Announcement on the Acquisition of Gruyere

Nick Holland – CEO

Good morning ladies and gentlemen and thank you for joining us today on this call at short notice. With me today I have some of the executive, including Paul Schmidt, our CFO, Taryn Harmse, our General Counsel, and Brett Mattison, Corporate Development who was significantly involved in leading this process for us.

We are pleased to announce that we have entered into a 50/50 joint venture with Gold Road Resources, an Australian junior, for the development and operation of the Gruyere gold project in Western Australia which comprises in part the Gruyere gold deposit. Gruyere is a large sheer hosted porphyry gold deposit with reserves of 3.5 million ounces and total resources of 6.2 million ounces. Gruyere forms part of the Yamarna gold belt which is a new gold province on the eastern limb of the Yilgarn craton.

If we look at the deposit it is split between oxides, around 12%, transition ore, about 5%, and fresh ore about 83%. The strike length is 1.8km by 0.9km. And the depth initially goes down to 380m. It's an open pit with four stages. It has a low strip ratio of around about 2.8 to one over the life, with low initial strip.

More information on this project can be obtained from the Gold Road website. They published the feasibility study a couple of weeks ago so it is available on their site and you can get more information on that. We believe that this is an exceptional deposit in terms of both size and grade continuity with really good visual controls and mineralisation.

Gold Fields will acquire a 50% interest in Gruyere for a total purchase consideration of A$350 million – that's payable in cash – and 1.5% royalty on Gold Fields' share of production after total mined production exceeds 2 million ounces. The royalty is only paid on our 50% of the production. After an initial transition period not likely to be more than six months Gold Field will become the operator of the project.

The cash consideration will be split, with A$250 million payable at completion and A$100 million payable according to an agreed construction cash call schedule. The consideration will be funded utilising existing cash resources in Australia.

The feasibility study for Gruyere which was completed last month supports average annualised production of 270,000 ounces for a 13-year mine life. And that is only looking of course at the reserve. In addition to the reserve we have a significant resource and the ore body remains open at depth.

All-in sustaining costs over the life of mine are expected to be A$945/oz (US$690/oz) and all-in costs are expected to be A$1,100/oz (US$805/oz). Construction capital is estimated at A$507 million which of course is included in the all-in costs that I've just mentioned. First production from Gruyere is expected at the end of 2018, early 2019. Production ramps up quite steeply and quickly and we should be at steady state by 2020.

Australia is a key part of our business and the largest cash generator in the group. And this deal enhances our portfolio and expands our exposure to a new and emerging gold field in Western Australia as I mentioned earlier. Gruyere will add life, margin and cash flow into what is already a strong region for Gold Fields and which has proven its ability to integrate new operations with ease. As you can recall some three years ago we acquired the Yilgarn South assets from Barrick.

We are excited about partnering with Gold Road and are hopeful that this is the start of a multi-decade, mutually beneficial relationship. We will now open this call to questions which either myself or my colleagues will answer. Thank you.

Operator

Thank you very much sir. Ladies and gentlemen, at this time if you do wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw your question please press star and then two to remove yourself from the queue. Again if you wish to ask a question please press star and then one now. Our first question is from Johan Steyn of Citibank. Please go ahead.

Johan Steyn – Citibank

Hi. Good morning Nick. Just two quick questions please. In terms of balancing a deal like this with existing operations or making operations of existing mines that are already operating, you have mentioned that you guys have been having a look at this. Is there nothing out there at this stage that is more attractive than the acquisition that you made today?

Nick Holland – CEO

I think there are certainly opportunities out there, Johan. But we believe that although this might be considered a departure from the originally stated objective of acquiring ounces in production, given the fact this is in Australia – that has always been a key consideration – we see this as a really good opportunity for us. We see this as something that will add significant life and also reduce the costs. We think balancing out what is out there, this certainly is something that we believe Gold Fields should grab. That doesn't mean to say that we're now closing the door to other opportunities that might be out there of acquiring in-production ounces. We are certainly not closing the door. But we believe that given the potential here – as I said earlier this is open at depth. It is a very good deposit in terms of its continuity and structure being a porphyry system – that this is something we felt would be exceptional over the life of the Australia region. And it certainly doesn't in any way detract us from making sure the existing asset portfolio of Australia is optimised, or number two in considering our quest to look for other opportunities out there that might be in production.

Johan Steyn – Citibank

Thanks Nick. Just secondly, do you envisage this to be incremental growth ounces on a company basis or do you see it two or three years out when this comes online effectively to maintain your existing 2 million ounces?

