Gold Fields Limited

Q2 2015 Results Presentation Transcript

20 August 2015

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.

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Cash positive despite the lower gold price, Q2 2015 Results, 20 August 2015 2

Avishkar Nagaser – Investor Relations & Corporate Affairs

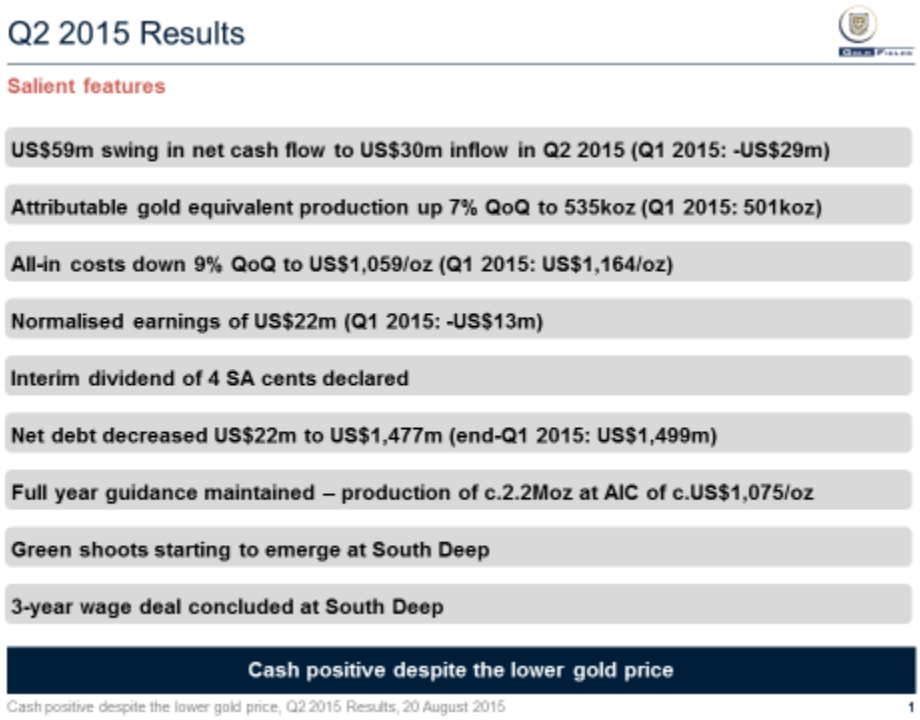
Good morning ladies and gentlemen.

Welcome to Gold Fields' second quarter results.

Before we get started, if there is an emergency you can either exit through the front door or the door at the back, and assemble at the front of the building.

I will hand over to Nick.

There will be an opportunity to ask questions after Nick's presentation.



Nick Holland – CEO

Thank you, Avishkar.

Good morning everyone. Let me also welcome my colleagues. We've got Paul Schmidt, the CFO, and also Nico Muller, who is the Executive Vice President and Head of the South Africa region, joining me today.

Salient features of the last quarter - a really good turnaround in cash flow, a $59 million swing from a loss of $29 million in the first quarter to $30 million in the second quarter. As we've said before, it is not about ounces, it is about cash. And we're making cash. It's good to see.

Just to remind you, the first quarter was always going to be lower because of the impact of mine scheduling. And we would like to honour the plan. We don't want to fiddle around and get people mining out of sequence. So we honoured the plan and the first quarter was always going to be lower.

Of course capital was also front-ended. We bought $46 million worth of fleet in Ghana to replace 18 dump trucks at Tarkwa, so that also had an impact.

Gold production was up 7% to 535,000 ounces. If I look where we are on a year to date basis relative to our internal target we are at 99.2% of our internal plan. So we are basically on track. There are plusses and minuses as always in the gold business. Some mines are up against where they were supposed to be. Some mines are a little bit down. But overall the portfolio is tracking the budget.

If we look at the all-in costs - they are down 9% quarter on quarter, which is really good to see.

Some people asked this morning on some of the early calls how much is the currency helping you with the Australian Dollar and the South African Rand having gotten weaker. About $20 an ounce, not a big number. So if you look at that drop of $100 an ounce you can attribute most of it to the improvement in production, given the relatively high fixed cost that you have in the mining business.

So we made earnings as well as having made cash.

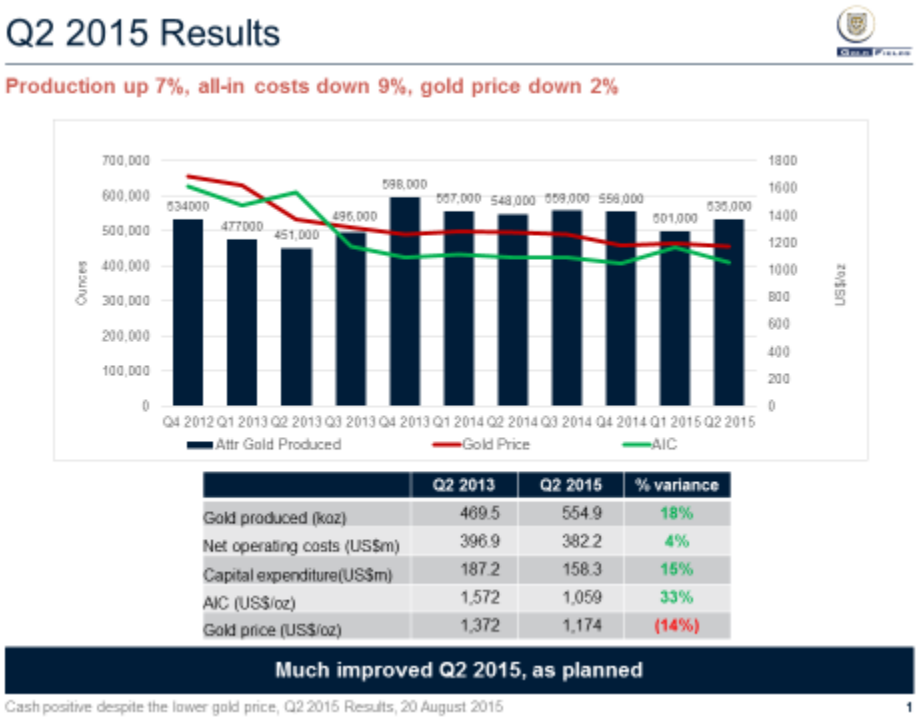
Also we declared a dividend. We have always said if we make the earnings we will pay the dividend. So we've paid you out roughly 35% of normalised earnings. It is not a huge number, but we wanted to honour the policy. That has been our commitment to our shareholders.

Net debt down of course, which mirrors the cash. We still have a target to get down further.

We are sticking to our guidance for the year of 2.2 million ounces.

And I will talk a little bit about South Deep.

And of course while the other gold producers continue to negotiate on wages, as you are aware, we concluded our deal some time ago. And we have a deal that takes us through to March 2018.



	Q2 2013	Q2 2015	% variance
Gold produced (koz)	469.5	554.9	18%
Net operating costs (US$m)	396.9	382.2	4%
Capital expenditure(US$m)	187.2	158.3	15%
AIC (US$/oz)	1,572	1,059	33%
Gold price (US$/oz)	1,372	1,174	(14%)

Here's a profile of the production over the last two and a half years or so.

I think it shows you that production has grown over that period.

And costs have continued to come down and stay pretty low even though the gold price has been coming down.

If you went back two years, in this quarter two years ago to now:

- our production is up 18% to 554,000 ounces.
- Our costs are down 4%.
- Our capital is down 15%.
- Our all-in cost is down over $500 an ounce to $1,059, 33%.

Despite the gold price having come down we're still making reasonable money. So I think that gives you an indication as to the big changes.

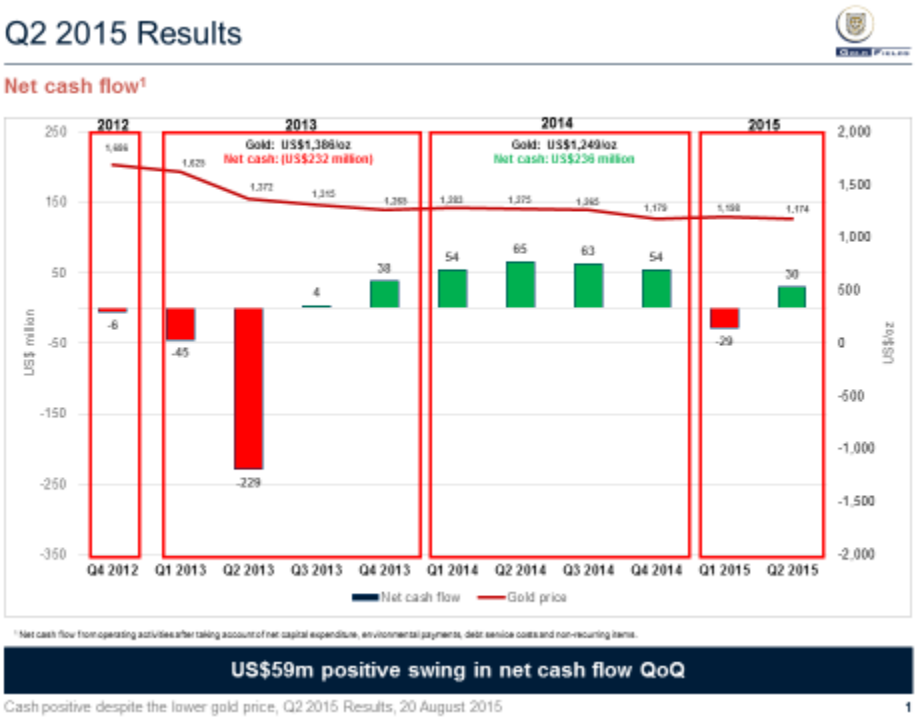
Now, some of you might say, but how have you achieved this? Are you high-grading? Are you ignoring development of your ore bodies for the future?

We've done some research through an outside agency that showed, quite concerning, that in 2014 52% of the global gold industry was high-grading or mining at grades that are higher than their reserve grade.

And we all know from previous years, those of us who were here in the late 90s, the impact of when we high-graded when gold was at $250 an ounce. We never recovered after that. Five or six years later the costs just kept coming through as we tried to rebalance the portfolios.

So we are not doing that. In fact if you look at our grades we are either at or below reserve grades across the group.

One of the sins that will not be tolerated in Gold Fields is ignoring ore reserve development. We have to continue spending our stay-in-business capital. I think mines that are short-changing that are going to pay the price in the future. Certainly I've lived through the cycles and I know what the impact is if you get things wrong. So we're not going to do that.



Here is an interesting chart.

This is a trend that we've shown you quarter after quarter.

