Moderator: Today I have the pleasure of introducing Nick Holland, who's the CEO of Gold Fields. Gold Fields is a gold company with production of about 2.2 million ounces. They have a cash cost that's guided this year at around $1,000 an ounce. They have seven producing mines in South Africa, Ghana, Australia, and Peru. And hopefully we're going to learn something about the business. We recently upgraded the stock to buy, so it will be interesting to hear what you have to say.

I think the first thing we can kick off with, Nick, is we Gold Fields started a reinvestment program in its business about 18 months ago. Maybe you can talk us through where you are in that plan; how the progress has gone; where you've had successes; where things have maybe been a bit disappointing.

Nick: Sure. We're in the process of building two new mines across the group, which is the first time that I can remember -- having been in this company for 20 years -- that we're building two new mines at the same time. We're building a new mine in Ghana, which is essentially a pushback of an old mine, that's a $340 million project; and we're also building a new mine in Australia called Gruyere with our partners Gold Road.

As we sit at Damang, at the moment we're ahead of plan, which is a nice position for us to be in; and we're in a good space for us to get into the heart of the pushback in around about the second half of 2019. So that's going pretty well and it's really a big earthmoving operation. And once we get into that we'll initially be recovering about 1.5 to 1.7 million ounces, at good grades, about 1.8, 1.9 grams a ton. But there's the potential as well to recover another 4 million ounces at grades above 2 grams a ton. So we may do an extension of the pushback in time. But our view at this stage is let's first get some runs on the board on that project; and if that works well, which we think it will, then we can move into the next phase.

Gruyere is a brand-new mine in WA on the eastern side of the Yilgarn. It's a joint venture with Gold Road, so it's a greenfields site. That project is also going reasonably well. We've had some weather delays at the beginning of the year, a few engineering delays as well. So that project is likely to move out a month or two from the original date; but we still expect to get first gold in quarter two of next year; and the costs are likely to be around about 10% higher. Obviously time is money, so as projects move out, the cost go up.

But importantly, both of these projects not only provide additional life for Gold Fields, which is very important; but they come in at most lower cost than what we have now. And the all-in sustaining costs of both Gruyere and the Damang pushback are likely to be of the order of about $700 US an ounce once we get into production. As you said earlier, we're just below $1,000 on our all-in sustaining costs, so it's going to meet our objective of lowering our costs and extending our life. Gruyere's got initially 13 years of life. We're quite confident that there's potential beyond that. Damang has initially 8 years, but as I say, with the further pushback that we'll probably do incrementally, there's potential for another 15 years on top of that over time. So those projects are going to have a major impact.

Obviously we are in a capital investing phase. We said that '17 would be cash-negative. In fact, we came out square, which was great. We said '18 would be cash-negative again. It looks like we probably will be somewhat cash-negative; but this is going to set us up to make, we believe, a lot of cash flow in the years '20 onwards as these project come into production. And they'll be defensive. If the gold price goes down when you're running mines at about $700 an ounce, you can ride the waves of volatility having the gold price.

Moderator: And then maybe we can just talk more broadly about capital allocation. You mentioned that extending life at Gold Fields is key at the moment. We've seen some growth initiatives, where they've been organic growth initiatives, building mines from scratch. We've seen some of the deals or some other initiatives to extend mine life at existing assets. We've also seen some M&A of assets that are about to enter into production like the recent Asanko deal. When it comes to how you're thinking about how you add ounces to your portfolio, what are the things that you're considering in terms of the types of assets you've been willing to look at, the geographies? You obviously have a very broad portfolio at the moment. Are you targeting Africa or for other regions? Talk to us more about how you evaluate your options to add ounces and life.

Nick: So we've come through a long journey on this particular path; and I think back to around about 2012 when we were doing exploration and feasibility projects in multiple countries across the world; and we felt that we lacked focus. So one of the things we did is we collapsed all of that, and we decided to really focus on the countries that we're already in. The one thing I've learned in this game is if you understand where you operate, you understand the local environment, it's probably the best place for you to be.