Nick Holland – CEO

Johan, as you know we have moved away from this whole notion of it's all about ounces and people trying to say what is your production profile two years out, three years out, five years out. We moved away from that notion as you know some years ago. So what this has been looked at is an acquisition in its own merit and on its own basics. So essentially we believe that this is an accretive opportunity for Gold Fields and for the group. We are assessing this particular opportunity on its own merit. Whether or not this is going to replace or add to the production profile time will tell. But certainly what it will do is in the absence of anything else it would increase the reserve base in Australia right away by around about 50%. That's not to say I'm indicating this is going to be incremental ounces. But certainly it is going to be an accretive acquisition in terms of returns that we expect to make.

Johan Steyn – Citibank

Thanks Nick. Thank you.

Operator

Thank you. Our next question is from Adrian Hammond of Standard Bank. Please go ahead.

Adrian Hammond – Standard Bank

Morning gentlemen. Just a couple of questions on the strategy side of things. Do you not feel now that you have announced the deal you have to progress with Damang and on top of that you have got South Deep to deliver on? We've got a lot of plans around exploration in Australia from a brownfields perspective. Do you not think you guys are going to be spreading yourselves too thin trying to do all this at once?

Paul Schmidt – CFO

How do you mean, Adrian? It's Paul here. Financially or technically. What question are you asking here?

Adrian Hammond – Standard Bank

From a managerial position to oversee all these projects you've suddenly got a lot going on.

Nick Holland – CEO

Let me take you back. When we bought the Yilgarn South assets we bought three operational mines, existing operating mines from Barrick in September 2013. And with the significant managerial capacity we have in the Australia region we absorbed all of that in a seamless way in around three or four months. So I think this in relation to that is a much smaller task for the group, and particularly for the Australia region where we have got significant capacity both on the individual mines and in the Perth office. So not at all. We are quite comfortable with taking this on. And bearing in mind it is a joint venture. There are going to be people coming across from the Gold Road side who have been working on the project all the way through to the feasibility study. So we are going to get access to all of those people as well. So we certainly don't believe that this is going to from a managerial or technical capability put us under stress. In terms of the balance sheet maybe Paul can comment on his views on that.

Paul Schmidt – CFO

Adrian, as you know we've indicated that our net debt to EBITDA will be below one times by the end of the year. This will most probably return us to one times which is still within our stated goal of getting to one times by the end of the year. So we can quite comfortably absorb this on our balance sheet. There is no issue.

Adrian Hammond – Standard Bank

Thanks. Just on the capex side of things. Is there a contingency on that number? Maybe you can give us an indication of how capex has changed of late for building projects of this size?

Brett Mattison - Senior VP Corporate Development, Strategy and Planning

Hi Adrian. It's Brett Mattison here. Yes, there is a contingency of 15% on the capital. We have done a full review of their feasibility study. We regard their capital as being pretty much in line with what we would do. And we still think that the market particularly in the Australian context is pretty good in terms of managing inflation on the capital build. Bearing in mind as well, this is a fairly simple build. You're building a processing plant and opening up a pit. We are fairly convinced. They have looked at their long lead items. In fact we have got them at discount to the market. And we believe that this is the right time to be building particularly in those market conditions. So we are fairly comfortable on not only their capital amount but our ability to actually meet the schedule and budget.

Adrian Hammond – Standard Bank

Thank you very much.

Operator

Thank you. Our next question is from Patrick Mann of Deutsche Bank. Please go ahead.

Patrick Mann – Deutsche Bank

Good morning everybody. I just want to ask a little bit more around the future potential of this area. I mean if we look at effectively what you're buying in terms of what's in the feasibility study it looks like a pretty full valuation. I mean looking at Gold Road's valuation or their NPV when they released it, it was under A$500 million at a slightly lower gold price. But on the other hand you have also had an instance where they have gone from discovery to FS on this project from 2013 to 2016 and there are other prospective regions that you are exposed to in this Gruyere JV tenement. My question is more especially on the satellite deposits how much potential for upside is there? It looks like this area is very underexplored and there is the potential for a lot more to come into reserves than what you've bought. Is that fair?

Nick Holland – CEO

Just to reiterate remember that the feasibility study only contemplates the 3.5 million ounce reserve. In addition to that there is potential in terms of the resource which goes up to 6.2 million ounces. In addition to that the ore body remains open. So the indication is that particularly given that this is a porphyry system with very good grade continuity there is good potential for this deposit to get bigger certainly beyond the reserve envelope. The other thing to bear in mind is that the other satellite deposits of around 400,000 ounces are all within a 20km radius or so, and they have not been factored in. So that comes on top of what's here. We think there is quite a lot of potential there too. So we think that this is a robust deal. It is giving us a good, accretive project and bear in mind the costs are coming in quite a lot lower than the existing costs both in Australia and also in the group. So there is certainly upside out there, Patrick.