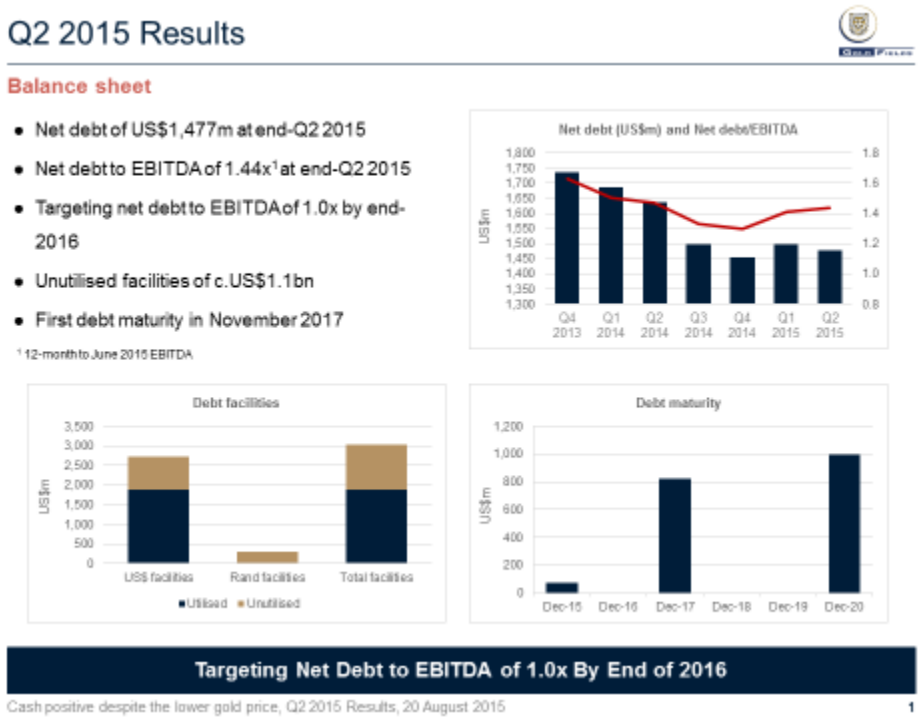
Again it shows you the gold price heading down. Of course as of today it is still lower than what that figure was for the last quarter.

We told you back here we're changing our strategy to move away from ounces to cash flow.

And for seven of the last eight quarters that we've implemented that strategy we've produced positive cash.

Last quarter, as I mentioned, was purely a scheduling thing. So I think the trend continues.

Whereas many other companies are not making cash we certainly are honouring our commitment.



Balance sheet.

I think two things I would say is it's coming down. We want to get it down further by the end of 2016.

Paul and I have set ourselves a target, a stiff target of one to one debt to EBITDA by the end of next year.

Last year we made a big hole in our debt. We knocked $235 million off.

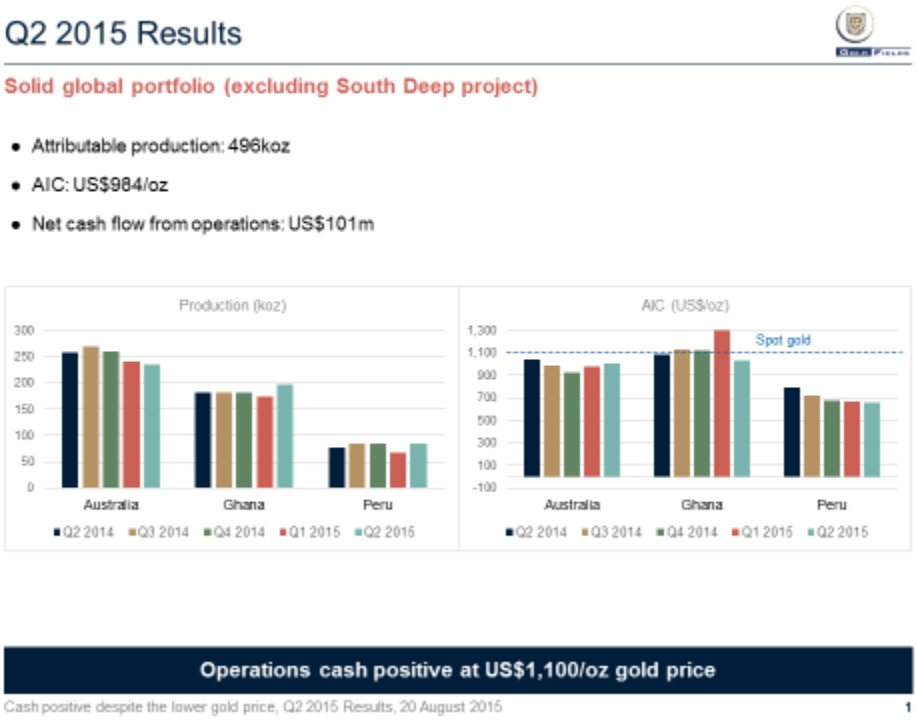
We're going to have to work hard this year to get anywhere near that, or even half of that. So we're going to be working extremely hard in the second half to do it.

The good news is the debt maturity looks good.

We don't have anything to worry about for the next couple of years. So as long as we keep the operations cash positive I think we can make further strides.

OPERATIONS OVERVIEW

GOLD FIELDS



Let's talk about the global portfolio and then maybe talk about South Deep.

I think the fact that is often lost, particularly when we read the analysis after our results, is Gold Fields is really made up of two pillars.

There is of course South Deep, which is a project that has not yet realised its potential.

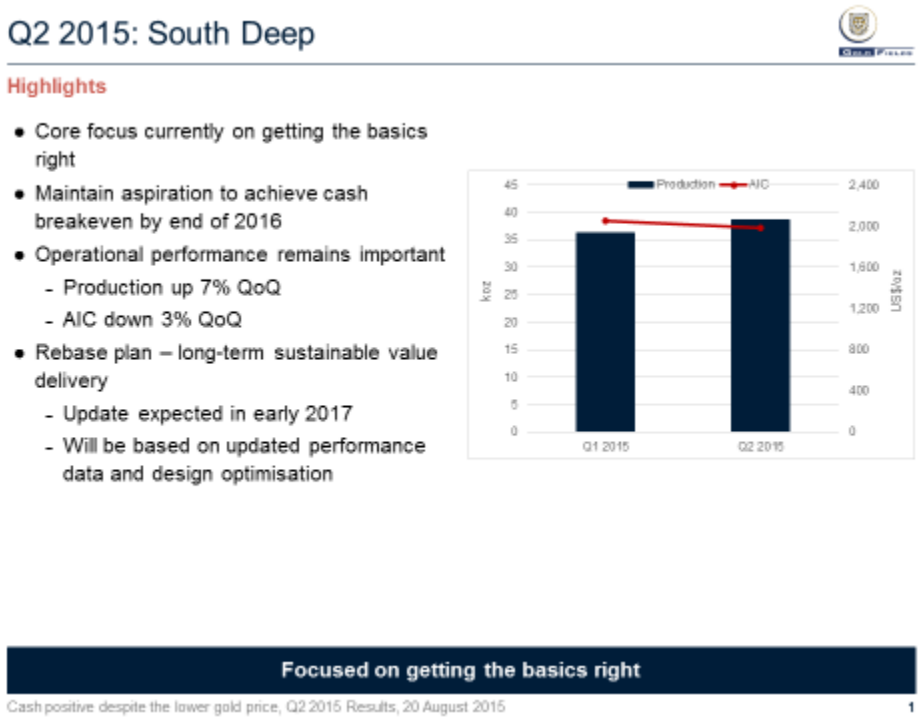
Let's look at the non-South African or global portfolio.

Here is what we did last quarter. 496,000 ounces, all-in costs of $984, and we've made $101 million of cash flow.

That is something that really excites me and it provides I think a very good underpin for the group overall.

So we shouldn't forget that we've got a great portfolio of international assets that's in the lowest quartile of costs. We are spending a lot of money – and I will share with you later – to make sure that we can increase the longevity of that over time.

It is not just about South Deep - it's also about the rest of the portfolio.



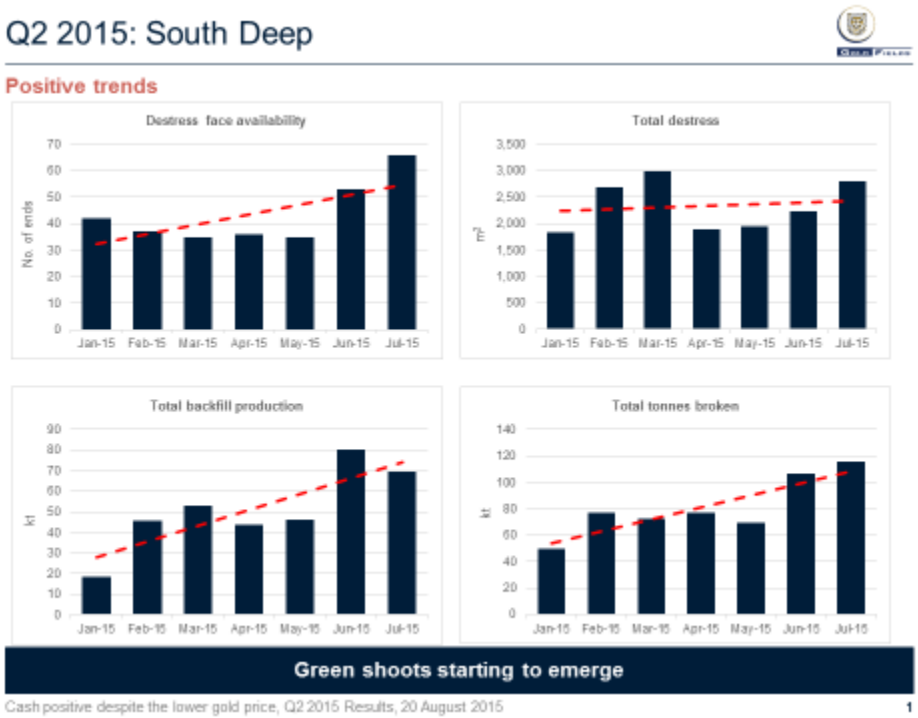
Now let's move to South Deep because obviously that is a key growth area in the long-term cash flow generation.

Nico is here today, and one of the reasons he is here today is I know there are a lot of question on South Deep and you want to hear it directly from him. And that's great, so afterwards if you've got specific questions please feel free to address them to him, me or anybody else.

Really it is back to the basics, focusing first on safety. Safety has improved by 30%. It's almost like a Giuliani broken window approach. Let's go and fix some of the small things we don't like because then the big things will improve. Unfortunately you have to stop and fix, and when you stop and fix your production gets hit. So we haven't done as well in the first half on the outputs as we would have liked. That said, the focus on the inputs I think is gathering momentum and setting ourselves up for a much better future.

We are committing ourselves to make break even in cash by the end of next year.

