



GOLD FIELDS

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Interim Results Presentation



Avishkar Nagaser – Investor Relations

Ladies and gentlemen, welcome to Gold Fields' half year results. Before we get started, in the case of an emergency there are two exit points, one at the back of the room and one at the front. And the muster point is at the front of the building which you've entered. I will hand over to Nick Holland, CEO, to get into the presentation and we will do Q&A afterwards. Over to Nick.

Nick Holland – CEO

Thank you very much Avishkar. Good morning everybody. Welcome to our first half year results for 2019. Very simple messages for you this morning. Essentially production is up 9% compared to the corresponding period in the previous year. All-in costs are down 5% and we're cash flow positive from being over \$70 million negative in the same period last year. This year our core operations are \$49 million positive with obviously all of the projects being financed, all of the interest burden having been carried in that number.

In particular Gruyere has commenced production. We are pleased to inform you that we've achieved practical completion at the Gruyere process plant. What does that mean in essence? It's a technical construction term. In essence it means we have achieved 96 uninterrupted hours through the entire value chain and the process plant. So the crusher, the SAG mill, ball mill, the elution circuit and the gravity circuit are all functioning steady state for 96 hours. That is really great news for us. That was achieved on the 10th August. So now we are in the process of ramping up that plant over the balance of the year.

As we have mentioned we are giving a range for production because obviously with all ramp-ups – it's a large process facility, it's over 8 million tonnes per year – you might get hiccups along the way. So we're saying that we should be able to ramp that up over the balance of the year. Bear in mind that over the long term Gruyere, as the joint venture announced in a recent joint release, is a 300,000 ounce a year mine with long-term costs of about A\$1,025 an ounce. At least with 11 or 12 years to start with and then of course there is potential on the joint venture property and of course at the mine itself to look for potential to add to that over time. So really a great addition to the group in line with the strategy of adding life at lower cost so that we can be defensive in the face of volatility in the gold price.

Let's talk about the gold price briefly. We've seen the gold price come up. Has it gone too far too quick? Who knows? It may be volatile in the future. It's nice to have it for now, but we're not putting our store on a higher gold price. We will keep discipline in the business. We are still targeting to achieve a 15% margin at a \$1,200 gold price, at an A\$1,600 gold price and R550,000 per kilogram South African price. I think you can see those prices on a relative basis to spot are still some distance away from where we are today, which is good. Let's keep that flexibility, that cushion on our operations.

Damang as we've mentioned before, and I will show you a few pictures a bit later, continues to track ahead of plan. So we're on track to really get to the heart of the ore body around about Q2 next year. That is really the big prize for us, to open up the heart of the ore body and get in there.

At South Deep after a very painful and time-consuming restructuring process that included a 45 day strike, a difficult Q1 as we had to recalibrate the mine post that strike, which was only concluded just before Christmas. So really in Q1 we had to take 20 to 30 pieces of gear out of commission, drill rigs, loaders and trucks. We had to say goodbye to a third of our workforce. We had to obviously recalibrate all of the logistics and consumables. We shut down 87-1 west and 87-2 west. We suspended new mine development at the bottom of the mine and we had to turn south shaft into essentially a services shaft, not a fully-



fledged operating shaft. A lot of things we had to do. That took the bulk of Q1 to get going. But in Q2 we have got to a better position to the point where production is up almost 70% on the first quarter. Costs have come down to about R590,000 a kilogram. And we've made a modest cash flow contribution of R71 million for the quarter, bottom line that is after paying all of the bills.

One swallow doesn't make a summer I told the staff this morning when we did this abridged presentation to them. And certainly Martin Preece and myself are very sober about this early achievement. We need to build on it and we need to show that South Deep can actually achieve its goals. That said, where we are today having produced about 2.8 tonnes of gold for the first six months we are on track to achieve our 6 ton gold target bearing in mind Q2 was about 1.8 tonnes of gold. So far so good. What's particularly pleasing for me is not just to see the headline numbers improving but seeing all of the things behind it improving. Our ground support is at the highest levels I can remember. Backfill is at a much higher level than what I've seen for a long time. De-stress has got up there. Development is way ahead of plan. So those are the things at the front end of the sausage machine. If we can sustain these improvements those things will be the important components to make sure that we can do so.

We talked about the balance sheet, the need to basically refinance our debt given that we have maturities coming up. We have successfully done that over the last number of months. We have issued two new bonds which have spread the maturities out. We have refinanced our revolvers with a big syndicate of banks. And I think we can safely say now that our liquidity is in pretty good shape and very well received by the market. we have been able to refinance our debt at lower cost and we've been able to put in long-term bonds, five and ten years, at certainly lower costs than what we thought were possible in the planning stages.

In line with our strategy of paying out between 25% and 35% of our core earnings as dividends we paid out 60 cents. We are very proud of our dividend policy, the fact that it has been a company with a dividend first philosophy. We have said that we will pay dividends in line with the strategy and that we'll continue to honour that policy notwithstanding other commitments in the company. So as you've seen over the last five to six years we've been very consistent in following our dividend policy. So people know when they buy into the company they can rely on consistency in terms of the dividend. So if earnings go up we will pay more dividends as a function of percentage of profits. Clearly if earnings go down dividends will reduce. Hopefully we're going to see higher earnings for the year and hopefully we will see a good dividend overall for the year.

