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RESULTS FOR THE PERIOD
ENDED 30 JUNE 2018

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Results for the Period ending 30 June 2018

Avishkar Nagaser – EVP: Investor Relations & Corporate Affairs

Good afternoon ladies and gentlemen and welcome to Gold Fields' results for the six months ended 30 June 2018. Just before we start there are exits at the front and the back and if there is an emergency you assemble outside the building. I will hand over to Nick you will do the presentation and we will do questions and answers after that. Thank you, Nick.

Nick Holland – CEO

Thank you very much, Avishkar. Good afternoon everybody. Thanks for taking the time to join us today to talk through these results for the first half of 2018. I think first of all although a lot of the news this week has been focussed on South Deep we shouldn't forget that of course there are a number of operations in the group that are doing quite well actually. So strong performance from the international ops. They made $190 million after taxes and all capital before the project capex. So pretty good performance there and they are on track to achieve their guidance for the year in terms of production and look like they should as well achieve their cost guidance.

Damang in particular is tracking well. I will talk a bit about that later. That is ahead of plan. Gruyere remains on track for first gold in Q2 next year. That is what we said previously. We are still on track. Capex is a little bit higher than what we said before. It is about 18% up from what we thought it would be. And we are roughly just over halfway through that spend with physical progress about 60% overall. So tracking reasonably well. South Deep restructuring and the impairment we announced on Tuesday. I will talk about that again a little bit later on. The balance sheet is good. The Asanko transaction we completed on the 31st July so we now own a 45% interest in the Ghanaian operations of Asanko. I've got some slides on that too.

In line with our policy a dividend of 20 cents per share which represents about a third of our normalised earnings. So here are some of the headline numbers. Production from continuing operations – because essentially Darlot was in the numbers for last year but in terms of our accounting we take out discontinued operations so this is like for like – of just under 1 million ounces for the half year, about 2% lower than what we had last year. Most of that decline is linked to South Deep and also Tarkwa.

All-in sustaining costs are virtually flat, all-in costs slightly higher. That is really on the back of our projects picking up steam as we expected them to do. Mine cash flow $149million. Remember I talked about that $190 million on the previous slide. But if you put in South Deep there is s $41 million outflow in the six months so that drops us to $149 million. Nicely up against the previous year of $108 million. The one thing that Paul and I look at more than anything is our cash. For us we don't get too hung up on the earnings. We are much more focussed on how much money we make, how much cash. That for us is the real issue. So it's nice to see that that is up.

Project spending as I mentioned is up to $192 million. The pick-up there is really on Gruyere and Damang as they picked up. Those are the two main contributors, pretty much in line with what we expected. So of course then after project capital we are cash negative from the business. This is what we call the core business. $79 million out compared to $102 million out last year this time. Also just to remind you, we said that 2017 and 2018 would be cash negative with the new projects. And we're reasonably comfortable that these numbers are okay. And even though the gold price is coming down as you will see a little later we've got some hedges in place that will protect us over the balance of the year.

So normalised earnings $43 million. That's the figure if you strip out all of the funnies, the non-recurring items compared to $75 million. That is lower than last year even though our operating profit was higher on the back of the higher gold price. And the main reason for that is higher exploration costs have come through and higher social costs which go below operating profit. That's the main reason for that coming through.

The dividend I've spoken about. Debt I've spoken about, 1.07. We have always said we don't like to be above 1. As you will see later with the Asanko deal if you rebase that on a pro forma basis up till the end of July that would be 1.19 which includes the $165 million we have written out to acquire the 45% interest in Asanko. So still reasonably good.

So you've seen the headline numbers in the group. Seven mines of course across the group, two projects. 994,000 ounces. But if you look at the individual regions if you look first at West Africa Tarkwa and Damang attributable production of 319,000 ounces, just a little bit lower than the previous year. Some plusses and minuses. Damang appreciably up, Tarkwa down in line with what we expected it to do. All-in costs which include all of the project capital at Damang of $1,114 – slightly lower than the previous year – but if you look at all-in sustaining costs the region is actually down at around $900 an ounce on an all-in sustaining basis if you strip out the project capital. Cash flow before the Damang project of $64, so making good money over there.

The Americas region, of course Cerro Corona, very steady. Virtually the same as last year. Costs of $737 an ounce, slightly higher. That is on the back of the higher strip. As we reposition the mine for the life extension to 2030 we have to progressively move more strip as we reposition the pit for the increased production. So the strip ratio was an average of life of mine of about 1. It is now going to be more like 1.5 to 2 as we increase that strip to open up those additional reserves. But still very competitive. Cash flow of $41 million for the half year.

South Deep, as we've spoken about over here production of just under 100,000 ounces for the half year compared to 119,000 ounces the previous half year. All-in costs here are obviously way high, $1,800. And I think that tells you why the restructuring is taking place. The way I've explained this to the media in a way they understand is this operation is cash negative to the tune of about R3 million a day and has been for some time. That is something that is clearly not sustainable for us. We're not getting enough production given the high fixed costs. We have a twin shaft system on 3,000 metres and a process plant on surface. Two backfill plants. We can't support all of that. So clearly that's one of the reasons for the restructuring.

Looking at Australia over here we've got the three mines left after Darlot is gone. Very solid again. 442,000 ounces, on track. All-in costs of $900. Net cash flow $86 million. So going along nicely.