And we are also looking to get a new view as to the longer-term profile by early 2017. We could give you numbers today, but they are not really at the resolution that we would like. We're going to take more time. Once we've seen some of the inputs taking traction we will have a better idea as to what it means.

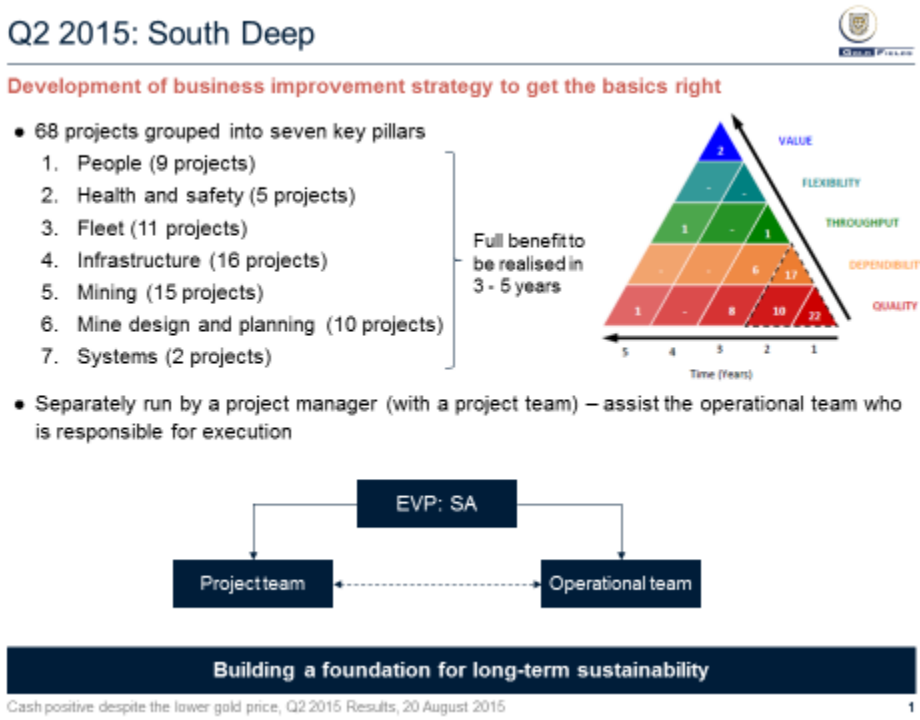


Here are some of the trends.

Availability of de-stress ends, which is always a lead indicator to improve de-stress. The more face you've got, the more attack points, the greater your volume can pick up. Total de-stress is not picking up quite enough, but I think this bodes well, certainly for the second half.

One of the key successes is backfilling some of our old voids. We have now managed to commission the FPT which is now running in tandem with the CCT and we are able to significantly increase the backfill.

One of the things we are doing as well is we are also processing some of the tails to provide additional backfill. At the same time there is gold in those tails, so we won't lose money on it. And we can also reduce environmental obligations by doing so. And we are going to speed that up significantly from the end of this month. We're going to be moving away from trucks to hydraulic backfill, piping, and that should give us a step change in the volumes.



So the other thing we've done is focus on the inputs.

Two things. What are the lead indicators we need to fix at South Deep to sustain and improve the operation? And how long is it going to take for us to implement all these initiatives?

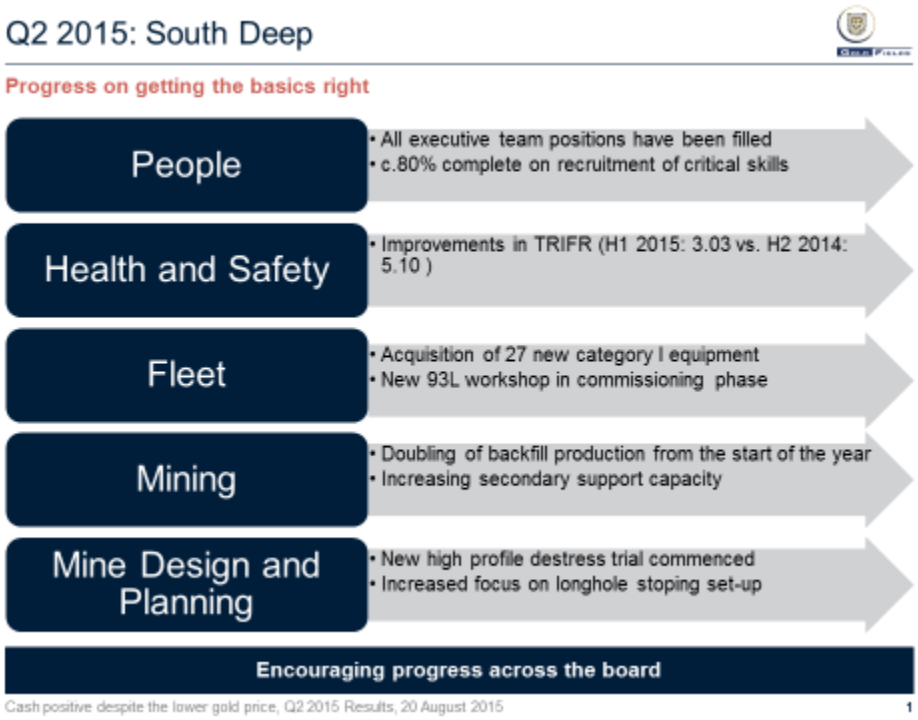
It is an ambitious list, but I think the good thing is we now at last have a full register of all of the issues. We're not going to tackle 68 at once. I think you can see here there is a matrix that provides the methodology of us looking at the things that will have near-term impact. So we are prioritising all the initiatives.

And then we move to the second level which is reducing volatility.

And then how do we actually create incremental value over time.

So if you asked us what the key issues were, it is really about people. People are the most important thing, getting the right people in – and we will talk a little bit later about what we're doing – as well as fleet, infrastructure and of course conditions underground.

The other thing we've agreed is that we need a project team to work in tandem reporting to the GM. So we've got a project team structure that we've agreed. We are in the process of populating that to make sure that the ops guys can work on the short term, and these guys can help focus on the long term, but with integration into the ops teams by having change agents over here working with change agents over here. So that structure is being set up as we speak.



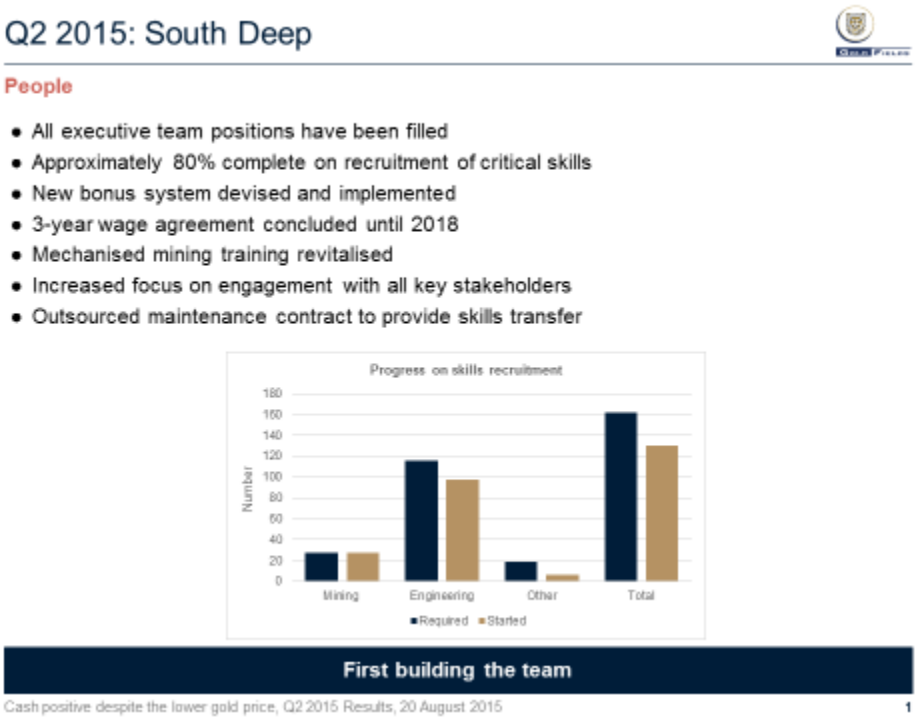
We've recruited most of the people we need in the critical skills area. We hope to be finished by the end of the year. We've got about 80%.

Safety has improved significantly. This is our total recordable injury frequency rate. You can see here it has gone from 5.10 in the six months to December last year to 3.03 in the first six months. And that has come from major interventions and visible leadership across the operations.

We bought 27 new pieces of gear. We have commissioned the new workshop. I think that should improve availabilities, both from the point of view of having less congested workshops to one big state-of-the-art workshop with significant redundancy. The one thing we've noticed in the past is with new gear your availabilities go up immediately.

Backfill we have talked about, and secondary support backlog is an important area for us to make sure that we can set up the mine for the future.

We have started a trial on the new high profile de-stress with the 4.5 x 4.5, if you can remember that, what we call the high profile destress. The results are very encouraging. The nice thing about this is the entire cycle, drill, blast, support, is fully mechanised. It is much quicker and this could well be a good step forward for us to change the way we mine. It is early days yet, but we will give you more information at the end of the year.



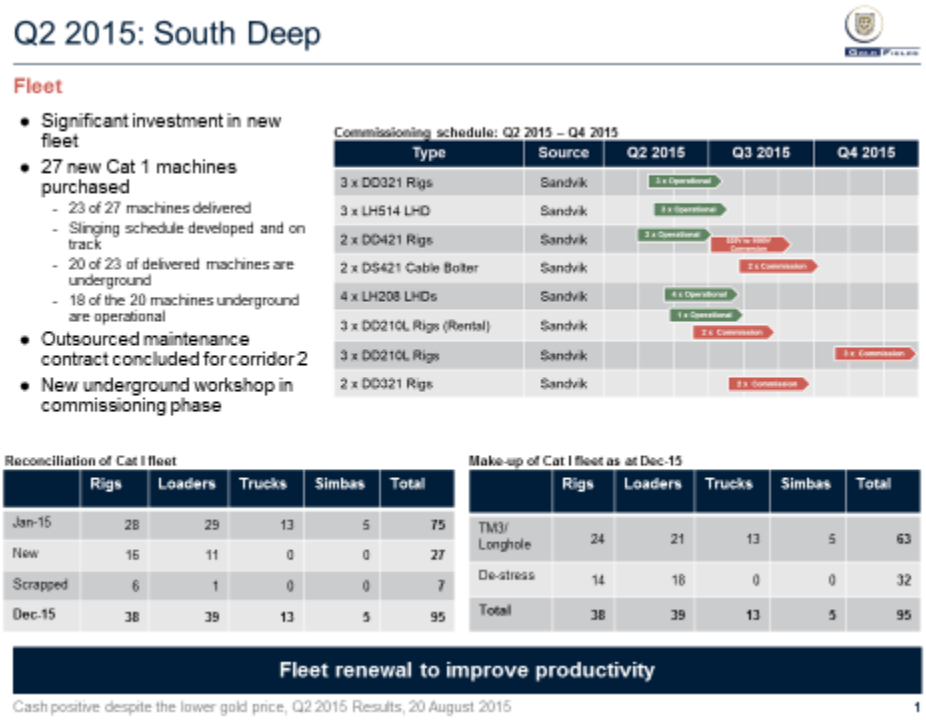
I've talked about the people.

