Operator

Good afternoon ladies and gentlemen and welcome to the Gold Fields Ltd first quarter results 2015. All participants are now in listen-only mode and there will be an opportunity for you to ask questions after today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to hand the conference over to Nick Holland. Please go ahead.

Nick Holland – CEO

Thank you very much, Dylan, and good afternoon or good morning wherever you might be, ladies and gentlemen. Thank you for joining us today to discuss Gold Fields' results for Q1 2015. With me on the call today I have Paul Schmidt, our Chief Financial Officer, and Avishkar Nagaser, our Head of Investor Relations.

Before we open the floor to questions let me give you a few brief highlights of the quarter under review.

Regrettably we had one fatal accident at South Deep in March when Mr Kennedy Katongo lost his life in an engineering-related accident. Our deepest condolences got out to his family, friends and colleagues.

In line with our plan for 2015 Gold Fields had a weaker first quarter with the traditional Christmas break in South Africa, compounded by mine scheduling at other operations. This saw attributable gold production decrease by 10% quarter on quarter to 501,000 ounces.

The one thing I would share with you, however, is this was within 1% of our plan. So essentially for quarter one we delivered the plan that was premised in the guidance that we gave you for the year of 2.2 million ounces. So the weaker results for quarter one were not something that surprised us and were scheduled and planned.

Costs were well contained in the quarter with net operating costs decreasing by 10% quarter on quarter to $366 million. Of course, unit costs were impacted by the planned lower production with all-in costs increasing by 12% to $1,143 per ounce and all-in costs similarly higher at $1,164 per ounce.

Interestingly this is lower than what our costs were around about four years ago, so I think it shows how much we have been able to absorb in terms of cost pressures over the last number of years and still keep our costs at that level.

As a result we reported a normalised loss of $13 million for the quarter compared to a normalised earnings of $17 million in December 2014. It is worth noting that the normalised loss includes a deferred tax adjustment of $21 million related to the weakening of the Peruvian Sol and relates really the fact that our tax calculation in Peru is calculated in Sol whereas our books are actually kept in US Dollars.

So it is a deferred tax adjustment which is purely a book entry, but in terms of generally-accepted accounting principles and IFRS we had to report this in our earnings. So if there are questions on this after I've given this brief synopsis then Paul is the expert here who can explain this better than I can.

Cash outflow from operating activities less net capital expenditure and environmental payments amounted to $29 million compared to an inflow of $54 million in the previous quarter. Now, obviously we've had a track record of six quarters in a row of producing positive cash, and the reason we've not been able to repeat that this quarter is a function of the production scheduling over the course of 12 months, compounded by the fact that capital expenditure is actually slightly weighted in the front part of the year, particularly at Tarkwa where we had to purchase 18 new trucks that costs us around $46 million.

As I said earlier, this doesn't change our view of the forecast for the year and our guidance of 2.2 million ounces at an all-in cost of $1,075 an ounce still holds for the year.

Mainly as a result of the decreasing cash inflow from operating activities net debt increased by $46 million to $1.5 billion at the end of March. And our net debt to EBITDA ratio remains pretty comfortable at 1.4 times.

Now turning to the regions. The Christmas break directly impacted gold production at South Deep, as did the knock-on effects of the four month safety stoppage last year. This resulted in a 25% quarter on quarter decrease in gold production during the first quarter.

It is worth noting that the Christmas break in South Africa actually results in us losing the first two weeks, because we are off during that time, and when employees get back we run our annual medicals as well as making safe underground. And in essence in South Africa you only have a two-month quarter in the March quarter. And of course allied to the lack of face flexibility given the mine stoppage for four months last year we knew that this was going to impact certainly the first half of the year.

In addition, the work to get the basics right continues, which is the mandate to the team at South Deep. That is ongoing and starting to gain traction. These initiatives together with the ground-breaking three-year wage deal signed in April are expected to provide a stronger underpin for the second half of the year.

In essence what we've asked the team at South Deep to do is make sure that we improve the operating culture on the mine as a basis for providing a more sustainable foundation. That means we've had to stop and fix particular areas of the operation and get the right culture and discipline in place. Often that has a short-term impact that will give us the benefits in the longer term.

Turning to West Africa, a decline in production at Damang was partially offset by an increase at Tarkwa. But overall our West African operations were slightly down about 3% quarter on quarter. Our all-in costs in West Africa were of course up by 15% to $1,299. It is mainly due to the $46 million of once-off fleet replacement that we had to incur this quarter on 18 new trucks that came up for replacement.

If we look at Peru, lower gold and copper head grades were treated and this resulted in a 21% decrease in attributable gold production at Cerro Corona. Of course this was exacerbated by the lower copper price compared to previous quarters. And this was in line with mine sequencing and where we are in the pit. And the production plan for the March quarter mirrors what we actually saw in the performance this quarter. The rest of the year we believe is going to track the guidance we've given to you earlier. All-in costs per gold equivalent ounce were marginally lower at $671 per ounce.