The balance sheet I mentioned we're in pretty good shape. I think the one thing that is a little bit of a flashing red light for all of us is interest rates have gone up. If you look over here we've seen about 1.5% pick-up in the base LIBOR rates that we use to pay our floating debt on. And in fact that's flowed through in a weighted average increase of over 1%. I think if you believe what's going to happen in the States with interest rates it is quite possible we will see another 1% to 2% over the next 18 months.

What does it mean for us? Every 1% is about $10 million in terms of our interest bill. That's the delta. So I think as a strategy we've got to be looking at de-levering over time. Certainly as our projects come through, and we're just about halfway through our projects now, we should be looking to deploy some of that cash, de-lever the balance sheet particularly as gold prices are a bit soggy and might be soggy for a while. And particularly given the fact that we've got a maturity coming up here. We've got a bond coming up there. We are assessing refinancing options and we will make a call on that most probably early next year as to what we do. Clearly we want to make sure we manage the tenure of our debt and we don't like to have too much that is all maturing at once. We've got a strategy to think about how best we deal with that in time. It is also worth mentioning that we got an upgrade on our debt rating as well which was nice to see, which marginally reduced our cost of debt just recently.

Hedging, we've taken out some hedging to protect us at times of big capital expenditure. That is bang in line with our policy. And broadly we've covered it on costs and revenue. The oil hedge we took out some time ago at a basis price of just under $50 a barrel. As you know the price today is hovering somewhere above $70 so that has proved to be pretty good business for us. IT has made some good money for us and protected us against these big increases. And we have hedged about 50% in Australia and Ghana. Those are the operations that are most sensitive to oil and to diesel.

Then on the gold side we have hedged Ghana and Australia. Obviously some of these hedges have now been matured and we have delivered on them. But essentially we are looking at a situation where we've hedged about 80% of the remaining production at Ghana for the year and virtually everything in Australia. Ghana has a floor of $1,300. Australia has a floor of about $1,700. A mixture of caps and collar structures and forwards that have protected us. We have a little bit in South Africa, but nothing of consequence.

We have also hedged out the copper in Peru at a base price of $3 a pound and that is also in the money now. So this is giving us at least some comfort that we can fund our capital programmes. People often ask are you worried about the drop in the gold price of circa $100 over the last month or so and the ability to fund our projects. We're not worried. Our hedges will carry us through. And as we get into next year we really are through the hump of the capital on our projects.

Let's look at Asanko and what we've bought into. Over here is a map of Ghana over here, and here is the Asanko gold belt over here. And it is sandwiched between two big belts on this side over here. Here you see one of Newmont's operations over there. There you see Tirano. That is Kinross. Another one of Newmont's operations over there, and of course Obuasi which is over here. These are recognised gold belts and we are in a fairly underexplored gold belt in the middle here. The dark blue is the lease area that Asanko has. Here is Tarkwa and Damang down here. We are about 100 kilometres to the north, so that gives you an idea of the positioning.

Then if you look at a higher resolution of that down here you've got Nkran which is the main pit source at the moment. They have been stripping the first six months of the year. They are now back in production. They also are mining from two small satellite pits, Dynamite Hill and Akwasiso. But the main prize for the future is up here. That is Esaase. We can actually move and show you what this looks like. Here is a bigger picture of all of this. There is your Nkran reserve of about 1.4 million ounces. We are using the last published numbers here. And then Esaase at the top there just under 3 million ounces.

There is about a 30km distance here. We will start stripping this pit from January next year and we will also be considering whether we do road transport or conveyer transport. We have a conveyer option permitted with appropriate support from communities. So we will decide which the better of the two options is as we ramp that up. As we ramp this down we will be ramping up that. We have a plant which is just over here that can do about 5 million tonnes a year at the moment with potential to expand beyond that. So it's early days. We have just really cemented the transaction as you can see, 31st July. We paid the money. We've got another deferred payment which is likely to be paid at the end of 2019 of $20 million.

To give you an idea of the production their guidance is about 250,000 ounces, all-in sustaining costs of $860 over the next five years. I stress we're going to be going through a re-planning exercise with them and we have started that process now. They are the operators but we have a strong joint venture agreement that allows us to get involved. They will be adopting all of our planning protocols and timeframes. So in February when we are here again we will give you a better feel as to what next year looks like and what the future is. The thing that really excites me, having been up to the site last month, is the fact that a lot of the deposits they are mining are in shear zones. And these shear zones run right through the property. So if you follow this kind of footprint you're likely to see analogues across this entire lease area.

These shear zones run for 100 km so I think it is a fair bet that there will be some additional ore bodies that will hopefully be minable in the future. And as I say this is an underexplored belt. So one of the reasons we got in here is not just for what we see now – and there is a life of mine here in excess of 15 years – but also what we see in the future and what we can bring to bear here. Ghana is a great country. We know it well. We have been in Ghana now for 25 years. We have been operating there longer than anybody else other than the original Ashanti. So we do have a good understanding of what it takes to operate in Ghana. I have talked about this really. Esaase is the next part of the equation that we will start developing from next year. And as I say exploration potential. Well, there it is. Very little has been done over the past few years so it is all ahead of us.