On safety we continue to believe we have to eradicate fatalities and serious injuries from our business. At the leadership level in the company we're continuing to invest our time in showing the way and making sure we have the right systems, the right leadership and the right behaviour to further drive improvements in safety. We can never relax on safety in our business as we well know.

So looking briefly at the results, at the top there you can see we've done just under 1.1 million ounces. All-in costs of \$1,106. As I said that's 5% lower than what we had this time last year. Capital on growth projects is coming down, and in fact if you look at Gruyere we've spent about \$65 million in the first half of this year. That will essentially dwindle down from there to very little in the second half because the project is done. So that will improve our fortunes in the second half. Also Damang spent about \$44 million in the first half. Again in the second half that will be probably about half of that. So certainly that \$49 million that we've generated from the business if all things stay where they are today for the second half we should do reasonably well from this back given that growth capital is down.

As you can see mine cash flow before projects is a very healthy \$200 million essentially from the business. That's before projects, which gives you a sense of what the Australian, Ghanaian and Peruvian business is



doing for us. A strong underpin which has enabled us to finance a lot of our acquisitions and project spend without materially increasing our debt. Remember over the last two and a half years between the acquisition of Gruyere, the building of Gruyere and the pushback at Damang we've spent over \$800 million. Superimposed on top of that continued investment in taking Salares Norte in Chile to feasibility level has probably added another \$100 million to \$150 million. Our debt hasn't moved that much. I think it shows you a lot of the growth in the business has been able to be financed internally. Some debt, but the bulk of it internally.

In Ghana a very good quarter, a very good half year as well. 400,000 ounces. We got the addition of Asanko. Remember we didn't have that in the equivalent period in the six months last year. We have it in this year. Nice to see as well strong cash flow coming out of Ghana of \$72 million and \$52 million coming out of Peru. Peru of course is our lowest cost operation, a copper-gold porphyry system. And of course with the copper by-product against a gold grade of about 1.1g/t helps to keep your costs down nice and low. South Deep as we've mentioned for the six months is still up at \$1,529/oz, but in fact if you look at Q2 that figure was down at \$1,275/oz on the back of that increased production. So certainly on the right side of the ledger. In Australia good cash flow before Gruyere for the six months of about \$92 million. So that's just a good, quick summary for you as to where the business sits.

So turning cash positive sooner. We certainly weren't planning to be cash positive in this first half. I think the gold price has certainly been the big factor there, and let's capitalise on that in the second half of the year and push on from there after a significant capital expenditure in 2017 and 2018, and of course the early part of 2019. The balance sheet I've mentioned. I'm not going to go through a lot of this detail. Paul can certainly answer questions at the end. We know that we've got a bond of \$1 billion maturing towards the back end of next year. We have bought back \$400 million of that previously so there is \$600 million to pay.

We decided to go pre-emptively and essentially refinance that. We have split it into two tranches to avoid near-term maturities. Competitive rates. So we've got \$500 million going out five years and another \$500 million going out ten years at a weighted average cost of around about 5.5%. That compares to 4.875% on the maturing bond. That was an exceptional pricing we did back in 2010. So we have parked that money in our revolvers and you net them off. In the meantime we have also refinanced \$1.2 billion of revolvers. Again we split it out three years and five years with the potential to extend. And we'll use that capacity to redeem the 2020 bond and make sure that we're covered on that one. And the balance of that of course will be used for general corporate purposes.

We've also sold non-core investments. one of the strategies we've had is to take our royalty portfolio which had no value in our company, vend it into a royalty company, go for a ride on the fact that royalty companies are trading at multiples, and then cashed in. similarly we sold Darlot to an Australian company called Red 5, went for a ride on them, cashed in. So \$88 million from virtually nothing is a good example of making lemonade from lemons and getting value where there was no value. We have parked that in the debt, so it's a nice strategy for us to continue to bring down our debt which is the key objective over the middle of this year through to the end of next year. We want to make a significant reduction in our debt. And a good time to do it is when the gold price is playing ball.

There are some accounting changes which complicate our debt position where leases have to be capitalised. Principally these are gas pipelines and gas facilities in Australia and Ghana where essentially you have to treat it as if you own it even though it's underpinned by a long-term purchase price agreement. So there are a few odd things coming through, and we've shown you the figures before and after. Debt goes up and it also impacts assets onto the balance sheet, operating cost and interest charges. They all get



amended. We have given you a reconciliation in the book so I won't dwell too much on that.

So there's the balance sheet. I think importantly you can see now that we have this maturity over here. We bought back another \$250 million of that bond, so that bond sits at \$600 million. We will use the revolver to pay down the remainder when it matures. That's an Australian loan that was used to finance Gruyere, around A\$500 million or A\$450 million. And there are your two new bond tranches that are rolled out. So a much better maturity curve than what we've had before. As you can see net debt on the old basis is down to \$1.36 billion. That is down from the figure at the beginning of the year. And we're hoping that by the end of the year we can certainly bring that down. Remember the long-term target is 1x. I think over time Paul and I are quite keen to see if we can bring it down even further.