I've also talked about the three-year wage deal.

We've also got a new bonus system in place that received support of the unions and workforce, which is important.

We've got to train people. We're going to be here for a long time. The industry is not necessarily providing the skills that we need. We're talking to the universities about their curriculums. But we have to make sure that our on-mine training is going to provide the feedstock of talent into the future.

One of the things that I'm particularly pleased about is that we're outsourcing a third of our mining maintenance to an OEM, to one of the suppliers, and that is going to provide much-needed skills transfer over a shorter period of time. So I think that is something that would make a big difference to us.



Q2 2015: South Deep

Fleet

- Significant investment in new fleet
- 27 new Cat 1 machines purchased
  - 23 of 27 machines delivered
  - Slinging schedule developed and on track
  - 20 of 23 of delivered machines are underground
  - 18 of the 20 machines underground are operational
- Outsourced maintenance contract concluded for corridor 2
- New underground workshop in commissioning phase

Commissioning schedule: Q2 2015 – Q4 2015

Type	Source	Q2 2015	Q3 2015	Q4 2015
3 x DD321 Rigs	Sandvik			
3 x LH514 LHD	Sandvik			
2 x DD421 Rigs	Sandvik			
2 x DS421 Cable Bolter	Sandvik			
4 x LH208 LHDs	Sandvik			
3 x DD210L Rigs (Rental)	Sandvik			
3 x DD210L Rigs	Sandvik			
2 x DD321 Rigs	Sandvik			

Reconciliation of Cat I fleet

	Rigs	Loaders	Trucks	Simbas	Total
Jan-15	28	29	13	5	75
New	16	11	0	0	27
Scrapped	6	1	0	0	7
Dec-15	38	39	13	5	95

Make-up of Cat I fleet as at Dec-15

	Rigs	Loaders	Trucks	Simbas	Total
TM3/ Longhole	24	21	13	5	63
De-stress	14	18	0	0	32
Total	38	39	13	5	95

Fleet renewal to improve productivity

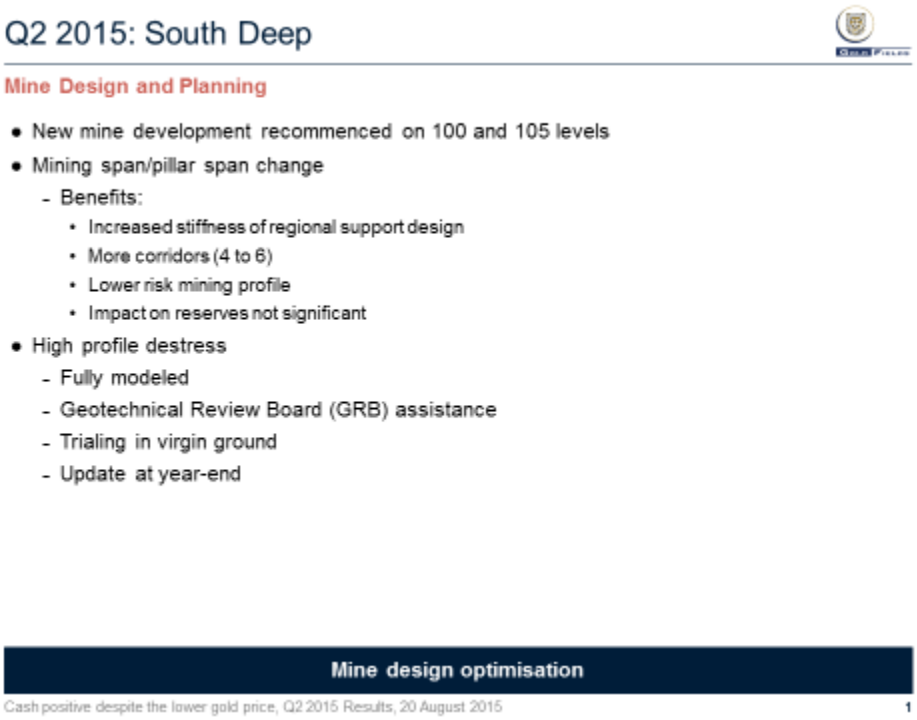
Cash positive despite the lower gold price, Q2 2015 Results, 20 August 2015 1

Here is the fleet.

We're not going to dwell too much on the schedule except to say that most of the fleet is already on site, 22 out of 27. They will all be commissioned by early Q4.

We are already seeing some of the benefits of some of the fleet that has been operational. 18 of the 22 machines underground are operational.

The outsourced maintenance on corridor two comes at the right time. We can make sure that the new fleet are captured in a better all-round maintenance system so we can move more from an unplanned maintenance mode to a planned maintenance mode with the underlying systems in place.



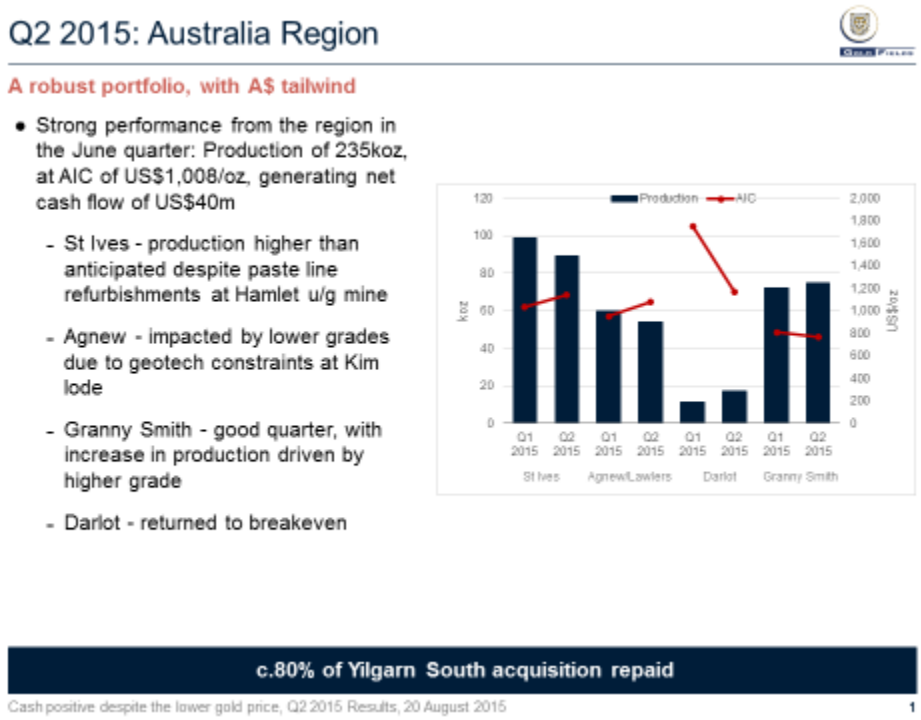
In terms of mine design it is good to see that we've got the new mine development back up on 100 and 105 level. We had a hiatus in that for a year, particularly as the contract with the outsourced developer was terminated. We felt it was extremely expensive. We needed to mobilise internal skills. We finally got that going again, so I think that's good. Let's remember new mine represents 90% of the ore reserve, so that really is the future. And it provides us with an opportunity to set up the infrastructure perfectly from the word go and not be constrained like we are in some of the older mining areas.

We have looked also at the mining span. We have decided to reduce our mining span from four corridors of 240m and 60m pillars to six corridors of 180m mining spans with 60m pillars. That is going to reduce face initially, but it is also going to give you more attack points. So you will have six corridors now moving down instead of four. I think it is a good risk mitigation.

The reason for that is that it provides more stiffness in the overall regional design. We just feel that with the empirical data we've got in mining over the last five or six years that 240m mining spans are just too wide. This has been backed by work done by the international review board. We've got geotechnical experts from Canada, Australia and South Africa working with us. So this is the culmination of six to nine months' of work that has come through.

There will be some impact on reserves. It is not necessarily that we lose ability to mine, but it could be a function of where it stands in the sequence. We are doing the detailed modelling right now, and we will have that finalised by the time we do the detailed declaration at the end of March 2016.

I've mentioned the high profile de-stress. We will keep you briefed on that too.



Moving to the rest of the world; Australia had another good performance with 235,000 ounces for the quarter at all-in costs of $1,008 per ounce. I think St Ives, Granny Smith and Darlot have all had strong quarters again. Certainly St Ives is above where we expected it to be.

Agnew has been impacted by some geotechnical issues as we get deeper at Kim. Kim is down to 1.3km. That is the main ore source at the Waroonga underground mine. So it is certainly getting more constrained. One of the things that we have to do is do rehabilitation before we mine. We have to come back and re-support the stopes before we can mine them. That takes more time. It's a little bit more costly. But with the work the guys are doing down in Australia we think we can get all the ounces out. It will take longer.

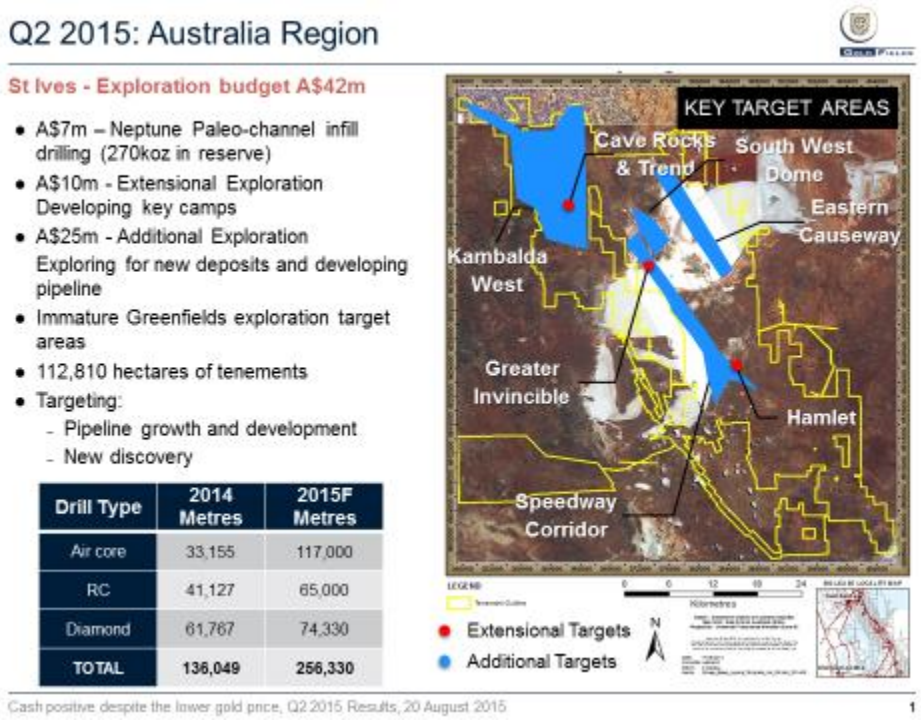
We knew that Kim was going to get tougher, so we have been accelerating the development in an adjacent ore body that also has higher grade, what we call FBH. And we should be stoping in there by November. We are already getting some nice development tonnes into the plant as well with good grade.