Damang as I've mentioned is doing well, 26% ahead of the plan year on year in terms of tonnes. The contractors are performing well. We are getting down much quicker than we thought we would. This is the key figure I look at. What is the vertical rate of advance? 6.3 metres a month. The basic plan we put together as part of the reinvestment plan was just over 4 metres. That is one of the KPIs I like to track. Are we getting down in to the base of the ore body quickly enough? And that's a key determinant. So far we are ahead of the game, but we know as we get deeper into the pit it is going to get harder. The material gets harder. Obviously your drill and blast practises will have to be spot on. Geotechnical compliance, spatial compliance, all those good things when you're advancing down into a deeper pit, have got to be on it.

Capital is up slightly. You can see $73 million spent as against $61 million the previous year as the project ramps up. Amoanda is a hidden gem that seems to be emerging for us here, and I will show you why. First of all here's a picture of Damang. So that's looking north. This is the western wall and that's the eastern wall. This is the ramp over here. I think you can see the western wall has come down a hell of a lot more than the eastern wall. We've only got about 30 metres to go here to the base. On the saddle side over here we've got about 70 metres to go. Over here on the main Damang pit we've got about 130 metres to go. So we will be in ore over here next year. That is part of the plan in the saddle area. We will be in ore over here in Q2 2020. So that's the plan over there. You can see for those of you who were at Damang a few years ago this is unrecognisable. All of this here was right up here, so they have moved a lot of material over this period of time. So good to see the progress over here.

If we look at Amoanda again I'm looking north. That is Tomento over there, Tomento East up top there. That's the section view. And this is Amoanda pit 4 over there, pit 3 over there. So here is a section view. We've been doing some drilling here. The thing that has surprised us is we thought this was just a paleoplacer ore body, a Wits style mineralisation. Fairly continuous like Tarkwa. Continuous, uniform, very average grade. But what we've actually found is that now we have a hydrothermal under print. So these drill holes over here are actually picking up two styles of mineralisation with visible gold intersections coming through.

And as you can see over here this strike over here is probably about 3km or 4km. So this is turning into something really interesting that we never thought existed. We mined the original Amoanda out about seven or eight years ago and we thought that was it. So it shows there is something else there. And this is on the same trend as Damang, just further south. So if you follow the shear zone, follow the trend, you find the mineralisation. So the potential here is very significant so we're excited about this as an addition to what we were going to do at Damang.

Gruyere, we've brought in an independent third party review. We were concerned that the project was running a bit behind. The joint venture partners, ourselves and Gold Road, brought in this review. We have completed that work and we've done a reassessment of the capital forecast. That is now coming in at A$621 million compared to the initial plan of A$532 million. And that has got a fairly high level of confidence assigned to it as you can see. We've had a $90 million change in estimate from where we started. About a third of that is force majeure and scope costs. We had some really bad weather at the beginning of the year which stopped us. We have also had some changes in estimates with the main EPC contractor. There were some provisional sums that were included. We have now got final estimates. That is probably another A$30 million. So we've got a much better resolution on this.

As I mentioned earlier we are just over halfway through on the spend and we're about 60% through in terms of the overall project. So far so good. As you can see at the bottom here 61%. Engineering is basically done. This is always an area that can cause variations when you do your detailed engineering, but as you can see that is just about there. So we don't expect major surprises from here. Here is a view of the complex. In the distance there you can see that's a tails dam, a circular dam. That is not uncommon in Australia.

Here is the process plant, leach tanks etc. You can see a lot of activity has taken place over here. So making good progress. Good to see too all the key things are on site. All the long lead items have been procured and delivered to site. Here is one of the ones that we're worried about. There is the mill shell. That's a big piece of gear as well. The power plant has been done. That is all in place. There's another view of the CIL tanks. There is the coarse ore stockpile. There is your reclaim tunnel underneath there. Very well engineered, designed and reinforced. That is a key component, that reclaim tunnel underneath. So that has all been done. And I must say although the project is costing a bit more the quality of what we've got here is top notch so we're very pleased about that too.

So Australian production is steady as she goes. 442,000 ounces, costs $900, making cash. Exploration is looking good. I've got a couple of slides on that too. The one project that is bubbling under we haven't told you much about, there is a pre-feasibility study on the paleochannel project at St Ives. Paleochannel is essentially thin river bed based material largely, alluvial type gold. But we do have a supergene component which means a lot of it is not river sand. It is in situ. It has always been there. There is potential here for between 2 million and 3 million ounces, and we're going through a study here.

But this will have to be mined almost as a discrete project because we won't be able to get all of this material into the plant. Already Neptune is a paleochannel in essence and we have to blend 25% of Neptune with 75% fresh from Invincible and from Hamlet underground. So we will need something different here. But this looks exciting, potentially 2g a ton plus. But we will have to find a bulk mining method to move quite a lot of waste on top of that. It won't be able to be mined conventionally. We will give you more on this probably as we learn more, probably at the end of the year.

Agnew, a number of you have asked me isn't Agnew dead in the water. It has only got two years of reserve. How long as you going to persist with Agnew? Well I think Agnew has got a lot of legs in it still. This is the area that excites us the most, Waroonga North. This is on a shear zone. That is essentially parallel to the main Kim shear zone. Kim has given us about a million ounces at 10g a ton over a ten year life so it has been a fantastic mine for us. The indications are this is looking like another good mine. Open at depth, open laterally. We haven't found how big this is yet. But we will start mining this. We have got about three drives here. So this can be easily accessed and mined from the existing infrastructure. We can share the ventilation as well. So not a huge amount of money to get in here, so that's part of the future.