On the projects here is Gruyere. A good snapshot. Essentially this is the process plant you're seeing over there. You can see there is the coarse ore stockpile with the stockpile cover on that side. And you can see it looks and feels like a mine. There is another picture of the coarse ore stockpile. For those miners in the room you like to see that. That's nice and full. That is all crushed. There is your stockpile cover. That is to prevent dust and everything because obviously you get some winds coming through here. And on this side over here are your two ROM pads. We have a high-grade and a low-grade ROM pad. Frankly when you're dealing with a cut-off grade of about 0.3g a ton pretty much everything can go through the plant. It's just a question of sequencing the best grade you can get in the early part of the mine's life. So obviously there is a whole material handling strategy on that.

I was in the gold room in fact a few weeks ago, but I wasn't there when they were doing this. I would have loved to have been. Here is pouring the first bars. By the way, these are not just plastic coated bars. These are real bars. They weigh a chunk of material that's for sure. Try and pick that up with one hand. That is something. Just over 1,100 ounces produced by the end of June. We are ramping up as I've mentioned. Essentially that test of practical completion was a key one for us, running 96 hours uninterrupted. And we are hopeful that we will have this plant ticking over at that sort of level as soon as we possibly can. Tonnes mined have been great as I mentioned. We are sitting at the end of June at around 65,000 tonnes mined. A very nice position to be in, to have that amount of ore sitting on the stockpile ready to go. So the plant now that it's running we're going to drive pretty hard.

Importantly, capital cost of this project is still in line with what we said, A\$621 million. And being 99.5% complete with just the final bits and pieces we're pretty confident that we're going to stick to that sort of number. Production for this year, a range of 75,000 to 100,000 ounces. But remember when we get into 2020 we will be looking to chase down that longer term target of somewhere close to 300,000 ounces a year.

On Damang another strong performance for the half year with production up compared to the previous year. And we're on track to meet our full year guidance of 218,000 ounces. Importantly we made free cash flow. So with the project capital now starting to come down, with the ounce production coming up, we start heading into cash positive territory which is great to see. And looking at the cumulative project I'm not going to dwell on these numbers but you can see in all of the metrics this project continues to be ahead of where we were.

All right, so here are some pictures just to show the magnitude of the scale of mining here. This is the west wall of the pit. You can see over here where they are. When we started they were up there. These are little trucks over here. They're big trucks but they look like little trucks. So we have taken this wall all the way down there. We've got to get this mine all the way down to the bottom here. So it's a hell of a job. A lot of material has to be moved to make this happen. So the western wall is more advanced than the eastern wall.



There is a reason for that because the ore body dips that way. You want to get that down first before you go to the eastern side. Then if you look at the east wall over here you can see where we are on that side over there. You can see that is much less down compared to that side. And that is by design.

So we've got to get that down there as well. And that will be the target of the middle of next year. We are pumping this water out into another dormant pit we're not using. So as the water comes down the wall comes down. All of these things of course have got to balance each other and operate in synch. This is what mining is all about. And here is from north to south. So that's the old Juno pit there in the south. That is the east wall over there. A big tailings pit is over there. You can see we've got some cover over there, a geotechnical requirement, and the west wall on that side. So it gives you a good idea for those of you who haven't been up there for a long time. As I said, before we started all of this was up there and all of that was up there. So it's a big earthmoving operation.

All right, turning to Australia. A good half year overall. You can see production we've pretty much maintained. That is about 1% or so down. It is very close to where we were. Costs have gone up a sizeable amount year on year. There are a couple of reasons for that. We took the decision to go our own way in terms of accommodation at Agnew. Instead of renting accommodation in Leinster which was around about 35 minutes' drive we decided to build our own camp which was within walking distance from the offices and the process plant. That has cost us almost \$40 million once-off. There is a payback there of about four or five years and lower accommodation cost and improved morale. Having our whole team together has made a big difference.

Also in the previous year St Ives was mining more than they could process, and there are good reasons for that because there were economies of scale in mining the remaining stages of the Invincible open pit much quicker than would otherwise have been the case. We could bring down the unit cost, and we did. The mining cost dropped to around \$4 a ton from \$5 previously. The net results I we stockpiled a lot of ore in 2018. There were also blending issues because the Neptune open pit is softer material whereas the Invincible pit is fresher, harder material. We need a blend of about 75% fresh and 25% oxides. So we had to stockpile. So this year we are running it all through. So all those GIP credit last year are becoming GIP charges. It doesn't really affect the cash flow. It's a function of stockpiles being built up and stockpiles released, and it comes through your costs.

The other reason costs have gone up is that now with Invincible open pit almost finished we are now transitioning to what will be principally an underground operation once stage 6 of Invincible is done. We expect that to be before the end of the year and then Invincible will just be an underground operation. It will be Invincible Main, Invincible South and then eventually Invincible Deeps. The costs are higher and over time we have to get the leverage in terms of grade because underground grade should be higher. Costs will be higher, but overall on a per ounce basis once we get to steady state we think that we can maintain our costs. Notwithstanding these increases don't be alarmed. We are maintaining our guidance on costs and on production as indicated to you in February. This is just a function of where we are in the year.