For example, in Ghana. We've been in Ghana for 25 years. We've been there pretty much longer than anybody else. It's a good hunting ground for us. We're quite happy to make incremental investments. And you've seen not only has the Damang project been approved by the board, $350 million, but we're just entered into an agreement to acquire 45% of Asanko's operations. Again long life, low cost operations. We're talking 15 years at least with significant exploration potential. And again, we're talking about costs that will be below $900 an ounce, and that really is our long-term goal. So going to countries that you know and you understand, for us is a better strategy. Consolidate on the presence you have in the country. So Ghana, I think is obviously an area where we'll be for a long time.

Australia, of course. We went into Australia for the first time in 2001; and since then, we're building up a portfolio that when Gruyere gets into production next year, Gold Fields will be about a million ounces a year in Australia, with cash flows, on average, if you look at the history, somewhere around about 250 to 350 million US dollars a year.

That's a very nice annuity to have. We think it's one of the best places to operate. The work ethic is very good. There's still quite a lot of potential. Albeit, that it's more likely to be underground operations in our particular sites that we'll see in the future, as opposed to open-pit operations. But the Yilgarn Craton still has lots of exploration potential and clearly we have an eye on that whole area. So I would see Australia as still being a happy hunting ground for Gold Fields in the future.

Ghana we've spoken about. Peru, we only have one mine in Peru, but it's a very low-cost operation, around about $650 an ounce. We've done a life extension there. And again, if we can find a way to leverage our presence in Peru to good effect in the future, we'll look at that. Judicious exploration is a possibility.

But we've expanded our footprint in the Americas, into Chile. We have a project that actually is Gold Fields' discovery. At long last we've found something that we've taken from grassroots exploration all the way through. It's called Salares Norte. It's a gold, silver epithermal project in the Atacama region, right about 4.5 kilometers up. And we're going into feasibility on that. We should be finished with that process by the end of the year. That'll be a low-cost operation. Life of mine of about 350,000 ounces a year with all-in sustaining costs of about $575 an ounce with lots of upside potential. So we're quite excited about that as well. So that really gives you a flavor of where we'll be.

Now I think if we just look at the international portfolio of Gold Fields, which has grown from nothing in 1998 to over 2 million ounces today with all of these projects, we're very confident that we have a 10-year plus life of mine just for the international operations, with costs that should be $900 an ounce or lower. So that puts us in a very good space with lots of upside potential just from the international portfolio of Gold Fields. So we believe that we've certainly set the company up for long-term success.

Moderator: So you've painted a picture of a fairly compelling story of your international assets, which obviously makes us wonder what about South Africa. We know about South Deep; we know about the numerous challenges; the issues with getting the volumes where you want them to be. Maybe you could just talk us through, one, high level what continues to challenge that asset? Two, how important is it within the group, both in terms of current production and CAPEX, but also reserves? So I suppose that's the tradeoff. And then the last question, when do you draw a line in the sand in South Deep? How does it fit within a portfolio of fairly compelling story of growth and lower costs outside of South Africa?

Nick: These are all very pertinent questions. Look, first of all, we're not in the business of running assets that lose money. Now that is not our mantra, that is not our philosophy, and it's not the strategy of the company. So every asset in this portfolio has got to show that it can achieve our goals. Now it might be that we're going to take a little bit longer to get there; but we need to know that we're going to get there; and if we don't believe we can get there, there will have to be a shift in strategy.

One of the reasons that we've struggled at South Deep is not so much the complexity of the mine itself or the geotechnical design or the mining method. It's pretty about standard. If you look at underground mines in Australia and Canada that do long-hole open stoping, it's very similar to those kind of operations, albeit that the ore body is somewhat deeper, it's 3 kilometers, and it's more horizontal than vertical. So it changes some of the geotechnical dynamics. But that said, it's not a complex mine.