FBH continues to get bigger down here. We are seeing extensions up, down and laterally. So lots to be enthusiastic about at Agnew. The New Holland side at Agnew. This was the old Lawler's operation. Again we're seeing some new trends over here, Sheba South, New Holland, Sheba North. Lower Genesis. This is about 2km of more than just anomalies. We have actually got drill holes in here. Genesis as well. So a lot coming out here into the future, so I'm pleased to see that too.

Then something that really surprised me. We mined an old pit called Redeemer way back when, backfilled it, gone. We always had a small resource here that was never economic. Then we started drilling it again. And it is not underneath the old pit. It is offset to the main pit. And we are finding some really good drill results underneath that. We put select drills results in here, but we haven't found any bad ones yet. Normally the geologists will only give you the good ones. Normally for every good one there are about three bad ones. So far this has bene pretty good going. So we are building something here. So we think there is potential for another million ounces on top. A lot more work to do. I mean this is not something we are going to be mining tomorrow, but over the next year we will do some more work and this will be something hopefully that will be in the future of Agnew.

At St Ives you all know about Invincible the open pit. That has been a fantastic mine for us. Sadly we're probably going to be at the end in another year to 15 months or so. But we've started two portals here into the underground mine. The underground mine is already into its first stopes and building up production nicely. You will see in the book we indicated what the increase in the ounces were coming out of Invincible underground. That's not the end because we've got Invincible South coming on the other side of the Alpha Island fault. And we've got Invincible Far South. They now call that Jasper. I don't know where they get these names from, but anyway. They have called it Jasper. So that continues down trend. And then at the deep side we're seeing more.

For those of you who want to see the drill results, for the geologists, that's a blow-up of some of the drill results at Deeps. As you can see I quite like that one. 10 metres at 8g. That looks pretty good. 12 metres at 11g. Not bad at all. If this holds together we're going to be seeing something really special. 14 metres at 8g. So some interesting stuff here. 7 metres at 45g. Definitely something here. Hopefully it holds together. Time will tell.

Granny Smith, remember this was the Barrick acquisition back in 2013. When we bought this mine it had 670,000 ounces of reserve and it had around 3 million ounces of resource. Today we've got 2.2 million ounces of reserve which obviously excludes what we've mined in the five years. And we are sitting on a resource now of just over 7 million ounces. So we're quite excited about what we have here. The centre of gravity at the moment is here. This is where we're mining. Most of the mining is coming out here. You will see we're doing a lot of the mine definition drilling for zone 110, 120, zone 135. Those are going to be the mines of the future.

You're looking at anywhere between 1 million and 2 million ounces per lode in situ of which we probably extract around 60% of that. So that's the one part of the programme doing mine definition drilling for the future and then doing extensional drilling. What we have seen is as we mine these lodes above they keep getting wider. We are seeing more and more. So that's the other part of the equation. You are seeing how far it extends. We've got a view that extends out here. So that's brilliant because if it does we can maybe go out laterally before we go down further in the mine itself. So this has been a fantastic operation for us and has made a lot of money with a payback of just over two years. So lots more to come from Granny Smith from Wallaby

That's really the upper part of the mine if I just go back for a moment. Up over here zone 250. We went back and had a look. This wasn't mined by us. This was mined by the previous owners. But we went back and had another look, and guess what? We found some more up here. And you are seeing a couple of drill holes going in here, again some interesting stuff. So we think we're going to augment from the shallow part of the mine which will be cheaper as well because it's not far to get down there.

Right. South America, what can you say about Cerro Corona? It just continues to be a fantastic operation. It has been ten years now, ten years in production. It has made a lot of money for us and there is a lot more to come here we believe. The feasibility study for the life extension to 2030 is going well, but we're not ending there. We have an objective to go way beyond 2030. We are doing a scoping study. There is potential for more tails capacity. There is potential for different tails. And there is also potential for a pushback on Corona as well. So that's the work that we're going to be doing. We can see this going beyond 2030 if we're successful with that scoping study.

Salares I've mentioned. On track for the end of the year. The EIA is finally accepted, so the clock is ticking. It could be 18 months. It could be two years. We will see. That's the key decision point. Once we've got that we're good to go. Just to remind you we've got a resource of 23 million tonnes at 4.9g gold, 66g silver, 4.3 million ounces of gold equivalent. And that's virtually all in the indicated. There is very little inferred in here, and virtually all in oxides. A ten year life. 3.5 million ounces produced. That is front-ended. Capex of $850 million. We can see about a three year payback on this. But we're doing more work on the district around us. We have many more options on properties we own, properties we've staked, so we can see the potential here for a camp.

West Africa, 319,000 ounces, very similar to the previous half year. Costs down, all-in costs down. Going well. I'm very happy with the Ghana region and the work that we're doing here, so this is in really good shape.

South Africa, we've talked about production being lower than last year. New shift arrangements and labour restructuring probably had a hangover effect and hurt us. We have also had some ground conditions that have meant we've had to pull things out of mining that we were going to mine. And as always this happens in the high grade part of the mine. The Composites as well is right up against the western side in the wedge up against the shoreline. Fairly broken up ground that we've again had to go slower on and couldn't mine it this year. But it is not gone. The important thing is we will get back into those higher grade areas in time.