Just to give you an idea of how the Invincible ore body has developed, this was on the lake. As you know we have a big lake, a salt pan going through St Ives called Lake Lefroy. We had an old drill hole that went back to 1994. I think we had 1g at about 2 metres. Not too spectacular. What we didn't know is underneath all of this is 2.5 million ounces. It looks like it hasn't even finished yet. This could grow further. This is where we started. We had some initial resources. Then we added some. That was the open pit. Then we added some resource and reserve. You can see the reserve is in the darker colour, the resource in the lighter colour. That was 2013. Then we added some more in 2014, 2015. So that's where we are.



So as you can see what has happened over here is it's growing laterally. This is a fault. That's not a problem. We have actually already punched through that fault, sent a development drive through. It is opening up deeper. And what we're finding is when we mine this we're getting more tonnes, in many cases slightly lower grade but more ounces. So if we can actually optimise our cost base this is going to be something really special for the future and the mainstay of St Ives certainly for the next number of years. There is another way of looking at it that just splits it into the different areas. I suppose if you look at the total strike length over here compared to that scale it gives you an idea of how big this is and why we're saying this is 2 million ounces plus and we're not done yet with this.

If we look at Agnew we've come leaps and bounds on this operation over the last 12 to 18 months. In particular the north cap is expanding laterally and it's going down further. As you can see over here it's still open. So we're going to see a lot more out of this. It's too early to say it's an analogue of Kim, which was a fantastic ore body. That was 1 million ounce at about 10g a ton. But it looks very promising at this stage. That is just on the existing operations. And then if we look at the Redeemer complex this is an old mine over here. That's a surface mine that was backfilled. We did some work over here but we didn't find too much.

And then offset from that we've found two areas, what we call Zone 2 North, Redeemer North, and something called Barren Lands. And this is looking very exciting, so much so that we believe we're on the cusp of declaring a maiden resource and possibly even a maiden reserve for this area, and we could be mining this in two to three years' time. So this could be a very significant addition to Agnew. It has been sitting under our noses for some time, but it's a function sometimes of just spending a bit more time. These orogenic ore systems are time-consuming in terms of drilling. You need to do the appropriate geophysics and geo chem work. A lot of it is under cover so you don't find it easily from surface work. But there you are. This looks like it will be an important addition. One of the reasons we decided to build a camp at Agnew and also put in renewables over a long-term period is we're pretty confident this is going to be around for ten years and probably more. We are down here to around about 400 or 500 metres, a very acceptable depth. Not a problem at all, bearing in mind mines in Australia are getting down to 2km. By comparison this is pretty shallow.

All right, turning to the Americas. Again Cerro Corona steady as she goes. A great operation as you can see. Good production, very low cost, makes really good cash flow. For a mine making 280,000 ounces a year roughly at \$52 million for a half year, very nice cash. Now, that compares to amongst the best on a cash flow per ounce basis. We've done a feasibility for life extension, or we're in the process of finalising. We did the pre-feas. No real issues at this stage. We're quite comfortable that that project should go. And if you can recall that is accelerated mining in the pit, a stockpiling strategy and then in-pit dumping. One of the best ways to deal with tails is in-pit dumping. It's safer, more cost effective. You don't have issues of tails dams running away with you which I know we've seen issues recently elsewhere. We are doing in-pit dumping elsewhere in the group. We are doing it at Agnew. We're doing it at St Ives. And certainly we've got good experience on that.

Salares Norte in Chile you have seen we declared a maiden reserve at 4 million ounces, around \$500 an ounce all-in sustaining cost once it's in production with around about 11 years of production. That's part of the major district that we believe will get bigger over time. The next process here is to get the EIA complete and signed off by the authorities. We're in the second round of questions that we've answered. I'm hoping that we will by no later than the middle next year have approval. We will take the final project to the board, and if all goes well we will start building this project towards the end of next year, subject obviously to board approval and a board-supported funding plan. That has been a topical issue. It's an \$800 million project. That's a lot of money. We will be spending that money over about 26 or 27 months. So it's a lot of money to spend quickly. We're looking at different options as to how we fund that, and we will give you an



update on that I'm sure over the next three to six months.

Looking at the district we've got very encouraging results at a nearby deposit called Horizonte, which again I think enforces the camp potential in this area. We bought a 16% interest in Chakana. I will come back to that now. But just to give you an idea, this is part of the greater area. There is the Salares Norte deposit and here is Horizonte over here. That is less than 20km trucking distance from the proposed plant site. And in fact the ground package over here is at least twice the ground package of Salares. So we've got 4 million ounces over here. Who knows what might be here? We will see in time. We've done about 12,000 metres of diamond drilling here so far this year and we will continue into next year, bearing in mind Salares took around about 170km of drilling over ten years. So finding these greenfields deposits, particularly these kinds of epithermal systems, takes a lot of hard work. But let's see how we go. I'm hopeful we will add another ore body here within the next five years.

All right, Chakana. Given we have been in Peru for a long time, around about 15 years, and built up some experience what better way to leverage off a great operating team platform and look for something else? So we've taken a 16% interest in the Soledad Project which is a series of breccia pipes, copper-gold as well similar to Cerro Corona. It is in a great part of the country and easier to operate there than where we are. You can see we're up here. That's down here. So it's early days. A lot of the money that we've subscribed for in the company is going into exploration and this could be one for the future. We think Peru is one of the best destinations to be in the mining industry and untapped. The Andes region in the western perimeter has not been properly explored and we believe hosts many polymetallic style ore bodies. Not so much gold on its own, but if you're happy to mine gold/copper, maybe a bit of silver, you're going to be in the right terrain to look for that. We've been successful mining a copper-gold mine at Cerro Corona for the last ten years.