Gold production at the Australian operations was down to 241,000 ounces for the quarter with lower production at all of the operations except St Ives. St Ives had a really good quarter, recovering from some of the previous quarter's production issues. And it is good to see they made almost 100,000 ounces in the quarter. All-in costs for the region increased by 14% to $978 per ounce – still below $1,000 per ounce – mainly due to lower gold sold, and a gold inventory charged to cost at St Ives given the processing of large stockpiles that we mined at Neptune in the previous year. That was partially offset by lower operating costs and lower capex.

Given the lower production for the quarter that was planned and pretty much in line with what we expected it to be, we have no hesitation in maintaining our previous guidance for 2015 of 2.2 million attributable gold equivalent ounces at all-in sustaining costs of $1,055 per ounce and all-in cost of $1,075 per ounce.

Thanks for your time. I will now open the lines for questions. Please forgive my voice. I'm just suffering from a cold. The team and I will now answer your questions. Thank you, Dylan.

Operator

Thank you, Nick. Ladies and gentlemen, at this time if you would like to ask a question please press star then one on your touchtone phone. If you then decide to withdraw your question please press star and then two. Our first question comes from Adrian Hammond of Standard Bank. Please go ahead.

Adrian Hammond – Standard Bank

Afternoon gentlemen. I have three questions please. Firstly, grades pretty much declined almost everywhere across your group. Just to get a sense of the impact of the mine scheduling you've discussed can you give us an indication of whether these grades have recovered yet? That's the first question. Secondly, on South Deep, do you see any major stop and fix scenarios in the next couple of quarters? What are those stop and fix scenarios going to be addressing exactly? And then thirdly, what do you think might transpire out of the Mining Charter review in the courts at the moment in South Africa? Thanks.

Nick Holland – CEO

I think in terms of the Mining Charter – I will answer the last question first – the Minister has put out his speech on 31st March where he gave his assessment on how he thought the mining industry had done in terms of all of the elements of the Mining Charter. That is available for you to peruse. He has obviously not talked about ownership given the agreement with the industry to seek clarity in the courts in South Africa. But certainly from our perspective all I can do is reiterate what I said in our annual report, which we issued on 31st March, that we have complied with our obligations in terms of the Mining Charter, from ownership including all of the other issues including housing etc.

It remains to be seen how long the process is going to take in terms of the declaratory order, because obviously there is a dialogue going on between the Minister and his advisors as well as the industry and its own advisors about the nature and content of the papers to be filed. So the timeframe on that is unclear at this stage. In fact, the Minister has already indicated that the date of end April was not achievable. Clearly we have passed the end of April already. So it is going to take some time, and I can't give you a definitive timeframe on that.

In terms of South Deep it is hard to see what the impact might be of any further stop and fixes as we fix the culture on the operation. But clearly the mine is very focussed on ensuring that the second half of the year is appreciably better than the first half, and of course that the current quarter we're in is going to be better than the first quarter, which was clearly well below anything any of us would like. So we will have to see how things go. And the fact that we should get more open stopes available in the second half will help.

The guidance for this year of 228,000 ounces is definitely going to be a stretch for us to achieve given the stoppages, but I think if it is a choice between getting the guidance and continued stop and fix we will continue to stop and fix. But the team is motivated to try and achieve the guidance, so we will see where we are in the next quarter and give you a further update on that.

In terms of the grades on the different operations as you know, Adrian, we don't give quarterly guidance. We have given you guidance for the year of ounces of production and all-in costs. All I would say is that clearly grades move around. At Cerro Corona we expect grades to be higher over the balance of the year. Clearly they need to be in any event to achieve the production plan. And we expect them to.

We expect Tarkwa to be able to benefit from getting into some higher grade pillars at Teberebi, so that will benefit the rest of the year. Damang has certainly been in a low in quarter one - 1.2g is a low for Damang. So they will see better grades from here. Granny Smith as well. As we get more into zone 100 we should see grades hovering between 6g and 6.5g per ton. And Agnew should also pick up to between 6g and 6.5g. Those are the sorts of ranges we have been in, and there is no reason to believe that we're not going to be back in those sort of ranges over the balance of the year in accordance with our schedule. Again I will reiterate the performance this quarter is in line with the plan. This is what we expected to do. Thank you.

Adrian Hammond – Standard Bank

Thanks.

Operator

Our next question comes from Kane Slutzkin of UBS. Please go ahead.

Kane Slutzkin – UBS

Hi guys. Just a quick one from me. Can you maybe just confirm what the capex profile is looking like at Tarkwa and Granny Smith for the rest of the year? Tarkwa had that once-off, but how does it… Does it trend back to the normal level for the rest of the year? I'm just trying to see how you get to the 660 for the full year. I'm a bit light on that number, so if you could just comment on that.