The 189 notice I think you know about affecting 1,100 employees, 460 contractors. So it's about 25% or 30% of the workforce. Regrettably we have started this process. Remember it is a consultation process. No final decision yet, but the clock has started ticking yesterday as the notice was served. And we will engage with the unions. We have briefed the minister. I saw the minister myself on Monday and briefed him so he is up to speed with where we are. Obviously it is not the kind of news people want to hear, and we've thought long and hard before moving into this. Some people think this is the beginning of the end. We think this is the beginning of a restart for us by getting this right. And decluttering the mine of machines and people in the mining area can make a big difference.

Often people have come to us and said if you could mine the operation with less fleet, less people your productivities will improve. Your logistics will improve. You will get more ore out of the mine. You will get more productivity from your people if you do that. So let's see how we go. We've done the impairment as well on the back of the lower production and assuming that lower production is extrapolated into next year.

This restructuring entails us shutting down a big part of the old mine. Although t looks like a big part it was only giving us about 600kg to 700kg a year. But we can take out a lot of infrastructure costs by taking that out. And we can redeploy those crews into the high-grade areas further down here where we can get a much better output with the improved infrastructure that we've put in. We then can actually stop servicing all of the mining areas from twins and south shaft and just service all of the mining areas from twins, thereby having a much more efficient mining schedule and logistics.

Because we are losing money and we are ahead of our development in the new mine we're going to take a break on that and rather just focus the strong performing teams over here in improving our gold winning over here. And we can come back to that later. We do have the flexibility to do this. So the immediate concern for us is to stop the cash burn. We've had a cash burn of R1 billion a year now for too many years, which as I say translates to R3 million a day.

We continue to embed proper mechanised mining practises. We still believe we have a hangover from legacy conventional mining practises, particularly given the fact that you've got to integrate all of your activities of your mechanised mining together. Your development, your stoping, your cleaning, your backfilling, if you don't get all of that in synch you run out of ground to mine very quickly. We still haven't perfected that, and we are working on it. The team does know what the problems are. The important thing is we understand the issues. We believe we know what the solutions are. We need more time to fix this.

Obviously the mine disappointed a number of times. There are no guarantees this is going to work, but we do believe this is the best option to give this mine the best possible chance for the future. We've got to get into the North of Wrench. That is the area we have set up with much more efficient structures, redundancy, with additional ore passes, crushers, conveyer belts, the kinds of things that mechanised mines across the world have that we will have for the future. And that's the bulk of the ore body that we will be mining over the next20 years. This part here is only about 1.5 million ounces. This part here close to 10 million ounces. That's where the future lies.

All right. So in conclusion we did say 2017 and 2018 are reinvestment years as we look to build new projects that will underwrite a better future for us in terms of a longer life for Gold Fields at lower costs, particularly important given the volatility in the gold price. So we are 18 months through what is essentially a 30 month profile. So we are more than halfway. The international portfolio continues to be strong and it's important that we continue to look after that. It's the underpin of the company. And the balance sheet is reasonable and we're engineering a better solution at South Deep for the future. Thank you very much.

Avishkar Nagaser – EVP: Investor Relations & Corporate Affairs

We will take questions from the audience first and then we will go to the line. Brendan.

Brendan Ryan – Miningmx

It's Brendan Ryan from Miningmx. Nick, You stressed there the importance of getting into the North of Wrench area. That is where the future of the mine lies at South Deep. And you previously indicated that was going to take some three years before you knew what you had there. Does that mean irrespective of what happens at South Deep from your restructuring – and you are not giving us any targets – are you going to keep this mine going for the next three years until you have got into and can assess North of Wrench?

Nick Holland – CEO

I think the first and most important objective, Brendan, is to improve what we're doing at the moment. And if we're going to be flat-lining at the production rates we are now we've got to right-size the cost base to that. If we do that I think we can buy ourselves time. We've spent a lot of capital in opening up North of Wrench. We do know what is there but it's a question of getting into it. And the thing that is worrying us here is although we see a future there we can't afford to be burning the amount of cash that we're currently burning while we wait to get there. That's why we're taking the steps that we're taking now. I still believe in the future of South Deep, because if we didn't we wouldn't have selected this option. The team believes in it and they want to give this a go. But we recognise like you there have been many missed forecasts and targets. We are conscious of that too. So we need to make sure that this is something that has a better chance of working. Certainly carrying on as we are and losing R3 million a day is not a good option for us. But this buys us time to get into what we hope will be the promised land.

Brendan Ryan – Miningmx

You say losing R3 million a day isn't an option for you. What would be an acceptable rate of loss for you while you strive towards this strategic future?

Nick Holland – CEO

I will leave that to my financial officer over here to answer.

Paul Schmidt – CFO

Brendan, I think we need to work through the next six months. We've got to get through the restructuring if that does happen. The short term goal is to try and get the mine back to an all-in cost of R525,000 a kilogram which basically implies it is cash neutral. But a lot of work has got to be done over the next six months. We have said we will come back to you in the new year with probably a forecast for 2019. That's about it. At the moment we just need to do what we need to do with the restructuring and everything and reset the mine.

Nick Holland - CEO

Can I also just ask? Martin Preece is here who has been working day and night to get us to this plan and working day and night to try and buy us a future. So maybe if we can give him two minutes to give his perspective on how he builds a future. I don't know whether you need a microphone.