In West Africa as you can see a big increase in production. That is mainly because of the addition of Asanko in this first half which wasn't in the previous half. And you can see as well a nice increase in cash flow. That's what I like to see. As Damang's capital comes down, as the production comes up then we start seeing the cash. Asanko, we have been in this for a year. I guess the agreement we've come up now with our partners is let's get to an operation that can make good money for us over at least the next ten years. That's just the start. That's not the end. And at the same time let's work out an exploration strategy for the greater camp. This is lodged between Newmont's operations on the one side, Ahafo Akyem, and Obuasi, AngloGold Ashanti's operations on the other side. A large piece of ground that has been sitting there waiting for someone to come in.

Sheer hosted deposits, the two main deposits we have at the moment, Nkran and Esaase. And we're seeing many potential analogues of that, but we haven't invested enough exploration. So a two-pronged approach. Let's get Esaase up and running. We are just mining the top of the hill now, which are soft oxides. That's going to be the main source of ore in the next ten years and beyond. And then let's crank up the exploration and let's get a new camp. Again I think this could be something really special over the next 20 or 30 years in Ghana. That's why we bought it.

All right. I will try and run through the rest quickly. Tarkwa, a Wits-style ore body. If you take the Wits basin here in South Africa and you could actually superimpose that on the surface that's what you've got at Tarkwa. A stacked conglomerate package of reefs which are very consistent. So we've been here a long time. If you look at what Tarkwa has mined to date and what it has on the books, 20 million ounces. How many 20 million ounce deposits do you have in the world? Not too many. So here is the outline of the pits over here. What is interesting is if you look at these mauve shaded areas these are the possible extensions that we're drilling out now. So it proves what we believed, that these conglomerate packages just continue. And they are stacked packages. There are a number of them, obviously interposed with waste so you have



to strip out the waste and you expose the reef. But when you've got multiple packages there is quite a lot of meat on the bone to go for, so we believe this is something worthwhile. Early days, but we are seeing potentially up to 20km. I was talking to our geo just the other day. There is the potential of 20km of additional strike here that we could add. So pretty exciting. Work to do. Tarkwa has been a great mine. It's the biggest producer in our portfolio, over 500,000 ounces a year. It makes good cash. If we can have this longer, fantastic. Let's see.

Right. South Africa. As I've mentioned in Q2 as you can see gold is up 67%, 57,000 ounces for the quarter. We have dropped our cost to R590,000 a kilogram. That's \$1,275 an ounce. We've made some cash. As I've mentioned earlier, all of the front end things that support production are looking reasonably good. And if we can keep that going then we'll be in good shape. Here is a good example of how decluttering the mine in terms of people and equipment has helped. We've increased our productivity from 37 metres per rig last year to 55 metres this year. We still think 55 metres is very modest, not by international comparisons but by South African comparisons. There are operations in South Africa that are doing close to 100m. So if we can get this up some more I think this shows you. Stopping tonnes have doubled over the equivalent period. As we mentioned these are short-term stats. We've got to build on it and prove to you and to ourselves that actually this will be a good mine for the future.

ESG very briefly. I've talked about safety. It's a big focus for our business. What we are doing with ESG issues now is we're integrating these into the business. Let's make sure that we manage these things in conjunction with the business, not on the side. And we have an eye on these things in everything we do. We want to be sustainable on all fronts. So the safety stats are here. I'm not going to dwell on them, but I can assure you this is a big focus for the business. If we cannot mine safely we will not mine. Similarly on ESG type things we have an eye on this in particular, environmental incidents. We don't want to pollute the environment. We don't want effluent or dirty water to be discharged off the property. So all of those are important things.

On renewables we've done a lot of work in Australia. And I was recently down at Agnew standing in the middle of 10,000 solar panels which will give only 4 megawatts, but it's a start. We will be building now 20,000 solar panels at Granny Smith which will give 8 megawatts. And with the technology changing all the time in fact you can now attract the sun on both sides of these panels and keep moving them backwards and forwards. Battery storage is evolving as we speak, and I think in three to five years we're going to see a lot more renewables. We will be putting up our first five wind turbines at Agnew, and they will be commissioned by the middle of next year. This will bring down our costs. It will bring down our carbon footprint. And there is a good business case all round. So I think with that we still have around about 20 minutes for questions, which I will ask Avishkar to manage between Paul, myself and the team. Thank you.

Avishkar Nagaser – Investor Relations

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

Patrick Mann – Bank of America Merrill Lynch

Thanks a lot. It's Patrick Mann from Bank of America Merrill Lynch. I just wanted to ask on Australia. It is obviously a very prospective region. You've got large tenements in place. Is there a way for you to bring forward some of your drilling or increase the life of mine by spending more, or is it just a case of these things take time and whether you throw more money at it it's not going to increase the rate? And then the second thing that caught my eye was just around the potential for a shaft haulage at Granny Smith as you guys go deeper, just what the thinking is around that, and when that would have to come in, and

whether haulage costs are eating through expenses.