Granny Smith continues to be an excellent mine for us, and long may it continue.

Darlot, as we've got into Lord's South Lower we've said that we'd be moving out of the remnant mining areas into virgin ground. So we are seeing much better grades coming through. I think it will be better in the second half of the year certainly than what we've seen in the first half.

Invincible is the main open pit source that you will see at St Ives for the next three or four years. If you look back in December here when we just started with the excavators, and in June when I was there literally three weeks ago, you can see how far we've got into the pit. We are down about 70m or 80m into the pit. And we are now into the ore. All of the grade control drilling we're doing is showing that the ore body is what we thought it would be. So we've got about 600,000 ounces just from the initial pit shell. But there is potential for pushback and there is also potential for us to go underground. That is the initial ore source.

We have not had a 3.8g to 4g ore body from an open pit at St Ives since I can remember. We had something called Formidable about three or four years ago which was about 4g. But it was pretty tiny. This is a bulky, large deposit on this Speedway trend, which is on the lake. So we've had to remove 40m of sediment to get to the base rock. But once we're into the base rock it looks pretty good.



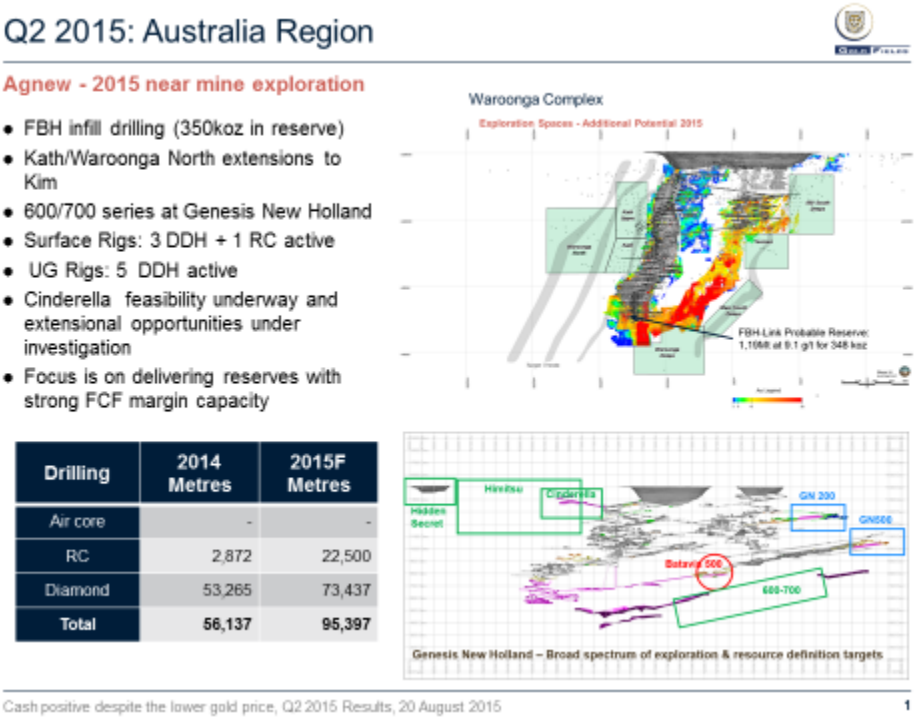
So the name of the game in Australia is not just about today. It is about making sure that we can replicate the performance into the future. We've committed $85 million of exploration into Australia for this year. I think that's going to be pretty much what we will spend over the next number of years. Most of that of course is at St Ives. We're going to be spending $42 million as you can see.

There are four main areas that we are focusing on in blue here. Kambalda West, that's an area we acquired from BHP. It's an extension of the Cave Rocks area. We are quite excited about the geophysics and the structural anomalies that we see there. There is good potential.

There is the Speedway trend. You've got Invincible at the top there. There is visible gold all the way down here, a number of intercepts along 20km of strike. So a lot of work to be done.

And then the Eastern Causeway and South-west Dome are also based on geophysics work. We are targeting those areas.

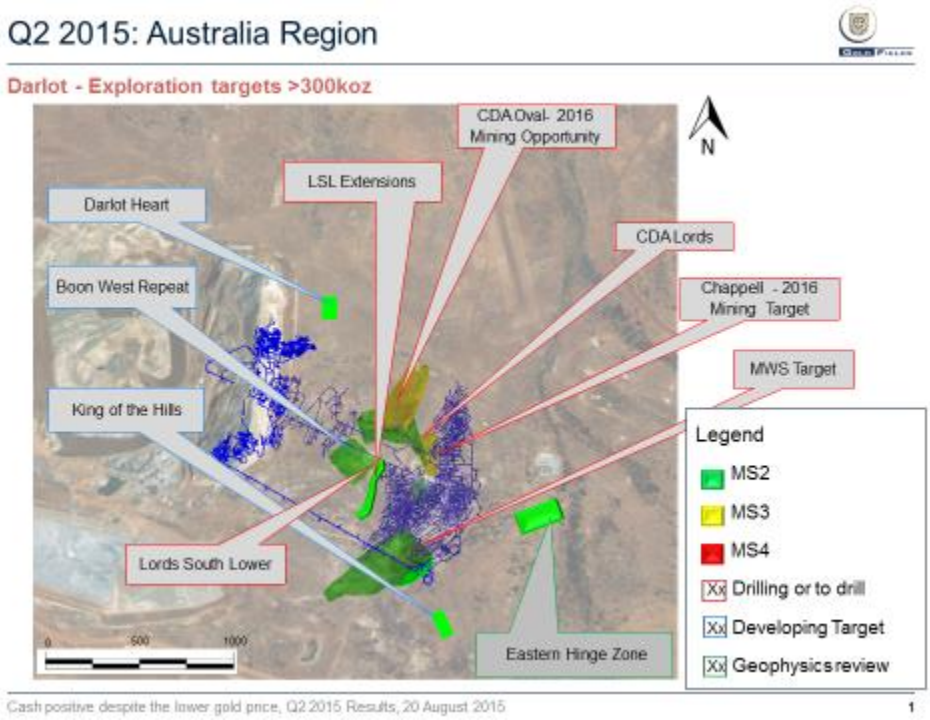
As you can see it is a doubling of the exploration metres at St Ives. This has been a very prospective lease. It is around about 80km long now with the extra ground we've got from BHP, much bigger than we had before, and about 30km wide. There are many targets still to explore under cover, so it takes a bit more work. You don't pick it up all through the aeromag. But I'm confident that we'll find more here.



Agnew as well. You can see here is the Waroonga ore body. Here is Kim that we talked about earlier. Here is FBH on the side. That is the area of immediate focus we're getting into. Kath and Waroonga North. You can see here the same sort of sheer zones that you've got for Kim, so replicated structures. And we're finding some interesting intercepts over here. So there is a theory that this could get a lot bigger over here, and we will prove that up, and also at depth.

On Lawlers you can see over here that we've got targets that are at advanced stage close to infrastructure. And as we look at the blue, that is just extensional drilling. The green is initial stage. That is about 2.5km strike, the 600, 700 series. And you can see it is replicating obviously on the 500 series.

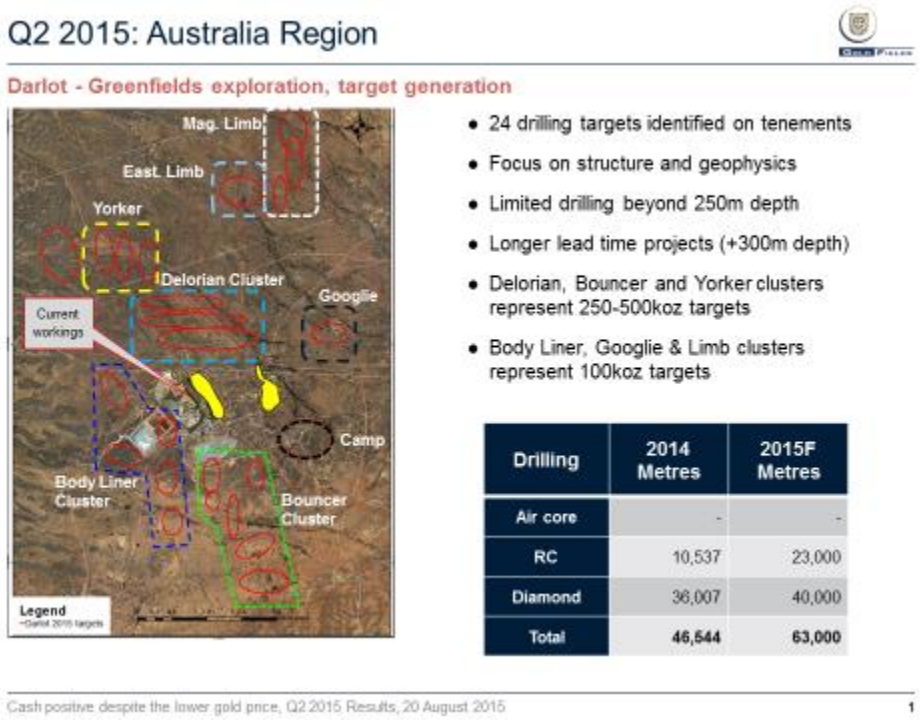
Something called Cinderella. Remember that name. I got worried when they called it Cinderella because things can happen to Cinderella that you don't always like. So far it is proving to be something really exciting. And it could well be the next ore source. It also looks like it extends into something called Himitsu. Again this would be potentially a kilometre in strike.



Darlot, we've got numerous targets on the underground Centenary area. Remember we are mining the Lord's South Lower over here. That is where we get into the second half of the year.

But numerous targets really all designed to provide 100,000 to 200,000 ounces of potential. So a big programme.

We're going to be spending about $10 million this year at Darlot to look for opportunities to extend mine life.



But it is not just on the Centenary deposit.

Here is the overall lease.