Patrick Mann – Deutsche Bank

Thanks a lot. Can I maybe just follow up? Their market cap, the data that I've got, is about A$550 million. Was it possible to not consider taking out all of it and get access to their northern and southern tenements as well? And then the second question is I see you guys have an assumed liability or contingent liability of up to 10% on cost overruns. Can you just explain that? Is that 10% of the total

budget? Maybe give us a bit more detail on that.

Brett Mattison – Senior VP Corporate Development, Strategy and Planning

Okay, Patrick. It's Brett Mattison here again. I will answer those two questions. Let me just start in terms of what we've agreed on the cost overrun. It is a 10% overrun on the agreed capital between the parties. We will have a session with them now. We have materially agreed with all of the terms. So that's the first caveat. And then secondly it excludes force majeure events or things that have blatantly been left out of the capital. So there are exclusions. So we are fairly comfortable that again referencing back to Adrian's comment we're fairly comfortable that the exposure on that is very limited. Getting back to the deal structure, we obviously had several iterations. But pretty much this was the deal on the table. A full buy-out was not on the table. We entered into a formal process that they ran with stand stills that was commensurate with it. And this was the deal they had. Again referencing Johan's earlier point, I think it is also prudent for us on this one because it is off the in-production strategy to not bet the farm and throw everything into this and maybe leave a little bit of firepower to look at other opportunities as well. So that's the main reason why we've structured it in this manner.

Patrick Mann – Deutsche Bank

Great. Thank you.

Operator

Thank you. Ladies and gentlemen, a final reminder, if you wish to ask a question please press star and then one now. We will pause a moment to see if we have any further questions. We have a question from James Bell of Merrill Lynch. Please go ahead.

James Bell – Merrill Lynch

Morning gents. Just two questions. The first is I think you mentioned it but who is going to be managing the construction of the project and when do you take over operatorship? And secondly just in comparison to some of your internal projects in the Australian portfolio did you look at benchmarking the returns on this investment versus those?

Nick Holland – CEO

There is a transition period of around about six months, and after that Gold Fields will become the operator. And obviously we will integrate all of the people on the Gold Road side who have worked on this project over the year or two that it has progressed to the feasibility study. So that will ensure that we have a seamless integration of all people involved. So we've benchmarked this obviously against our own operations. We have looked at the study in terms of that. We have looked at things out there. And interestingly this looks like it's an analogue of Cowell in many respects on the other side of Australia. That is also a porphyry system. We have had a number of people as well who worked for us who were involved in the initial development and operation of Cowell. So we have had the advantage of obviously looking at their public information and looking at that in relation to what this looks like as well. So it stacks up pretty well on all of those metrics. So we've got the ability being in Australia to of course look at our own operations, look around us, and that was an important part of our evaluation of this opportunity. And it has stacked up well.

James Bell – Merrill Lynch

Okay thanks. And in terms of the Australian budget for drilling for reserves and the brownfield work that you've been doing, does this purchase impact that? Are you looking to slow down spend at your own operations given that you've got this in the pipeline?

Nick Holland – CEO

Not at all. The strategy on our existing Australian operations remains unchanged. We have got a budget of A$95 million for 2016. We will continue to spend that as in line with the programmes that have been set out. And we continue to see brownfields exploration at that sort of level being a key input into the Australia region for years to come. So this is not to try and shore up anything else. This is seen as an additive to what we are already doing in Australia.

James Bell – Merrill Lynch

Okay. And just one final one. I'm not totally familiar with the permitting process in Australia. Can you talk me through the permits that are outstanding before the mine construction is required and if you see any risks of delays there?

Brett Mattison – Senior VP Corporate Development, Strategy and Planning

James, all material permits are in place. The Gold Road team have done a fantastic job in getting that all done. In fact the native title agreement is the watershed agreement particularly in Western Australia. I must say just to the earlier point in terms of how we manage this, I think the way Gold Road has set this up has been phenomenal. They have got the people, all the permitting and the native title agreement in place. So no material permits. We don't see a huge obstruction. There are a couple of smaller bits and pieces, but nothing material that we think we need to flag at this point in time.

James Bell – Merrill Lynch

Okay, thanks.

Operator

Thank you. Our next question is from Derryn Maade of HSBC. Please go ahead.

Derryn Maade – HSBC

Good morning everyone. Just a couple of quick ones please. Just in terms of the feasibility what have you assumed on power generation as a base case? Is gas in there already or is that still an upside to the current case? And then could you just explain what impacts on cash flow if any the native title agreements are likely to have please?

