? Is it worth spending the money? Are we going to get a return on it? I think in the past our capital allocation discipline as an industry – and we're part of that – has not been as good as it should have been. So we are tightening that up. Where we do have to spend additional capital we will make sure that we get a return on that, and it is not just to fill a production profile. We are not afraid to drop the profile if we have to, as opposed to just spending money to keep the profile up there. I think there is potential for us to spend more capital in the future. Absolutely.

Johan Steyn – Citi

Can you perhaps give an indication of how you expect your capital profile to change this year into next perhaps?

Nick Holland – CEO

It is quite difficult to give you resolution on those numbers now, Johan, because obviously we have done a five-year rolling strat plan. But we need to crystallise that into an ops plan, which we are now starting to do. So I would prefer to kick the touch if you don't mind. Suffice to say that there is the potential for us to spend more across most of the mines. Certainly Damang if we're going to do the pushback we're going to spend more capital as well. It is going to get right up there. At South Deep there is potential too for us to spend more capital as we start developing deeper into the mine. We look for the future. Depending on exploration success in Australia we will spend more money as well. I think Tarkwa is pretty steady now. It is just a question of replacing the fleet from time to time and doing the ongoing stip. But we have to spend money to make sure we're here in three or five years' time. That's a requirement.

Johan Steyn – Citi

Thank you.

Leon Esterhuizen – Nedbank

Hi nick. Leon Esterhuizen, Nedbank. I just want to touch on South Deep quickly. I think it is a bit disappointing to me that the results weren't stronger. But if I look at the fact that you didn't have long hole tonnes to the extent that you had the previous quarter and you jacked up the capital to that extent I think the asset could have performed a hell of a lot stronger. I think you probably could have been below $1,000 per ounce all-in cost. My question is I'm finding it difficult to judge the capital at this operation. I was thinking that capital should be coming down now, now that you've ramped up and getting your volumes up. And I don't really understand why capital is up that strong, first of all. Secondly, I also want to know from you if you look at the chart it looks like gold price is going up and there goes the cost. Let's spend more capital. I hear you that the margin is increasing slightly. But I don't think we want to see that trend continuing. Your comments.

Nick Holland – CEO

I'm going to ask Nico to have a go at trying to answer your question on South Deep.

Nico Muller – EVP South Africa

I'm not sure what your disappointment is, overall or just relating to capital specifically. But maybe to address the capital issue, we did increase our spend during the first half of this year for vehicle fleet specifically and a change in the housing strategy. Those were two parts. I'm not expecting the capital profile top reduce significantly over the next year or two. We've got significant investment to do on our refrigeration and ventilation infrastructure. And I think as far as the overall performance is concerned our gold production has increased by 87% compared to the first half of last year. We are all ambitious and we want to continue then improvement and even accelerate that. But there are so many basic elements of the business that we have to make sure that we address so that when we start ramping up it is a sustainable improvement and we don't have a short-term improvement just to be disappointed again after that.

Leon Esterhuizen – Nedbank

The disappointment is actually I'm saying it could have been a hell of a lot better. The results are much stronger than what the numbers are actually suggesting if you add in more long hole tonnes etc. But I thought for instance that refrigeration is an issue that has been solved, that has been built and you're not spending a lot of capital on refrigeration for instance. So I don't really understand why refrigeration is taking a lot of capital now. The mine is effectively built, right? What capital is going into refrigeration at this point in time?

Nico Muller – EVP South Africa

I don't want to get into all the details. You are correct. We have capitalised the majority of the mine, the infrastructure is there, but there is also some infrastructure that has been there for quite a while. I think we have spoken previously about the quality of maintenance and upkeep over the last number of years. And there is quite a bit of rehabilitation that has to happen in many parts. The winders, the shafts and refrigeration. So I'm not expecting a significant drop in capital expenditure over the next year or two.

Leon Esterhuizen – Nedbank

Okay. So even though we have built the mine for larger volumes than what you are treating now, already built for larger volumes, we are now replacing some of the stuff that was built for larger volumes even though you're doing lesser volumes. I don't want to sound cynical. It's just that I don't understand. The capital should be coming down. The mine has been built. And you're telling us it's going to go up.

Paul Schmidt – CFO

Leon, I think we guided R1.1 billion for this year. We have upped it now to R1.3 billion. The R200 million difference we explained if you were at the analyst session earlier. There is R130 million for the additional fleet which is reflected in the higher tonnes. Plus we added another circa R70 million for a change in the housing strategy where we thought at one stage we were going to get someone to build the houses and we would rent. Now we've worked it out that it is cheaper for us to actually build it. So the capital is still around R1.3 billion which is significantly lower than in the past. So the capital has come down from the R2 billion or R2.3 billion we saw three years ago. It is coming down. And we are saying R1.3 billion in today's money is where the capital will be for South Deep. So it is coming down. It is not going up. Again you may be comparing quarter to quarter. Remember for the whole of the Gold Fields operations the first quarter is always very slow for the guys to spend their capital. They normally pick it up in quarter two. But normally they will meet their capital guidance for the year. The only place that we've increased is Tarkwa. Because of the benefits of the DA. We decided to put additional strip in. and at South Deep for the R200 million that I've explained that we've put in this year for good reasons.