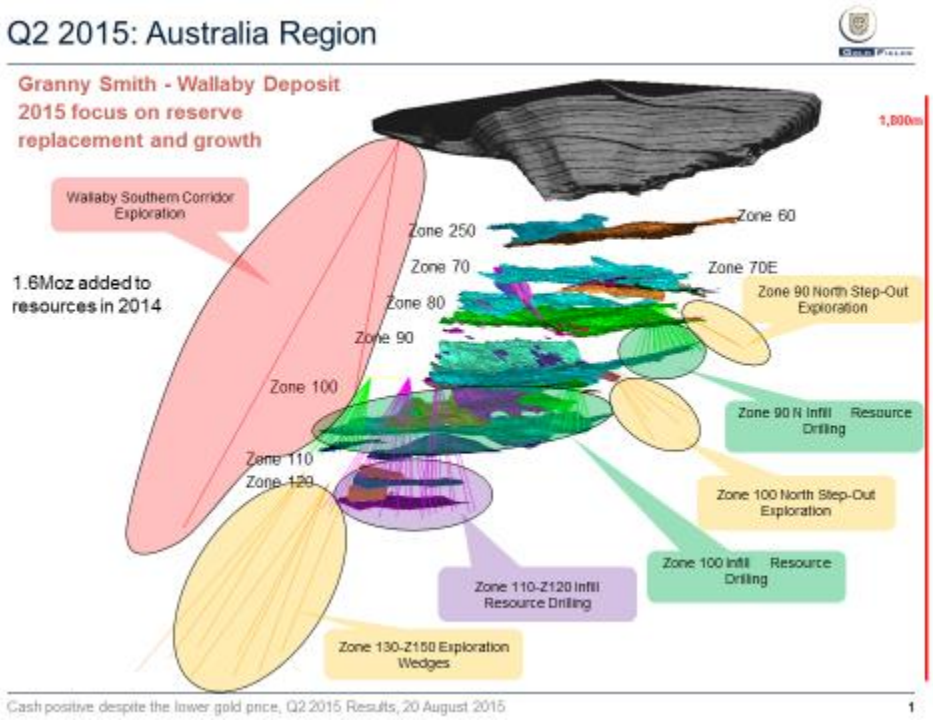
Using geophysics, using earlier drill data that Barrick gave us… They didn't drill any of these targets below 200m, and Centenary was discovered at 400m.

So we've got 20 targets across the lease that we should be exploring, so we should have a better idea by the end of the year what we've got.

Again as you can see a big increase.

These orogenic systems tend to continue and continue and continue.

But they are drill intensive, you've got to be patient and it takes some investment. Let's see what happens.



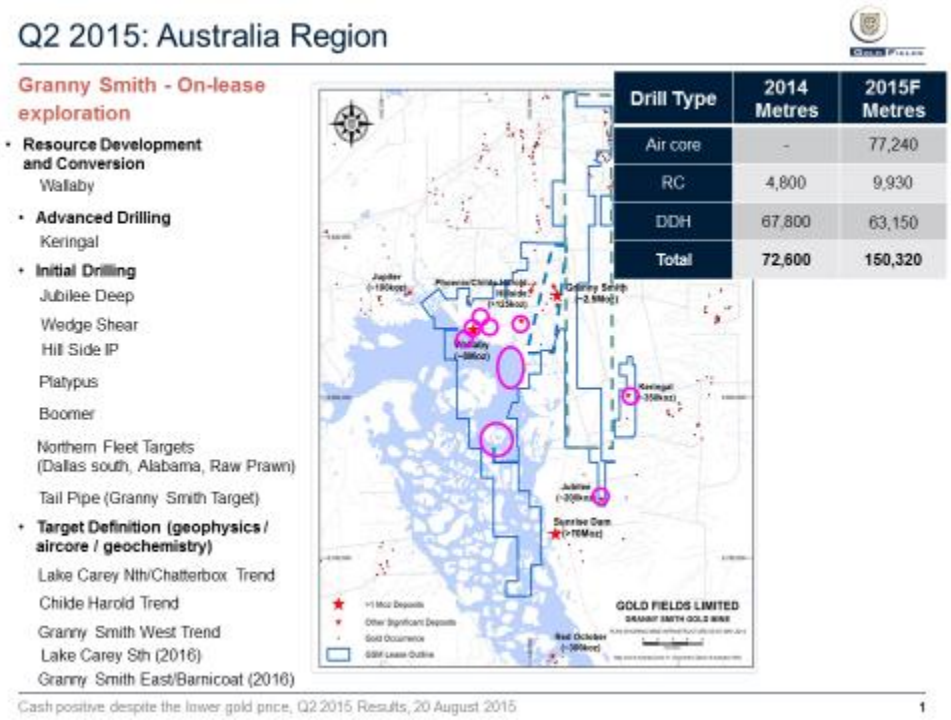
Granny Smith.

I think you've seen all this before. The ore body continues to get bigger at depth and we're seeing extensional exploration opportunities on zone 80, zone 90 and zone 100 as well.

And we are also seeing this lens over here that we didn't think existed before, and we are starting to drill over that now.

There is a sheer zone that comes underneath here and the geology is structurally controlled by that sheer. It looks like if we follow the sheer zone, which will go under Lake Carey over here, we might find that this continues into that area.

The grades are looking quite exciting. I'm not showing you drill intercepts today. But what I can share with you is that the grades are looking pretty good at depth. So the theory we had that the grade increases at depth with wider lodes looks like it has got some potential of holding up.



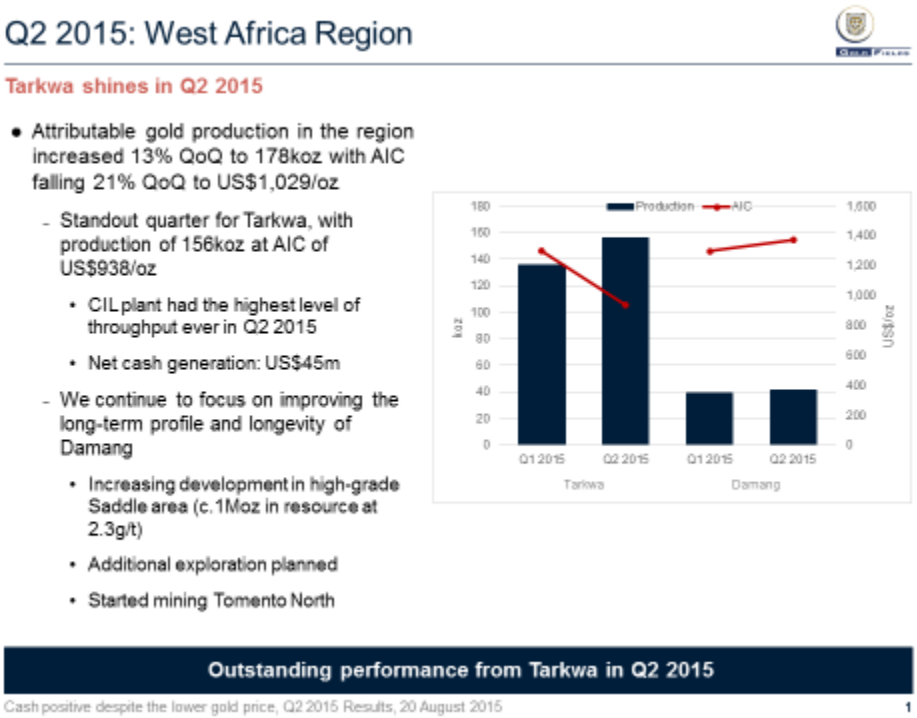
Again it is not just the Wallaby underground, which is what you saw on the previous slide.

It is a big lease area over here. This is the lake. Like St Ives they've got a salt lake or a salt pan called Lake Carey. As I mentioned earlier, Wallaby is going to go under the lake.

Sunrise Dam over here, which is owned by Anglo Gold, is not far away.

There has been a lot of gold mined in this area, but it is largely underexplored. So there are a number of targets that we're going to be looking at. You can see them all listed here. I won't go through them. But that is going to be a big focus over the rest of the year.

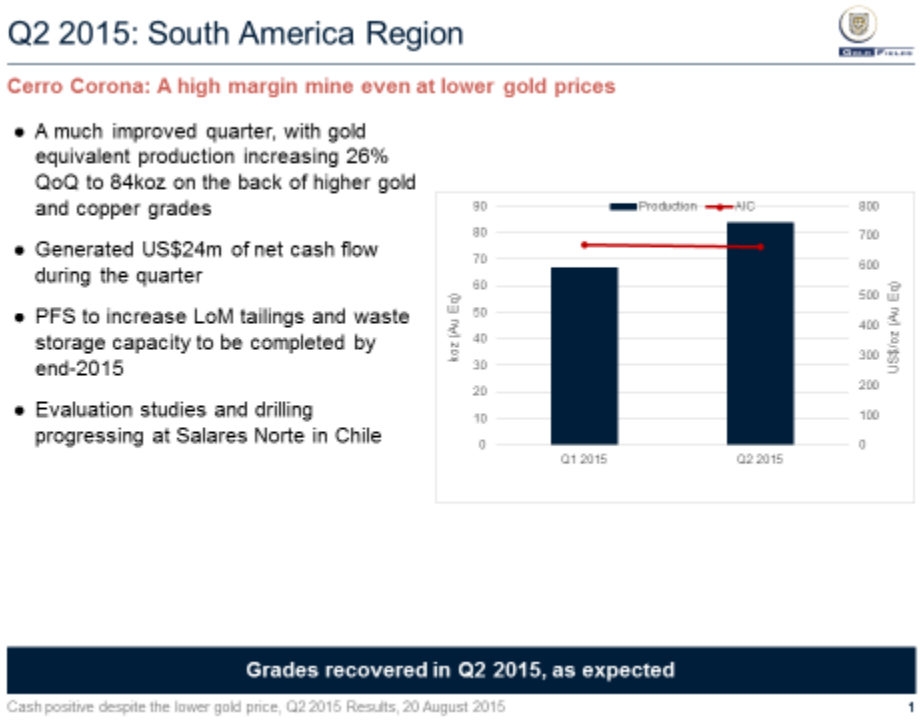
In Australia we've got about 40% capacity in our plants unutilised. So if we can find addition feed either on the leases or off the leases that is within trucking distance, strategically it is a very good opportunity for us to see how we can increase the production base into the existing process facilities, and bring in extra feed at a marginal cost of processing, which will bring the entire cost structure down. So it is a key strategy in Australia over the next couple of years.



Tarkwa has had a fantastic quarter, 156,000 ounces at $938 an ounce. Truly one of the premier open pit mines in the world. We've had record throughput through the CIL plant. The operation produced $45 million of cash during the quarter alone. So long may it continue. Just a great team, a great mine.