Brett Mattison – Senior VP Corporate Development, Strategy and Planning

Let me answer those two as well. You are quite correct, Derryn. Gas is already factored in. It has already been fully funded in. It will be 40 megawatts that are required. That gas pipeline is up and running. That has all been done by the Gold Road team. In terms of native title as you can read from the Gold Road releases there is a royalty that has been agreed with them, and that will be paid, but that is all baked into the costs here. 0.8% royalty that is already fully costed into all of our models and all of the all-in cost.

Derryn Maade – HSBC

Thanks very much. Then just one last one following on from Patrick's question, why buying at the project level versus the listed equity. Was that not an opportunity to be aggressive, to take an ownership stake or a controlling stake in the listed equity so that you gain upside to the regional exploration projects as well? On my numbers if you add a 305 premium to the last closing price you can take almost 50% for your A$350 million.

Nick Holland – CEO

Just to say again this is the deal that has been structured between the parties. We think it's a good deal in terms of a joint venture that provides an opportunity for us to add value to the project, and at the same time it allows Gold Road of course to maximise the potential of the remaining 50% in their hands. I think this is the start of what could be a long-term relationship in time. This is the deal that has been structured. We are very happy with it. Brett indicated to you that because this is not an in-production asset by doing a joint venture in something that will come into production down the road it enables both parties to share the technical and financial risk. We believe in the circumstances this is the optimal deal structure which suits both parties.

Derryn Maade – HSBC

Thanks for that, Nick. Sorry, Brett, can I just ask you one last thing? I'm just looking at the feasibility study permitting. It says the gas pipeline route permitting not assessed for environmental permit. Is that still outstanding then or is that not a requirement?

Brett Mattison – Senior VP Corporate Development, Strategy and Planning

That is one of the smaller things but we don't deem that to be material and it won't to our mind delay construction.

Derryn Maade – HSBC

Okay. Thanks.

Operator

Thank you very much. Ladies and gentlemen, again a reminder, if you wish to ask a question please press star and then one now. We will pause a moment to see if we have any further questions. We do have a follow-up question from Patrick Mann. Please go ahead.

Patrick Mann – Deutsche Bank

Hi again everybody. Just on the A$100 million that you're going to pay during the construction process. How should we think about the timing of that? Is it relatively upfront for the long lead items? Is it phased into the entire construction process? Thanks.

Brett Mattison – Senior VP Corporate Development, Strategy and Planning

Patrick, again the Gold Road team have looked at project financing facilities to fund a lot of this. And we think pretty compelling terms by [unclear]. But again by the same token that is still subject to negotiation by the parties. We see the A$100 million as being paid over the next couple of years. That is the way we have modelled it.

Operator

Thank you. We have got a follow-up question from Adrian.

Adrian Hammond – Standard Bank

Hi Brett. I think it was pretty much answered, but I just wanted to get some clarity on the funding outstanding requirements for Gold Road to see this project or this deal close by the end of the year. What still needs to happen from their side?

Brett Mattison – Senior VP Corporate Development, Strategy and Planning

Look, I obviously can't talk for Gold Road now, but they have done an immense amount of work to line it up. This structure was done in parallel with other funding options including equity and project financing. Although I can't talk for them this thing is very far down the line in terms of being a fully funded project.

Nick Holland – CEO

Also, Adrian, just remember with the money coming through from us that just provides a further underpin if they elected to use the cash. So they've got options. There is really no issue here.

Paul Schmidt – CFO

I think that's a fundamental point. 50% of the A$507 million the purchase price will cover that. So they do have a lot of optionality in that respect. We are not concerned about that.

Adrian Hammond – Standard Bank

Thank you.

Operator

Thank you. We have got a follow-up question from Derryn Maade. Please go ahead.

Derryn Maade – HSBC

Hi guys. Just thinking about when you are looking to have all of this wrapped up. When is the deal likely to become unconditional?

Brett Mattison – Senior VP Corporate Development, Strategy and Planning

Well the most material conditions now are the regulatory condition, which is the FIRB, which we have dealt with many times before. That is generally a 30-day process. It can be extended a bit longer. That application has been made. And then you need the ministerial approval. So we believe this will be closed prior to year-end, conservatively. Probably before then.

Derryn Maade – HSBC

Thanks very much.

Operator

Thank you. Gentlemen, we have no questions in the queue at the moment. Do you have any closing comments?

Nick Holland – CEO

I think just to say thanks to everyone for joining. We are very excited about this opportunity. We are very excited about working with Gold Road. I think they are an excellent team. They have done a good job in bringing this project forward. And we look forward to talking more about this in the months and years to follow. Thank you very much for your attendance today.

Operator

Thank you very much, sir. Ladies and gentlemen, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

END OF TRANSCRIPT