Nick Holland – CEO

Maybe I will start at the back end if I may. In fact, your question is opportune because I was at the bottom of the mine about five weeks ago when I was down in Australia where we're actually doing development in zone 120. And in a light vehicle it took us a little bit over an hour to get out the mine, bearing in mind we've got light vehicles and we've got trucks going up the spiral inclines out. And that's at 120. Now, imagine we've got zone 135. It's a package that's like a replica. We've got zone 150 which is down to 1.9km. It is clear to us that if we're going to capitalise on what we think is somewhere between 7 million and 10 million ounces here we have to think differently both in terms of material handling and mining. So one of the things we will be doing over the next year is a mining and material handling study. A material handling study is code for a shaft. Let's be clear.

So we're going to be doing a study on a shaft and work out at the same time how we can crank up the mining. If we're going to put a shaft in we want to be able to increase the ore. The ore out of the mine at the moment is about 1.7 million tonnes a year. And you know, Patrick, that the process plant can do about 3.5 million tonnes. So if we can get more ore up we utilise more spare capacity in the plant. There are economies of scale. And if you're going to spend money on a shaft – which is no small cheque to write – you want to get the volume up. Now, I don't want to over-promise on behalf of the Australia region, but clearly we want to be looking at something over 2 million tonnes ore, bearing in mind what we believe sits towards the bottom of Granny Smith. Bear in mind it's still open even beyond 150. So a study on that. It's 12 to 18 months as you saw in the book, and we will come back on that.

In terms of exploration the one thing that sometimes surprises me is geologists will always want more money. If you offer them more money they will take it. And it's interesting that the geologists say don't give us any more money because we'll waste it. The thing with this exploration is because of these orogenic greenstone styles of deposits you've got to do it sequentially. You can spend a lot of money drilling out like crazy and find you've missed the ore body. They pinch and swell. They're discrete. They appear in clusters. So you've got to have a programme that goes in a sequence. Let's find things that matter. Let's have a second follow-up programme. And when you get into diamond drilling which is trying to get reserves on a balance sheet it's fairly expensive, particularly if you're doing it from surface.

So I'm afraid to say although we believe the potential of St Ives, Agnew and Granny's is to go longer and you want to see it reported in reserves I'm afraid to say although we can probably add a bit here and there, it is what it is. But we're confident that we'll keep replacing. Last year we replaced reserves in Australia. The year before we did. I think this year we're reasonably confident that we'll replace again. But \$90 million is a lot to spend. We are drilling out 400km. I think we're doing about a third of total gold exploration in Western Australia. So it's a chunk of change. So let's get some success and see how we go. But if we bring a Redeemer in that could add significant ounces. If we can bring in resource conversion at Granny's we can add more. Let's see how we go. But I'm afraid it's a complex geology. It's not like the Wits basin again where you put a few holes in and bingo, you've got a big reserve.

Brendan Ryan – Miningmx

Hi Nick. It's Brendan Ryan, Miningmx. Over the last five years you've been a strong supporter of gold's prospects despite what the market has been through. You've now got the gold price going in the right direction. Could I have your assessment of what's going on? Is this a flash in the pan, or do you think there is something more fundamental at work here in the gold market?



Nick Holland – CEO

I think the one thing about being in the gold industry for a long time – Terrence is just smiling next to me because he knows what I'm going to say – I've been in the gold industry now for 20 years and the longer I'm here in the industry the less I know about the gold price and what it's going to do. There are so many different factors impacting the gold price, Brendan, we just don't know. Day traders will tell you today it's going up. The same day trader next week will tell you it's going down. So it's very volatile. Paul always says our fortunes lie in the Dollar. I think that's still his view. It will go up. It will go down. It's going to be volatile. At the moment it looks like it's pretty good. Let's enjoy it, but let's not get carried away. Let's be cautious. I will ask Paul to add because I know he has some strong views.

Paul Schmidt – CFO

I think a lot of it is the interplay with what the US is doing with the Dollar. The two big investment vehicles are US Dollar and gold and how people move to it. At the moment I think there is a perception that gold is more of a safe haven, so gold is running [unclear] all the political instability. But you don't know. We are all guessing.

Nick Holland – CEO

Let's be cautious. And if we're wrong being cautious and we make more money that's not a bad problem.

Brendan Ryan - Miningmx

Can I follow up then on specifically South Deep? The Rand, what do you think will happen to the Rand because that obviously has a huge impact on South Deep?

Nick Holland – CEO

Well, I think as South Africans we are worried about the balance of payment issue, the national debt going up all the time. We are an emerging market. We get caught up in the trade wars. We are a victim of trade wars potentially. And added to our own fragile [unclear] the Rand could be under pressure. The one thing Paul and I have also learnt is a weakening Rand in our game is like an interest-free loan. You're going to pay it back. It's a question of are you going to pay it back in 18 months or 24 months? Inflation follows behind. And the other thing about South Africa that worries us is your energy cost. For us it's probably going to double in five years. Now, we are spending about R500 million a year on energy. If that doubles in five years that's another R500 million for us. What about the rest of the industry? How are they going to cope? We're fairly modest in terms of what we use compared to the big conventional gold mines and platinum mines. How are they going to survive? The structural inflation here is a major concern. Wages as well continue to go ahead of inflation and not being matched by productivity enhancements. If anything productivity has gone down. Wages have gone up. So we've got some serious structural issues here to deal with.