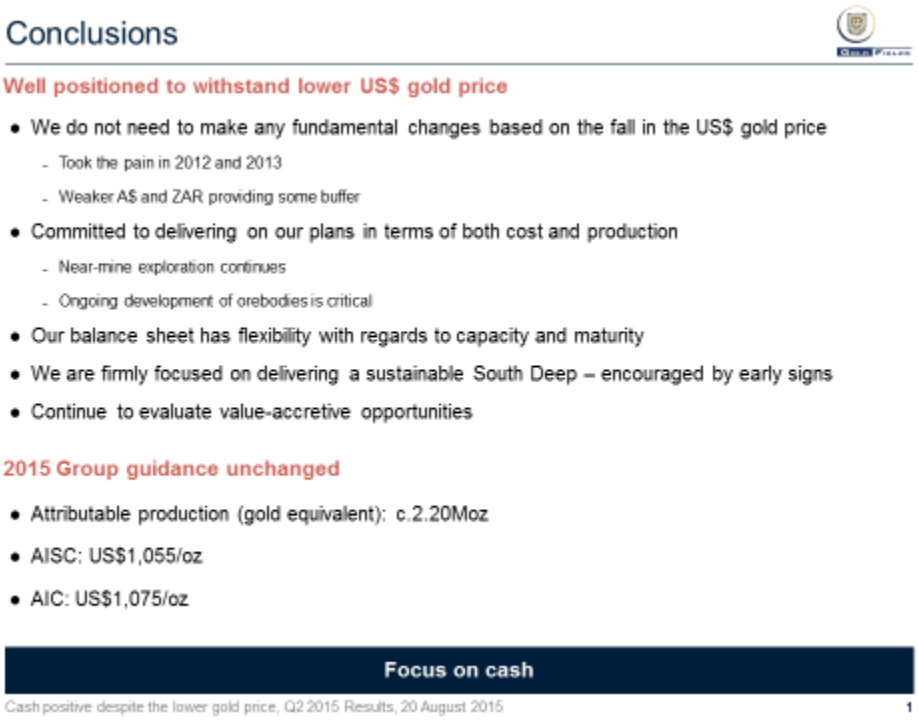
Damang needs more work. We need to open up the higher grade areas. So we're going to be spending some more money on development and on exploration. The opportunity here is the saddle area adjacent to the original pit. There is 1 million ounces here at 2.3g in resource. It requires a bit more strip. We have stripped a lot already but we need to do more. That will give us much-needed breathing space.

And we started a new mine at Tomento North, which is a fairly high-grade oxide mine. That will give us extra feed as well. So we are looking for a much better second half from Damang than the first half. And the lease is largely unexplored, 17km of anomalies that haven't been properly tested. So we're going to be spending more at Damang. We are going to be reinvesting in this. We still believe that we don't have a good understanding of the full potential. We've got to spend some time and effort to do that.



Corona has had another good quarter, good grades, good recoveries. They made $24 million of cash. The thing we are looking at is life extension. It has got nine years. But we have economic material that can go beyond that, but we're only constrained by waste and tails capacity. We've got a pre-feasibility study going. We should be finished by the end of the year. I'm reasonably confident that we're going to give you some interesting results come March. We have the potential to certainly increase the life here by four or five years. That is what we're targeting to do.

We've got a project in Chile, Salares Norte, which is the only active project which survived the closure of the greenfields project portfolio. We continue to drill that out. It is early days, but the signs are encouraging. We will keep you updated on that one.



So in conclusion, we are well positioned to withstand low prices.

Somebody asked me this morning, what would you do if gold got to $1,000? Nothing. We have taken all of the hard steps we needed to take in 2012 and 2013. We must remember that the currencies are providing us with a buffer. We're getting an A$1,550 gold price as we speak. I'm very happy with that. That's higher than the five year average. In South Africa we're getting about R473,000 this morning. That is much higher than what we're using for long term.

Peru is a low-cost producer, $700 per ounce. We don't need to do anything there. Tarkwa is low-cost. Damang is the one challenged mine, but again we need to actually invest and explore to determine what we've got before we strangle it of much-needed funds to assess the optionality of the ore body. So we will continue. We've done some downside plans at $1,000. I think we are still in the game and I don't think we have to do anything significant here.

Our balance sheet has flexibility, as I mentioned, in terms of liquidity and maturity. And we continue to focus on the inputs at south Deep to make sure that we can create a sustainable, cash-positive operation for the future. I think with that I'm going to stop and provide time for questions for either myself, Paul Schmidt, our CFO, or Nico, our EVP South Africa. Avishkar will lead the discussion. Thanks.

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Avishkar Nagaser – Investor Relations & Corporate Affairs

We will take questions from here first and then we will go to the conference call. Kane.

Kane Slutzkin – UBS

Good morning, it's Kane Slutzkin from UBS. Just on Ghana. At the site visit in May there was talk of a lot of upside there. A lot hinges on the taxation and royalties and all that. Has there been anything new on that? I know the guys on the ground were quite confident when we saw them in May. Is there something new on that stability agreement? And secondly, a couple of months ago you spoke about opportunistic M&A if it made sense. Do you still have that view or has it changed at all?

Nick Holland – CEO

On the tax in Ghana we continue to have discussions with the stability review committee. I think the dialogue has got more detailed and we have advanced it to a much better understanding as to what we're looking for and what they're looking for. We remain optimistic of getting a new dispensation on the tax side. But unfortunately we don't control the timeframe or the outcome. But the good thing is at least now we're in the room talking to the guys, so that's a step forward.

In terms of M&A we would love to add to the portfolio. The way we're thinking about Gold Fields is really two pillars. You've got the international portfolio which is a great portfolio as you've seen. We'd like to add to that if we could, but only if it improves the quality or certainly it is at least in line with the quality we've got. We are focused on in-production ounces. We don't want to buy early stage projects,

for sure. We want to get stuff that's cash-generative from the get-go. I think it is always difficult to do M&A. The deal we did in Australia which initially the market didn't like I think they do like now. But I have to say the ability to replicate those kinds of deals is tough.

The other area we're looking at is in and around our mines. Given the fact that strategically we have spare process capacity in Australia we should be looking in and around the mines for opportunities for feed. Let's assume we're not that successful on brownfields on-site. Let's look at brown fields off site, if we can call it that. And so that's another focus area and I think there are going to be some interesting developments. We are also looking around Cerro Corona. We're looking around Tarkwa and Damang for opportunities for consolidation or extra feed etc. So it is really two prongs. It is stand-alone assets. They would have to be in production and cash-generative. And then how do we add to what we've got. No guarantees of course.

Adrian Hammond – Standard Bank

Morning. It is Adrian Hammond, Standard Bank. Two questions please, Nick. One on Tarkwa. At the site visit there seemed to be some opportunities to increase capacity there which hinged on your ability to find tailings capacity. Is there any progress on finding a solution to that? And then secondly in Australia, St Ives, obviously a lot of moving parts, open pit and underground production there. It sounds to me that mining will progress generally over time from underground to more open pit. Is that the case or are these extensions that you're finding with the recent acquisition from BHP another underground option? Can you give us an idea of the underground open pit split there please?

Nick Holland – CEO

Usually what you will find on a mine like St Ives is the underground are normally an extension of open pits. You would first go in, mine the open pits, create a portal, and then you would access the underground. You typically wouldn't do an underground greenfields from scratch. So I think you are right. So I think the focus here would be a shift to open pits. We did mine Neptune phase one in 2014. We have been doing some infill drilling on Neptune stages two to five. That looks like it is holding up pretty nicely. I think you will probably find that we will get Neptune stages two to five into 2016. It has only been running two big open pits, both on the lake, interestingly enough. And then Hamlet obviously will continue for quite some time to come. But the Speedway trend would largely be open pits to start with. The BHP ground that we've talked about, Kambalda West, is open pit. So I think you're right. We will see a graduation to open pits over time. That is typically cheaper than underground and lower risk. Because you've got to take all the material anyway, whereas in the underground it is critical how you deal with the geotechnical issues and underground dilution.

At Tarkwa we don't really have a problem with tails capacity. It is really the sequencing of tails capacity. We've taken the plant at Tarkwa up to 13.5 million tonnes per year. There is potential of course to go higher. The one risk that I have with Tarkwa is don't push the mine too hard. In the past bigger is beautiful. Let's make it bigger. Let's mine more. One thing you've got to remember is for every ton of ore you put in that plant you've got to mine 6 to 7 tonnes of waste. And that's a lot of activity. We took Tarkwa up to 140 million tonnes. We were pushing it too hard. I'm much happier that we're back to 90 million to 100 million tonnes.

If we continue making cash like we are, it's not broken, we don't have to do anything else. But we will have our eye on stuff. If there is a consolidation opportunity in the area it might be a different ball game for us to look at. But right now let's just keep it going like it is. There is the hydrothermal opportunity if you remember. There is a paleoplacer ore body, but there is higher-grade hydrothermal. We are still drilling that. It is early days. But it looks like there might be something there.

Ruby Rosenberg

Other current assets are down $97 million. What is the nature of the assets that no longer feature? Also assets held for sale remain at $40 million compared to December 2014. I'm assuming it is the same assets given the same value. What is that asset that you haven't been able to sell in six months? And then finally, shareholders' equity is down $166 million. Why is that? I cannot find that you've made a loss of $166 million in the last six months. So what is the reason for the equity having come down?

Paul Schmidt – CFO

The asset held for sale is APP, our project in Finland, and it is valued at $40 million. We haven't been able to sell it. You're correct. So that is the asset held for sale. The other current assets, the bulk of it is debtors. One of the reasons it is down is exchange rate, using a lower conversion to Dollars. And also we sat with a lot of unsold concentrate at Cerro Corona at the end of last quarter which has been sold this quarter. And then our shareholders equity, the bulk of it relates to exchange rate differences.

Ruby Rosenberg

Thank you.

Ian Cruickshanks – Institute of Race Relations

Ian Cruickshanks, the Institute of Race Relations. Just to ask about the multi-year wage agreement. In the past there have been multi-year wage agreements but they don't seem to have stuck. Is there an understanding now about this line there should be between reward based on productivity and realisation that if you don't get the latter you're not going to get more of the former? Do you think you will make it stick? You must think you will do, but is it not notable that one can make a cynical comment about that?

Nico Muller – Executive Vice President: South Africa

I think from my perspective certainly there is continued reluctance to conclude long-term agreements based on productivity and incentives associated with that. So I think fundamental to long-term agreements is to have real growth in value for employees. And normally associated with that is productivity undertakings and agreements.

Ian Cruickshanks – Institute for Race Relations

Thank you. Is this a new trend? You've negotiated directly with the unions. Is there a move away from the Chamber, and is this likely to spread? From Chamber bargaining rather than individual mine bargaining.