The key issue is the skills, the operating skills in South Africa to successfully and sustainably execute that kind of operation in line with the design plans, and that's really where we've been struggling. And so it continues to be an area that we're focusing on. And if we are going to be successful at South Deep, we're going to have to address the skills issues. We have pockets of excellence on the mine. We have particular areas that do very well and we have areas that do very badly. So we're going to have to see how we can spread that skills base better over the mine. But this is a challenge for us and clearly it's something that we have to sort out.

Now in terms of the relative importance of South Deep, sure it's a big reserve. It's a massive ore body. But in terms of it's important to our strategy of generating sustainable cash flow, given the fact that over the last five years we bought Barrick's assets in Western Australia; we bought 50% of Gruyere; we have Salares Norte coming down the track, feasibility; we've got the Asanko deal; and we've continued to improve the performance of the other mines, lengthen the life at Cerro Corona; it's becoming less important to us in terms of achieving our overall goals. That's not to say that we should not focus on it, but it's not a do or die type of operation for us that has to work, otherwise that's the end of Gold Fields. Gold Fields is doing quite nicely in terms of all the other assets.

So I'll probably leave it there just to say obviously, we have to see a turnaround at this mine for this to be a long-term asset in the company, otherwise it won't fit. So we're working on that right now as we speak and we'll keep updating the market as we get more information.

Moderator: Okay. And maybe one last question before we turn it over to the audience. Can you give us some color on what's happening politically in South Africa? How is the discussion going with the new Mines Minister? How business friendly is the environment or is it just a lot glossing over some still very core issues?

Nick: Well, certainly Cyril Ramaphosa we know well, who was in the mining industry. But from the point of view of being the, if you like, the creator of the National Union of Mineworkers, and of course, was in business running a company called Shanduka that was in mining some years ago. So we know him well. So he's a guy understands the industry, well respected. Gwede Mantashe, who's come in as the Mines Minister has also come from the NUM; and we also know him well from history. So I guess the one benefit we have is we have a President and we have a Mines Minister who both understand the industry and its challenges, which I think is a positive. And I would hope that that can create a much more conducive environment for the mining industry.

But a word of caution, just to say that the gold industry and the platinum industry in South Africa are dying; and that's one of the challenges we have is that shafts are getting down deeper; costs are going up with depth; grades are going down; and unfortunately, we're going to have to do something really special to turn those industries around. And it might be too late for that.

The other problem is you employ about 430,000 people in the mining industry in South Africa. Two-thirds of those are employed in gold and platinum because of the labor-intensive nature of those operations. So it's quite a challenge that the Chamber and the government have to turn this around and in some part it's probably too late. The decline is inevitable. The question is what can we do to kick start exploration again and try and find new operations that possibly are more amenable to development, as opposed to sinking new shafts. I don't think anyone has the stomach or the courage to put down a new shaft that takes eight, nine years to build; it takes another eight, nine years before you get your money back. Those glory days are gone in South Africa. So if we're going to be successful in trying to save what we have left, it's going to require a very different kind of paradigm, a very different kind of approach, so we've got our work cut out.

Moderator: Are there any questions from the floor?

Q: Thank you for that. You described Australia as a happy hunting ground. Can you just expand a little bit on those comments? Is that just in terms of greenfield exploration or from an M&A perspective?

Nick: It's just really an operating environment that is very good. The price is good at the moment. Inflation has been quite benign over the last few years, although I say that with some concern because it might be that inflation is going to pick up again. The work ethic is very good. The skills are good. WA is a real mining jurisdiction, and so it's probably one of the best places to be if you're going to be in mining. Probably Canada and Australia are the two best places to be. Good mining laws; I think a government that is pretty supportive of mining; good skills; reasonable ore bodies that continue to give. So it's got all of the right ingredients; good power, stable power, etcetera, etcetera. All the things you'd look for in a mining jurisdiction. So in our mind those are the right ingredients for us to put more money into a place like Australia.