Martin Preece – EVP: South Africa

Thanks Nick. I think Paul and Nick have summarised it. We've got to take a step change to move out of this conventional mind-set into a mechanised mind-set. We've got a good team on board – I think Nick touched on it lightly – that is committed and believes that they want to go the course to land this. The one thing that is really important I think is it's more an engineering endeavour than it is a mining endeavour. What is really pleasing is we've got a really strong mining guy in now, a strong engineer who has been around a while. And we have parked them in offices next to each other with a hole. We have put a door between the offices. They are co-joined at the hip. I think that's the hassle. And then the necessary supporting thing. A lot of effort is going to go into how we structure our teams and build on some of the work some of the other mining companies have done to drive that front line productivity and get front line people to take ownership and own the outcomes, that it is not a one man decision place. It is people at the front end that are driving their own destiny.

Brendan Ryan – Miningmx

Nick. One more question and then I will shut up on South Deep. Given the history of the mine you can understand there is a tremendous amount of negative and cynical viewpoints on South Deep. So what is it going to take for you to say, okay guys, this isn't going to work? We've had enough. We are going to sell it or shut it down. What has to happen before you say we can't make this work and we're out of here?

Nick Holland – CEO

I think certainly let's assume we get through this restructuring. I think this restructuring is not going to be easy. But let's assume we could fast forward and we're sitting here in February. We need to know that we've got a credible plan that we can meet and we are starting to see that on a week by week basis and a month by month basis we meet whatever we say we're going to do so that number one the team on the ground under Martin can build up their own confidence, and number two, that we can. I think the thing that would cause Paul and I to lose more confidence is if we continue to miss targets. I think whatever we set out for ourselves post all of this we've got to hit. And we've got to build some momentum. I don't know if you want to add to that.

Brendan Ryan – Miningmx

So the next six months are critical.

Nick Holland – CEO

Yeah, critical.

Yatish Chowthee – Macquarie

Hi. It's Yatish from Macquarie. Just back on your South Deep progress. Assuming the worst case scenario that your production is significantly hampered in the second half on this restructuring what levers do you on your other assets to actually make up your annual guidance between 2.08 million and 2.1 million ounces?

Nick Holland – CEO

Look, the one thing we don't like to do is push people out of a long-term plan. All of our mines have a long-term plan and spatial compliance is important. If you get out of your spatial compliance and you mine a nice high-grade area you're going to pay the price next year. So I think we've got to make sure that the international mines keep doing what they're doing, because we also want to make sure that 2019 is a good year and 2020 is a good year. But I think what we will do instead is we're curtailing some of the capital expenditure as you have seen on South Deep. We can curtail stay in business and growth capital. We will see some impact on the operating costs. But let me just say we are not saying that people must down tools today and sit on the ground for the next two or three months waiting for this to happen. People have a responsibility to work. They are being paid a very good wage to work. So we would expect our teams from our managers all the way down to the face to keep working to make sure they don't create an even worse future for themselves. But assuming the worst case – you're an analyst so you have to assume the worst case – but might be that our production is going to be a lot less in the second half than what it was in the first half if things don't go well. And the first half wasn't great either. That would mean the cash losses could increase. Fortunately we are making good money on the international operations. We've got a strong balance sheet. And I think Paul is comfortable with our overall financial position. But I think we've got to run those assets optimally and we've got to

Yatish Chowthee – Macquarie

Then just to follow up, looking at where the gold price is today and looking at your funding requirements at your other assets is there a concern that with South Deep off the table you're going to run into a bit of a balance sheet constraint going into year end?

Paul Schmidt – CFO

We are basically hedged at fairly much most of our production at the international operations for the balance of the year. Australia is hedged 100% of the balance of the production with a floor of A$1,700. Ghana we have hedged circa 80% at a floor of $1,300 of our production. Peru the copper is fully hedged for the balance of the year. And we've got a small hedge in South Africa even for South Deep with a floor of R600,000 a kilogram. So for the balance of the year the gold price will still be good for us because of our hedges.

Bruce Williamson – Integral Asset Management

Nick, hi. Bruce Williamson, Integral Asset Management. Nick, just listening to what the guys have said talking about structured teams and operating like others, which I mean I'm assuming other trackless mining operations, people taking responsibility. If you look at what the mine has been through over a long period your psychometric testing of your workforce, are you sure that you actually have a workforce that is correct for what you are asking them to do?

Nick Holland – CEO

That's one of the issues we have looked at in some detail. There are gaps. I think for us to say that we've got a fully fit for purpose workforce in terms of world-class mechanised bulk mining, no, we don't. We have got work to do. And training is a key part of our programme. We are training a lot of people in the classroom. And the training facilities are giving some good results. But our ability to translate that into the workplace is somewhat absent. So that is another part of the exercise we're doing here. And I think I would like for Martin to add a bit more colour to the answer because he has been working in detail on this for many weeks and months.