Nick Holland – CEO

So also bear in mind, Leon, that the main shaft has been around now for quite a while. So there are going to be things that need to be refurbished. Things need to be replaced, and the cost of replacing them has gone up. There is going to be this issue as we continue to keep the entire footprint in shape for 50 years. This is not a mine that has got five or ten years to go where you can stint on the capital. This is a hopefully 50 year plus mine. We have to keep all of the equipment in good shape. So you remember capital was way up there when we were building this project, R2 billion as Paul said. So it has come down. But if you think it is going to come down to below where we are now, I don't think you should take that away. It is probably going to be more or less the level we are now. Although fleet won't recur next quarter there are going to be other things that we have to do. You know we have got to put crushers in the new mine. We have got to put conveyers in. We have got to build a new workshop down the road. Remember 100 level workshop? That has got to come down the road. So all of these things are ahead of us. But we have got the basic infrastructure, the basic footprint in place.

Ian Cruickshanks – Institute for Race Relations

Ian Cruickshanks, Institute of Race Relations. You mentioned that the supply and cost of electricity is a major risk particularly in South Africa. With Eskom recently having said that they are reluctant to feed more of renewable sources into their grid because they can't be sure of the 24/7 supply is this going to have another… Is this going to jack up the costs on your side because you will either have to build it yourself or just suffer and pay whatever Eskom demands? That sound like a nasty corner to be in. can you comment please?

Nick Holland – CEO

Look, we are concerned not so much about the continuity of supply in South Africa. We are more concerned now about the cost. I think the continuity concerns have now abated somewhat, but the cost is still an issue. And we all know that Eskom has been asking for higher increases than what has been granted by NERSA. If you extrapolate 15% a year increases that would mean that you double your electricity cost every four years. So that is a worry to us. So it is a risk that impacts the entire industry. I don't have an answer for you today. We're not going to suddenly get off Eskom. 100 megawatts is a lot of power, so I think Eskom is going to be a supplier to us for the long term. But why we're moving to the solar project is to try and diversify our sources, maybe reduce the cost over time. But Eskom has got to figure out how they are going to make affordable power available to industry at large otherwise it is going to be a handbrake to industry.

Paul Schmidt – CFO

Ian, the Minister of Finance did come out a week later and said Eskom doesn't decide on strategy. It is imperative for the country that we get into renewables. So I don't think that whole thing has been resolved. Government has got a different view to Eskom at the moment. It is about renewables.

Ian Cruickshanks – Institute for Race Relations

Just a question there. With the Eskom supply having looked a lot better in the last year, basically it has only been because demand has been so much less, if we go to a level where the economy gets back to a reasonable rate of growth instead of stuck where it is on zero, do you think will that not make a far increased risk to the supply side because there is so much on a balancing level there?

Paul Schmidt – CFO

I think you need to understand that obviously they have got Medupi and Khuseleka all coming on line. You're right. A lot of it depends on the demand side. But I think they are also increasing their supply side over the next four years. They have got a plan to deliver more into the grid. But we have done the solar as a starting point to protect us as a small degree. As Nick said it is 40 megawatts. Most probably we can only draw 20 megawatts at a given time because of night time and daylight. But it is a small step for us to start against the risk of Eskom not being able to supply. But I don't see it a problem in the next four to five years. I think they will have adequate supply.

Nick Holland – CEO

But I think also if we are going to see a big growth in the economy then there are going to be turnkey solutions on power that are going to be outside the grid. You cannot rely on Eskom to provide new power for new projects. Bear in mind a lot of the units are midlife and beyond. Some of them have to be decommissioned. So I think you are going to find turnkey solutions. Business will find a way as it always does.

Avishkar Nagaser – Investor Relations

Okay, last question here if there are any.

Male speaker

Can we just check if there are any questions on the conference call?

Operator

There are no questions from the conference call at this stage.

Leon Esterhuizen – Nedbank

Sorry, just remind me please, Nick. You had a strategy of I think 20% return at $1,100 or something like that. Is that what you were aiming for? Just remind me again.

Nick Holland – CEO

15% at $1,300.

Paul Schmidt – CFO

Well tried, Leon.

Nick Holland – CEO

Not return.

Leon Esterhuizen – Nedbank

I would love it to be 20%.

Paul Schmidt – CFO

So would we.

Nick Holland – CEO

15% margin after all costs at $1,300.

Leon Esterhuizen – Nedbank

All right. So the cost trend is not going to keep on going, following the gold price I mean?

Nick Holland – CEO

We are going to try and do our best. The one thing that you also have to remember though, Leon, as much as you don't want to hear it from me, is we don't control all of our costs either. The oil price we don't control. If the steel price goes up we don't control it in terms of steel balls. Timber. Let's be frank, even on wages you have to pay what the market requires. If you're out of step with the market on wages then you're going to have a problem. In Australia when nickel and iron ore were flying and gold was in the bucket we had to pay the same wages as what they were paying to attract and retain our people. It was bloody hard. And we were paying way above inflationary increases. But if we didn't do that we didn't have the people to run the mines. So we are going to do our best, but we don't control everything I'm afraid.

Leon Esterhuizen – Nedbank

Thanks.