Nick Holland – CEO

You can actually derive it by looking at the profiles of the different operations. But we haven't given that capital guidance by mine. But it is factored in the all-in costs. Also if you look at the breakdown in the book, in the book we give you a breakdown of the operations in terms of operating costs, capital etc. for the quarter. So if you work back from what the likely operating costs are and use that as a basis to annualise and work back taking off the all-in cost estimate you can work back to what the capital figures are per mine. So we don't provide that guidance. We manage these operations on an all-in cost basis. That's why we focus on giving you that information. I think Avishkar can probably call you afterwards and try and guide you through how you can use the book to derive the numbers you need.

Kane Slutzkin – UBS

All right, guys. Thanks.

Operator

Ladies and gentlemen, a reminder that should you wish to ask a question please press star then one now.

We will wait a moment to see if we have any further questions. We have a question from Tshepo Masele of The Resource Fund. Please go ahead.

Tshepo Masele – The Resource Fund

Nick, I'm just trying to get my mind around the sheer value destruction that is happening at South Deep. This mine when it was proposed to shareholders for $4 billion this thing was going to be 1.2 million ounces per year. We are down to 200,000 ounces per year. Can you take us through what have been the issues? Has the mining method been wrong? What is it? Did we over capitalise on this project? What exactly went wrong here?

Nick Holland – CEO

First of all I don't know where your 1.2 million ounces comes from, but it is certainly not…

Tshepo Masele – The Resource Fund

It comes from Ian Cockerill. Go and look at Ian Cockerill's previous presentation when you guys were buying South Deep.

Nick Holland – CEO

Look, he's not here anymore and I wouldn't want to talk on his behalf. But the guidance I've given during my tenure as CEO is up to 750,000 ounces a year. So those are the numbers that I've been previously giving. I think it is all about the mechanised mining skills and the mechanised mining culture, and the ability for us to actually ramp up this mine. We did get to a stage where we were up at 300,000 ounces a year back in 2013. But we realised the way we were mining was not sustainable, and in particular the way that we were supporting the faces we were opening up was also not sustainable.

What I want to achieve is for us to get to whatever production level we can get to and achieve that sustainably. I wasn't comfortable that the way we were mining the ore body was going to be sustainable over time. That's the reason we pulled back and said, hang on a minute, what is the key issue here? One of the key issues is just the lack of mechanised mining skills we've had on the operation. So that has been a big focus for us now, to get the right skills in, get the basics back in place and making sure this great ore body can be delivered into a good operating mine. But that's going to take longer I'm afraid.

Tshepo Masele – The Resource Fund

It has cost a lot of money, Nick. That's my issue. Please appreciate that and be sensitive to that. It has cost a lot of money.

Nick Holland – CEO

I'm extremely sensitive to how much money it has cost. I think about it every day. Thank you.

Operator

Thank you, our next question comes from Brian Nunes of Gramercy. Please go ahead.

Brian Nunes – Gramercy

Good afternoon gentlemen. Thanks for the call. I just wanted to get an update on the hiring of the skills for the mechanised mining at South Deep. I think there was skills shortage that you identify and you were looking to other industries to acquire those skills. I wanted to get an update on how you're progressing on that.

Nick Holland – CEO

The team at South Deep has identified that we probably need somewhere between 170 to 200 people in the mechanised section both as operators and as maintenance artisans, including supervisory skills. So we're in the process of looking around. We are not really going to find those skills within the gold industry so we are looking at other sectors within mining to get those skills. And there has not been a large pool of mechanised mining skills available in South Africa, and that has been one of the things that we've been struggling with for a number of years.

But we are probably almost about halfway through recruiting and identifying and are in the process of recruiting about half what we need. But the process is slow. I think it is probably going to take the rest of the year to get the right team in place for us to be able to have the right skills vertically across the mine for us to sustainably get this mine working in the right direction.

Brian Nunes – Gramercy

Okay. So that's the next question. If it is going to take the whole year was that factored into your budget of your targeted ounces and mining?

Nick Holland – CEO

Yes. What we did is we've used by and large the same sort of productivity levels we've been achieving in the previous year to determine this year's budget. But as I said earlier on the call, one of the things we are doing to change the culture and get a better operating culture on the mine we've had to stop and fix as we go. That is the only risk in terms of achieving the ounces for the year. It may require us to take longer to get the right disciplines in place. But it is not about the people, because we were planning to get the same productivity levels as we were getting last year.

Brian Nunes – Gramercy

Okay. Thank you.

Operator

Ladies and gentlemen, a final reminder that if you'd like to ask a question please press star and then one now. We will wait a moment to see if we have any further questions. Nick, it would appear we have no further questions. Do you have any closing comments?

Nick Holland – CEO

I would like to thank everyone for calling in. Apologies for my gruff voice as I try and recover from a cold. It hasn't been quite as eloquent as I would have liked. Thanks for all the questions, folks, and we look forward to catching up soon and chatting more about Gold Fields' prospects. Thanks from all of us from our side.

Operator

Thank you very much, Nick. On behalf of Gold Fields that concludes this conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT

ENQUIRIES

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