Martin Preece – EVP: South Africa

Thanks Nick. I think that is a big area of focus. There was a big exercise that was conducted before I joined getting the managerial level psychometrics done. I think it goes across the board. We are reaching agreement on doing psychometrics on entry-level positions as well. I think it is critical. I think it goes beyond psychometrics. One of the key things with operators is a test called a Dover Test which relates to the ability to operate in a 3D spatial environment. So we are moving into that space. Nick did make the point around classroom training and actually transitioning that into a can-do attitude at the face. So it is taking the theory into the practical. We have done a lot of work. I have been through with our head of HR. We have brought in independent people to look at our training processes. They are comfortable. I have sat with them. The process is good. The material and content is good. We are seeing a marked improvement in skills acquisition. What we've got to drive now is skills application.

Bruce Williamson – Integral Asset Management

I would identify that as probably your most critical thing to get right.

Avishkar Nagaser – EVP: Investor Relations & Corporate Affairs

We will go to the conference call to see if there are questions.

Operator

Yes. We have a question from James Bell of RBC Capital Markets.

James Bell – RBC Capital Markets

Thanks for the presentation and taking my question. Just two on the international portfolio. Firstly on Ghana, are you able to comment on some of the press reports that the government are unhappy or looking to hike up the mining royalty and tax regime? And secondly on Australia, some of the domestic producers we have seen in reports have talked about inflation and labour shortages and contractor issues etc. coming back into the industry. Is that something you think could have an impact on your cost base looking into next year? And on a hedging side in Australia is that something you are going to look to continue to do next year and going forward?

Nick Holland – CEO

Just dealing first with the second part, James, on Australia, we are starting to see an increase in turnover rates of critical skills as mining starts to recover in Australia. It is something we watch quite carefully. So I do think there is going to be a big play on skills as projects come through. We have seen this before. You often find the worst of all worlds is when iron ore and nickel are going up and gold is going down we still have to pay the same wages that they offer, and it puts us under tremendous pressure. I have lived through that in this company before. So that is a real risk. We have had very benign inflation in Australia for a while, but it's changing. Had we started the Gruyere project today I'm pretty confident that the total cost of that project if we started today would be a lot more than when we started. So we are catching the back end of that cost inflation.

But certainly that's a risk for us and we've got to watch for that. Just in terms of Ghana obviously there are some fiscal pressures in the country. But remember we do have a development agreement that pegs our royalties and our taxes for life of mine. So we are protected there. But obviously we watch carefully developments as they unfold in the country. But for now I think we're okay. And then on hedging we have taken some opportunistic currency hedging into next year already, and you will see it is in the book on Australia. The thing that would worry us greatly in Australia is if the Aussie Dollar came into parity with the US Dollar. Since we've operated in Australia from 2001 I've seen the Aussie Dollar as low as 45 cents and as high as $1.25. So that's a hell of a wide range for the Aussie Dollar against the US Dollar. So it can be volatile. That's the one area we want to protect ourselves. We are nibbling away there. We will see how that goes in the future. But it seems to me it is going the other way in the markets because the US Dollar is something of safe haven at the moment. People are piling their money there in the midst of these trade wars and so on. So maybe we're going to be proved wrong and the US Dollar continues to be strong. Time will tell.

James Bell – RBC Capital Markets

Okay thank you.

Operator

The next question comes from Johan Steyn of Citigroup.

Johan Steyn – Citigroup

Thanks guys for taking my question. Nick, just regarding the whole thing about skills at South Deep I do find it somewhat puzzling given everything that you guys have done there. And in a sense I think as South Africans we find it a little bit insulting. So it either does point to something like you're just not getting the skills, which ultimately should come back to management because it's management's responsibility to fix that. Or it's a convenient way of hiding behind something much more fundamental, like this mine is just technically too challenging to mine, and it's a convenient excuse. So which one is it?

Nick Holland – CEO

Okay. So here's how I would look at that. You have mentioned this before to me. I think it was you. So I will revert back to what you said before. One of the things that concerned you was the multiple management changes at South Deep over the years. And one of the issues there is when there is a change in leadership there is a style of working that comes in. Other people come in, teams are built up. And then you get changes in management and often you find that the mine changes. I've seen that in the other mines that we used to own that now became Sibanye. A mine might be doing well. Then the mine manager changes. Then it can come down a bit and you've got to resuscitate it. A similar issue here.

So I think the mine manager changes and the leadership changes have not helped. On this kind of operation we need to get stability on the leadership. Sure, you can point fingers at us as the leadership of Gold Fields that that hasn't happened, because that is our job to get stable leadership in. But I think without the stable leadership it has been quite difficult to embed the appropriate mechanised mining practises and culture we need, particularly when there are so many changes. If we can get a period of stability I'm pretty sure that we could improve on that.

So in terms of is it just too difficult to mine I had the same though a couple of years ago. What we did is we brought in a team of professors who are professors in geotechnical affairs and rock mechanics to come and work with us. There are a couple of them from Australia. There is one from Canada. There is one from South Africa. They have been working with us closely for about four and a half years. The question we've posed to them is can we make this mine work? Do we have the right mining method? Do we have the right support practises, protocols etc.? And they have been working with us and guiding us to the finish line. And what they have said to us – and again they were here literally six to eight weeks ago – is it can work provided that we improve our mining practises. In essence what we've got to do is we've got to open up the mine quicker, we've got to mine it quicker and we've got to backfill it quicker.