Q: [inaudible]

Nick: Yeah. So I think the M&A space in Australia is becoming more difficult now. If you look at the gold sector, there's not much left. I think the companies who are in Australia now are looking around saying, well, what next? What else would we do? There is still exploration potential in the Yilgarn, in particular in WA. But as I said earlier, it's probably more undercover. Open pit mines can still be found, but are not so easily anymore. So

M&A I think is probably done as far as we're concerned in Australia. It's probably going to be more about organic growth. We've got substantial ground holdings on our properties and there's still a lot of potential on the ground that we have. So I would think organic near-mine exploration, which is what we've ramped up over the last three years, is more likely to be the avenue for us to continue extending the lives of our operations there.

Moderator: There's a question at the back.

Q: Yeah, Nick, question about your transaction with Asanko, a couple aspects of it. First of all, they've had some issues with their reserve statement; and they've also sort of been back and forth with the market as to what they plan to do with respect to the ultimate development of the Esaase Deposit. It was 5 million tons a year; it was 8 million tons a year; it was 10; it was back to 3. Could you address two things; one, the work that Gold Fields did with respect to the integrity of the resource at Nkran and at Esaase as well. And then secondly, how do you see the ultimate development of that sort complex of deposits?

Nick: Look, we first of all, Victor, we've spent around about two years in discussions with Asanko; and we've done a lot of work over that period of time. So this is not a transaction that suddenly just appeared on our desk to do. We've spent a lot of time up there; we've done extensive due diligence on the ore body, on the mining side; and we're quite comfortable with where they are now and with where they're going. We've taken a very conservative approach as well to how we look to the company; but certainly we believe that they've taken their pain; and they're now starting to get much better reconciliations between what they're mining and what they claim to have in the ground. So it's looking a lot better.

Esaase, certainly they've learned a lot of the lessons from Nkran and we believe that that will be put to good effect there. The mining operation is actually well run; the processing side is well run; and certainly they've now understood the geology a lot better than what they had before. So I think they're in the right space to go forward. And for us, you know clearly we have a lot skills in our group on all of the challenges that they've been grappling with; and although it's early days and we're still getting the final conditions satisfied to move ahead, I think already there's a lot of good interactions taking place. We believe we can help them to solve any of the residual issues. So all around, I think this is going to be a good transaction for us and one up there, I think it's a win-win for all parties.

Moderator: Any questions from the floor?

Q: Nick, thanks for the chat. Just wondering, obviously you're CEO of a senior gold producer. There's about 8 to 10 senior gold producers globally. Years ago, 2000, 2010 about half of this industry disappeared to M&A among each other and the last 8, 9 years it's been static, status quo. Do you think there's room for megamergers of the seniors to increase liquidity, to attract global investor attention, or have those days past? It's kind of a big picture question.

Nick: Absolutely, Mike, and it's a very relevant issue today. If you look at the profiles of a lot of the seniors, out 5, 10 years, some of them do have gaps in their profiles. And with the dearth of exploration dollars over 20 years and knowing that it takes 10 to 15 years to discover and build a new mine, there's going to be hiatus in production if something else doesn't happen. So I think it's inevitable that there will be a degree of consolidation. And it might be that the first leg of that is the intermediates get gobbled up or possibly the developers; and the big megamergers would probably be the last resort of companies. I think if they can try and remain in charge of their own destinies by just consolidating smaller things below them, that might be the first path. But ultimately, it might be that those 10 or so big senior companies over the next 5 years or so, maybe that comes down to, who know, 5, 6 or 7. But I wouldn't say it starts there. I think it starts with the intermediate developers below. It's going to be the only way that people can fill up their profiles at five or seven years. Exploration is going to come too late.

Moderator: Unfortunately, I think we'll have to stop. We've run out of time. But, Nick, maybe you can address any more questions that are left after the presentation. Thank you very much for joining us.

Nick: Thank you.