Avishkar Nagaser – Investor Relations

Can we see if there are questions on the conference call?

Operator



Yes, we have a question from James Bell from RBC Capital Markets.

James Bell – RBC Capital Markets

Good morning and thanks for the call. Just two quick ones around South Deep. Do you think the asset can attract capital when you compare it to some of the other projects and exploration you have in the international portfolio? And secondly, given your closet peer is potentially looking to exit South Africa both from an asset and a listing point of view, do you think it's time now for you to have a look at strategic options around South Deep or a potential exit from there?

Nick Holland – CEO

Yeah, let's deal with the second part of your question first. I think we wouldn't have gone through the massive pain of a restructuring allied with a strike if we were checking out on South Deep. So I think that gives you the answer. We have restructured the operation. We have taken about R1 billion a year out of the cost base. We have improved the discipline on the mine. We've improved the quality of the management. That is not the signals of someone who is checking out. On the first half of the question, one of the issues at South Deep is we've actually spent a lot of the money on the fixed infrastructure. Remember we built the plant expansion. We built the backfill plant. We've put in a significant amount of additional cooling and ventilation. We deepened the vent shaft.

So the real thing ahead of us now is development. We've got to develop the ore body. We've got to open up the ore body. If you look at Wallaby underground mine at Granny Smith in order to access down to level 150 they've got to open up the ore body. That is the bulk of it. Obviously there is infrastructure maintenance that will continue. So it's not like we have a mountain of capital ahead of us. It's really development that will be the key thing. Obviously replacement of equipment. But as you know, we've taken a lot of equipment out of operation and are parking it up on surface. So that will also defray a lot of the necessary replacements which would otherwise have to have been effected. So we've done a lot of the hard work here, James. And we will get back into near mine development towards the end of the year. And in addition a lot of the team that we will deploy to that we redeployed into doing ground support and backfill. So in fact we will leverage off just redeploying people back to restart those activities. That will actually mean that the incremental costs won't be as high as it would otherwise have been. Hopefully I've answered your question.

James Bell – RBC Capital Markets

That's very clear. Thanks Nick. And then just one more on Salares Norte. If we see spot prices persisting at these higher levels do you feel like that's a project you can go alone on, or is your strong preference still to look at a partner to help you around the capex build and the construction there?

Paul Schmidt – CFO

James, I think we are still considering all our options as to how we will bring this to account and how we're going to fund the project. That's in process at the moment. Obviously we will need to come to a decision by the middle of next year, but we're working on it. And there are various streams of work going on as we speak.

James Bell – RBC Capital

Okay, that's great. Thanks.



Operator

The next question we have is from Johan Steyn from Citibank.

Johan Steyn – Citibank

Thank you very much. Thanks for taking my question. Nick, you've been very successful. If you strip out the South Deep situation over the past decade you and your team have been very successful with bolt-on acquisitions and disposals. And I think you have created a lot of value for your shareholders for that and it is probably something that you guys don't get enough credit for every day. In this current environment it seems like you've opted now to go more towards greenfields development as opposed to further bolt-on acquisitions. Is that a correct assessment or is it just the fact that these bolt-on acquisitions have just now become too expensive?

Nick Holland – CEO

That's a good question. I think the one thing we must remember in this global consolidation, which I think is going to gather speed over the next years, is one of the Canadian analysts asked me the other day on a call what I thought the gold industry would look like in a year's time and who would not be here anymore. I'm not going to mention names here, but what I did say is I think it's going to be different. But I think consolidation is a means of trying to deal with the fact that the gold industry has been under capitalised for years. And the strategy here is let's keep the least under-capitalised assets and get others to pay a premium at a \$1,500 gold price to buy the more under-capitalised assets with shorter life, looking closure obligations, and hopefully then we can take the money we get from those investment sales, recapitalise our own business – a smaller business at lower cost – and move on.

So these companies who want to do this are obviously hoping that other companies are going to give them attractive prices for the assets they don't want. They're not going to put the best assets on the block. We have been counter-cyclical. We invested in new assets three years ago when everybody else was retiring debt and making their costs look better by not spending. We were still spending. And now that we've finished spending we have eight to ten years ahead of us. We don't have any major production gaps. We're happy with what we've got. We've got Salares coming. As Paul has just mentioned, we're looking at funding options. Clearly we're going to compromise our funding options if we go and buy other assets that maybe are inferior. I mean how many assets can you buy that will give you a two and a half year payback and \$500 an ounce costs in this environment? I don't think anyone would want to sell assets like that. They would want to keep them.

Organically as well, Johan, all of our mines have potential. We have potential on all of our existing mines to extend life, particularly given the fact we have some capital spent on the infrastructure. It is lower risk because we know the ore bodies. The best place to find gold is where you're mining it. I think those are lower-risk, higher-return options for us. So never say never. We continue to rub the rule on everything that's out there. But less likely I think given Salares coming as well and the fact that we want to pay down our debt that we would be a participant in this process.

Johan Steyn – Citibank

Thanks Nick.



Operator

Those are all the questions from the lines, sir.