In essence that's what it comes down to. And we've been taking too long between all of these activities. What's the result? The result is that you get deteriorating ground conditions. You have to come back and rehabilitate pillars and side walls and haulages. That slows you up. And you're not advancing quickly enough, then you don't open up face. So that's been the issue for us, and that comes down to do we understand from an integrated fashion what we've got to do. So we understand the problems, and I think we've understood the problems for a while. It is now getting the management and our teams focussed on that. We believe we can achieve that, but it's going to take some time. And obviously we've had multiple disappointments along that pathway. I'm going to also ask Martin Preece to add his perspective to that because it is quite a fundamental question that you raise.

Martin Preece – EVP: South Africa

Thanks Nick. I think that's the question that plagues us all. I sat with the team on a teleconference yesterday morning. We asked ourselves the question again. And I think there is broad consensus with the team that focusing on the right things this is doable and this is why we're taking the pain we're taking now. It's a long hard slog. Nick has touched on the integration. I think it's the integration in the planning and it's the integration in the execution. And I think that has been lacking. We have started taking the steps to address that integration at a planning space. We have brought in external people to sit and help us build the plan together. And in terms of organisational restructuring we undertook earlier in the year it was also aimed at trying to get single points of accountability which would drive that integration at the front end.

Operator

Thank you. The next question comes from Tshepo Molefe of Value Capital.

Tshepo Molefe – Value Capital

Thanks for taking my call. Nick, from the tone of the call and how this conference call is going it seems like you passing the buck to Martin, Martin passes the buck to you, and it is all gibberish and garbage that you guys are actually feeding to everybody else. Last time when I spoke to you on the phone you were quite arrogant when I pointed out to you that this mine has sucked up R32 billion of shareholder money. And you were dismissive of it. You didn't take accountability for it. And neither did you subsequently release some kind of a technical view or overview of exactly what has been happening at South Deep. The question I want to put to you is of the $20 million of share compensation that is actually in the income statement how much of it is yours of that $20 million? How much relates to you? That's the first question. Secondly, are you and the team able to release the expert reports that you guys are referring to so that everyone else can actually read them and make a view about what's happening at South Deep? I think those are my two first questions. I wait for your response.

Nick Holland – CEO

I think on the second question we will take that under advisement. But we hear what you're saying in terms of transparency. And thanks for the suggestion of being even more transparent on some of the stuff we're referring to, so we will take it under advisement. The first question I didn't understand. Can you maybe just repeat that first question?

Tshepo Molefe – Value Capital

Of the $20 million in share compensation for the half year of FY18 how much of that $20 million relates to your compensation?

Paul Schmidt – CFO

I will talk to it. That is for the whole group for six months. Nick sees a fraction of that number. That is for the whole group. It covers all the regions, corporate office, the four operating entities. It's a minute portion of that.

Tshepo Molefe – Value Capital

How much is minute? How much? Minute has a figure number. That is why you can put $20 million on your income statement.

Paul Schmidt – CFO

It's a calculation that is done on an overall basis, not on an individual basis. When this pays out you will see what he gets. At the moment it is a globular calculation done for the whole group and it is a valuation methodology. It is not done on an individual person at the moment. It is done for the group based on the metrics that have been set in the share scheme. When it matures, and they mature each year in February, you will see what each person gets and Nick's will be disclosed there. At the moment I cannot tell you what his is, but I know there are lots of people in that scheme and there is no person that accounts for a huge portion of it.

Tshepo Molefe – Value Capital

Okay thanks for taking my questions.

Operator

There are no further questions from the lines.

Avishkar Nagaser – EVP: Investor Relations & Corporate Affairs

One for you here Paul. Could you detail the quantum and terms of the debt that matures in 2019 and what are the plans for the maturity?

Paul Schmidt – CFO

It is the $380 million term loan that expires. We will consider our options as to how to refinance it in the year coming up. That is $380 million that expires.

Avishkar Nagaser – EVP: Investor Relations & Corporate Affairs

What is the cost of that debt? Interest rate.

Paul Schmidt – CFO

The cost of that debt at the moment is 3.75% if you take it 2.5% above LIBOR.

Avishkar Nagaser – EVP: Investor Relations & Corporate Affairs

Brendan.

<u>Brendan Ryan – Miningmx</u>

Nick, Brendan Ryan again, Miningmx. You mentioned in your export that the Ghanaian government wants to enforce its right to buy up to 30% of your gold directly. Can you elaborate on that please? What's in it for them, and are they going to try and force you to sell at a discount?

<u>Paul Schmidt – CFO</u>

I will answer it. It was a letter that was sent to the chamber. That is all we've seen. It was literally a one page letter. We replied yesterday as a chamber. We need explanation. There was no information on how we're going to be paid, when we're going to be paid, what it is going to be based on, US Dollars, Cedi, we have no idea. We are waiting now for explanation form the government as to how they want to implement it. But we thought it was prudent that we notified our shareholders and said we have received this as an industry. And Gold Fields being one of the members we have received this letter and we put it out. We don't understand the implications of it because we have no more information.

<u>Brendan Ryan – Miningmx</u>

But it could be negative.

<u>Paul Schmidt – CFO</u>

We don't know. It could be. We really don't know until we see the terms of what they propose to do.

<u>Brendan Ryan – Miningmx</u>

Thank you.

<u>Avishkar Nagaser – EVP: Investor Relations & Corporate Affairs</u>

Any last question here? On the call is there anything else? No. Well, thank you very much. We will see you again in six months' time.

END OF TRANSCRIPT