Nick Holland – CEO

The reason we broke away is because we are the only truly mechanised gold mine in the industry. And our skills pool isn't one that gets exclusively sourced from the other gold miners. We would be looking at other parts of the mining industry, platinum, coal etc. So we have to look at what they're doing. We didn't feel that us getting into a wage discussion with conventional miners when we're a mechanised miner was the best solution for us to find attractive ways to retain and get new skills into the mine. But I would think that the rest of the gold producers – and this is just an opinion; I can't talk for them – I suspect they will stick together, but you might find that you get slightly different deals within the collective agreement. But if you ask me to bet on this I would bet that they would probably stick together, because they all have very similar issues, unlike us. We thought of pulling out two years ago, but we stayed the course and said we would evaluate it. And we advised all the CEOs earlier in the year that we're going to be going on our own, and they understood the reasons.

Ian Cruickshanks

Another unique factor is on the mechanisation, clearly what does appear to be world leadership in this respect. Is this likely to improve the whole industry prospects? So we may find that upside for the gold price gets limited to the fact that more mines can use more mechanisation and it could affect the supply?

Nico Muller – Executive Vice President: South Africa

I think it is very difficult for us to talk about the industry and mechanisation. There are a lot of initiatives that are being undertaken at Chamber level to improve mechanisation and automation in the current conventional operations. Of course the ore body itself is very unique. The only similar ore body is at Target. And it lends itself ideally to mechanisation and to massive mining methods. I think there is going to be an increase in mechanisation, not only to alleviate the cost escalation associated with labour, but also for safety reasons. So I think there is going to be a continual drive. And I think it will be important for the South African gold sector to support that increase in mechanisation.

Ian Cruickshanks

And for the industry worldwide?

Nico Muller – Executive Vice President: South Africa

The industry worldwide, no one does conventional mining other than South Africa. So mechanisation is the only way globally for most countries to operate.

Ian Cruickshanks

Thank you.

Avishkar Nagaser – Investor Relations & Corporate Affairs

Nothing on the webcast. Okay. Back here. Any more.

Unidentified male speaker

Thanks. Just to go back to Ghana and Damang, all-in cost at $1,370 is far off where the gold price is at. And my question really is do you have sufficient feed that you're finding from satellite deposits to keep those mills full, or does it largely hinge on what you're referring to now, on mining the saddle section? And secondly, are there any updates on your plans for a further cut back on the Damang main pit?

Nick Holland – CEO

The problem with the plant is not filling it. It is filling it with the right material. We haven't had a problem with the throughput. It's the grade. The saddle area I think is important, but it is not just the saddle. Tomento North we have started mining already which is better grade. And we are going to be getting into something else on the trend outside of the main pit called Amoanda. We think that's prospective.

The other thing is south of Juno there is a 1km strike that pinches and swells called Juno, Tamang and Nyabi. That looks like it is quite interesting as well. So we're trying to get our arms around what the collective feed of that would be. Because we really need to get the grade up to about 1.5g per ton. At 1.2g per ton we don't have a mine. So we can produce 4 million tonnes per year, but we need 1.5g per ton at least to make this viable. That's why we're spending more money now on development, opening up the saddle, Tomento, Amoanda. But we have to spend more on exploration as well. So that is going to be a focus over the next year.

And it is hell of a sensitive. You know that $1.370 will drop like $300 in a heartbeat if the grade moves up 0.3g per ton. It is that sensitive. We were doing well at the end of 2014 as you saw. We've hit some low spots in the ore body. Unfortunately normally you get a positive area to offset a negative area. We've just had some negative areas coming in all at once. But we've got to get through it. The indications are there is still some good mineralisation at depth in Huni, Juno and the saddle but also in the satellites. So it is too early for us to make any conclusion about the longer term sustainability.

Sunday Times

You're talking about the future of gold mines as mechanisation and all the mines actually heading towards that. But I mean we've seen with South Deep that it hasn't been doing very well. I was wondering how long do you think we have to wait before the mine actually starts being profitable?

Nico Muller – Executive Vice President: South Africa

Nick spoke about our business improvement strategy. We think it is a multi-year process. He also mentioned that our internal target is to have South Deep cash neutral by the end of 2016. I mean I think that's really what the aspirations are. I think if you look at South Deep I think it is possible to improve the quality of the underlying mining processes. And once we get that done we've got 70 years of

significant profitability that lies ahead of us. So Nick told me about Driefontein that was implemented 11 years late. It has produced more gold than any other gold mine in the world. So I know that South Deep has had a challenging start, but I think the team that we are assembling at the mine have the ability to implement South Deep successfully. And when we do I think the long term believers will be well rewarded for their confidence.

RMB Morgan Stanley

Hi. [Unclear] from RMB Morgan Stanley. As we were talking about acquisition targets I was thinking AngloGold Ashanti's Iduapriem mine is adjacent to Tarkwa, and seems to tick all your boxes in terms of generating cash, and it is also in an area that you're currently operating in. Is that something you've considered or you've discussed with them potentially?

Nick Holland – CEO

Clearly there is a tie-up potential. When we stand in our Teberebi pit there is a little boundary pillar that separates us from Iduapriem. So clearly there is an opportunity. I'm not convinced they are willing sellers at this point. So if they're not, it's fine. We've got enough to continue with. If they are willing sellers we can have a discussion. But it looks like they're not, so for us we will continue with what we've got.

Patrick Mann – Deutsche Bank

Just to go back to the exploration spend in Australia. Roughly it is about a million ounces a year, $80 million in exploration. So $80 an ounce to maintain that. If the gold price fell you wouldn't change what you're doing at the moment. Given that it is quite a hungry beast to feed to keep it at one million ounces, if the gold price does turn – I understand the currency has helped significantly in Australia – do you get to a point where it doesn't make sense to continue to look for replacement ounces, and what is that point?

Nick Holland – CEO

What I would say in response to that is if you look over the last five to ten years, and even starting looking now at recent acquisitions, where can you buy a reserve ounce close to existing infrastructure ready to be mined for $80 an ounce? You can't find it. If you go and look at the recent deals and look at what people paid on a reserve ounce basis, go and look what Cowell went for. Cowell in Australia. Go and look for what that went for per reserve ounce. I think it went for $300 an ounce plus. So if we can continue to feed the plants within trucking distance, 20km or 30km for $80 per reserve ounce that is bloody good business in my book. Whether the gold in Australia is $1,550 or $1,350 or $1,250 I think that is really good business.

That would be the last thing I think we'd cut off. If we had to rationalise the mines further we might look at changing the cut-off grades for example. If gold got lower in Australia we may decide to do that. That would have a knock-on effect on the amount of ore that we mine and the gold production. But I think the last thing we should do is strangle off the life blood for the future. These leases are prospective. When we bought St Ives back in 2001 I remember people saying to us why did you bother buying that? It's a dying asset. Well, the dying asset has produced 6 million ounces over 13 years and

still looks like it has got the potential to do something similar over the next 13 years. But you just have to spend the time and the effort. You've got to follow the vein systems. You've got to look for them. You've got to take time. It's two to three years to take something from grassroots on the lease to production-ready. If you're diligent it will reward you. So I would say that it is last thing we would cut off. And remember that is in the $1,000 figure. That $80 million is in there. So we've still got a lot of headroom to go.

Avishkar Nagaser – Investor Relations & Corporate Affairs

We've got one from the webcast from Jonathan Guy from RBC. Can you give any granularity on expected grades and throughput in Q3 and Q4 at South Deep? The second one related to that is what would be the consequences if break-even was not achieved by 2016. Would it be placed on care and maintenance?

Nick Holland – CEO

We're not going to answer on specific forecasts on Q3 and Q4. Sorry, we don't do that. We have given you the guidance for the year on South Deep. I think in terms of the journey to break even it is a commitment that we want to make to get to break-even by the end of the year. I think Nico summarised it well, and I will ask him to add on. It is about getting the inputs right for a long-term, sustainable delivery. Maybe you want to add to the answer.

Nico Muller – Executive Vice President: South Africa

Just from my side – maybe this is unfair; I haven't discussed it with Nick – at some point one has to take a decision on South Deep and its future viability and about maintaining it in the portfolio. So we will have an internal track that we would like to follow. And we would have to see signs of improvement along that journey to retain our own confidence in south Deep. That is why we have embarked on this business improvement strategy to fix the underlying parts of the business starting with the quality of people, fleet, underground conditions, and move from there to developing a more controlled environment with less variability. So I think it is not a question of the cash neutral position is achieved at the end of 2016 or not. It has got to do with the trajectory that we achieve during the course of that period and that there is a path showing upward trend and position that will ultimately guide investors and the management and board.

Nick Holland – CEO

Clearly we can't not show an improvement between now and the end of next year. There has to be a sizeable improvement to give us the confidence to continue. But I think hitting that milestone is pretty important. We should be there or thereabouts at that sort of period in time.

Sunday Times

[Unclear] from Sunday Times. Back to the mechanisation of mines. We are speaking as if that's the future of mining in South Africa. I was wondering, with most of our mines being conventional, like you said, and it's very hard for any machinery to actually go down there, do you think eventually you will be the only… I know it's dramatic, but the only mining company standing because the other ones

are actually doing not so well and it is only the international mines that are keeping the South African mines going for a while? So do you think eventually you will get to a point where you will be kind of the only successful long-term mine in South Africa?

Nick Holland – CEO

Do you want to try?

Nico Muller – Executive Vice President: South Africa

I think when we think about mechanisation it is not purely mechanisation. There are no many advantages in technology that I think will support the remaining part of the industry. I certainly am not a doomsayer as far as the rest of the industry is concerned. I think if we develop the skills and we are able to tap into various forms of technology and automation, even mines that are currently operating with conventional mining methods I think have an opportunity to prosper going forward.

Nick Holland – CEO

I will also just add to say that we are very fortunate that we have an ore body that lends itself to mechanised mining. It is the right dip. It is thick. When you are mining 35 degree 1m to 2m narrow reef veins it is quite difficult. I think the industry has been looking at mechanisation for quite a time, and it would have done more. Now, remember when the Sibanye mines used to be owned by Gold Fields. We spent a lot of time trying to look at ways to get the man away from the face.

I think the key thing with productivity and mechanisation is how do you get the man away from the face to not only improve productivity but to improve safety? I think the industry continues to look at ways to do it. Some guys have made really good progress. AngloGold's Mponeng mine at depth, they are trialling some very interesting concepts, horizontal raise boring that could be applied across the industry. I think Amplats are doing some great work on mechanisation, bringing in new mines as well that are fully mechanised from the get-go. I think there have been big strides across the industry. But it takes time. It is going to be an evolution, not a revolution.

Avishkar Nagaser – Investor Relations & Corporate Affairs

One last question if there is one. No. Well, thank you very much. Media round table on the first floor. Everybody else, the refreshments are outside. Thank you very much.