Ian Cruickshanks – Institute of Race Relations

Mr Holland, you mentioned one of the risks you had was electricity supply. Looking at Eskom and their ability to under-achieve targets that they have set on an ongoing basis, how much can you actually access from alternative sources and how much of a problem would that be, how much of a setback would it be if they continued to take even longer than expected to get the new operations going?

Nick Holland – CEO

So we've done a study on a 40 megawatt solar field at South Deep which we think is viable. Bearing in mind you can't use solar when it's dark and the battery storage is limited, that could probably add on average about 20 megs. And we are using somewhere between 60 and 80 megs. So that's quite a material change to our power proposition. So we have a process. We're in a regulatory process now. We need approvals from the likes of NERSA and so on. We believe there is quite a line-up of people in as well. But if we can get approval we will implement that in stages, because on a cost basis we believe that makes sense from day on. Bear in mind what I've just said is that if Eskom continues getting 15% a year you're going to double your costs over five years. It will be even more in the money in five years' time. So we think it's an imperative. And we'd like to be in a position if all goes well to start the first stage of that early next year.

Paul Schmidt – CFO

Sorry, [unclear] standby generators. Martin, correct me, 10 going up to 12 megs at the end of the year that we've already got on site.

Ian Cruickshanks – Institute of Race Relations

Thank you. May I ask another question? Looking at the South African operations you had a number here. Gold production increased out of South Deep. And we're looking at \$1,275 an ounce. Now, looking at the volatility of the gold price which has been immense recently, how far down could that go before you said, sorry, we've got to cease operations or slow down operations considerably?

Nick Holland - CEO

Look, the fact that we've already brought our costs down significantly in the second quarter I think is showing in fact it's going the other way at the moment. And off a very high cost base clearly we've said that Gold Fields franchise assets we want to get as close as we can to \$900 and make a 15% margin at a \$1,200 gold price. So that's the task for the South Deep team, to drive us down there. And if you look at an increase in volume, look what it does. You have dropped your costs 30% plus just by getting a modest increase in volume. And we are still only using at these production levels a third of the installed capacity. So we've got capacity here. So the marginal cost of extra tonnes will be lower, a sizeable amount lower than the all-in cost. So it always has been, always will be. And if you can get more open stoping through, which is your big volume... Now, development and de-stress is on reef, but it's low volume. Get your open stopes through. That's really where you're going to see the leverage here. So let's see where we go, but we're encouraged by where we sit today.



Ian Cruickshanks – Institute of Race Relations

Thank you.

Brendan Ryan – Miningmx

Nick, following up on your comment on South Africa, could I ask you for your overall assessment of what's going to happen to the gold industry here? AngloGold wants out. Harmony wants to go to PNG. And even the PIC says it won't invest in South Africa. What is the future of gold mining?

Nick Holland – CEO

Look, I've been saying for a long time that the gold industry is in decline in South Africa. And recently we were eclipsed by Ghana as you saw. Ghana now is the largest gold producer in Africa. And I think South Africa now is down to sub 130 tonnes a year. I think the die is cast, because if you look at increasing depths, declining grades, increasing costs, that's a combination altogether that is a real storm against you. So I think the Rand when it weakens it gives you some respite, but we've seen this over the years. The Rand weakens a bit, you get a bit of respite, inflation comes up, then you get the combined effect of increasing depths, more capital required, more ventilation, more cooling, grade comes down. The gold industry is in decline and it will continue to be in decline. We are now only 1% of GDP, the gold industry. So how relevant are we in terms of the economy? That's the reality of where we are.

Avishkar Nagaser – Investor Relations

Let's get one from the webcast. Please can you unpack the impact of the hedge and the potential impact on you to 2020?

Paul Schmidt – CFO

It's in the book, but as we said the mark to market loss at the end of June was \$120 million. We have basically hedged half of Australia's production for next year, half of Ghana's production. We have hedged 75% of South Deep. One of the main reasons is your concern you raised earlier. We've got hedges of around R680,000 a kilogram for South Deep for next year. That is to give Martin a bit of headroom to get the mine to the cost level where we want it. The reason we have taken out the hedges is not that we're trying to guess the gold price. Our planning assumptions for next year are \$1,200, A\$1,600 and R555,000 a kilogram. When we embarked on these hedges about three and a half months ago you need to remember where the prices were then.

What we did is we had a draft ops plan for 2020, we had a certain cash flow, and we were requested what we can do to improve it. The value of these hedges – let's ignore the mark to market – vis-à-vis what we saw at the planning prices adds about \$150 million of free cash flow post tax to our proposed cash flow for next year. That's the reason we took it. So as you said we don't know where the gold price is going. We really don't know. We saw some very attractive prices and we said let's take some money off the table. We're not strategic long-term hedgers. We will only hedge for a year in advance. And that's what we have done. It is under water at the moment, but who knows where it will be at the end of the year? Maybe it is worse, maybe it is better. But we're not trying to guess it. At least now I know when I've finalised my plan for next year, which we're doing in the next three months, I can put in some [unclear] numbers. We're good on production. We're good on cost. We always were subject to the gold price volatility. We have locked in a lot of it now, so we can basically know what our cash flow will be for next year when we do our plans and



complete them in three months' time.

Avishkar Nagaser – Investor Relations

Thank you. And one last one here. With that thank you very much. Media round table is upstairs. Thank you.

END OF TRANSCRIPT