GOLD FIELDS

FY2020

RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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FY2020 results for the period ended 31 December 2020

Nick Holland – CEO

Good afternoon everybody, or good morning wherever you might be in the world today, and welcome to the results of Gold Fields for the year ended 31 December 2020. Joining me today are Paul Schmidt, our CFO, as always, and Avishkar Nagaser, our Head of Investor Relations. If you look at the presentation in front of you, you can see a photograph there of Salares Norte. Given the fact that this project is now beginning to advance, we thought it would be good to give you a snapshot of what it looks like. We've got a few other photographs we'll show you later in the presentation. And as I'll indicate to you, we're making good progress on this project and 2021 is going to be a big year for us in terms of advancing this project.

Moving on, forward-looking statements. I won't dwell on that. I'll leave that for you. Going on to the highlights on slide three, I think it's worth starting with COVID. Like most companies in our space and even in general business, we've all been impacted by COVID to a greater or lesser extent. In our particular case I think we've come through relatively unscathed compared to many others and in relation to what might have been. In fact only two of our operations have had interruptions in production, and it has cost us about 80,000 ounces over the last year, which is around 3.5% to 4% of total production.

That has really been at South Deep in South Africa and Cerro Corona in Peru where we experienced shutdowns for a period of weeks, complete shutdowns, and then ramping up gradually over the period thereafter. I must say that the management of the pandemic in the group has focussed first and most importantly on people, putting our people first, and so we didn't hesitate at any time to stop operations and even go beyond protocols that were set down by the governments in those countries that we're in.

We've seen also [break in audio] with you a little later. I think it is one of the big [unclear] in our business. What is the impact of the pandemic going to be in 2021? We know the impact last year, so it's something we've got to watch carefully, but having been through a year of this now I think we're more prepared than what we have been in the past.

In terms of production notwithstanding the COVID situation we were able to increase our production by 2%, as against the previous year, going up to 2.236 million ounces for the year under review, which in comparison to where we might have been is a lot better. Mine cash flow $868 million, almost $900 million of cash after all taxes, after all capital expenditure, all G&A, all site costs and offsite costs that are allocated to those mines. So that's the real bottom line number. And then if you take off expenditure on the Salares Norte project that we kicked off in earnest this year, around about $100 million of capital plus some additional pre-development costs and exploration together with interest the net cash flow from the core business is $631 million. Normalised earnings up to $879 million, 2.5x the previous year, reflecting that we've been able to deliver the gold price to the bottom line.

Our dividend is R3.20 for this particular half year, and together with the interim dividend that takes us to a total dividend for the year of R4.80 per share, which is a pay-out of around 30% of our normalised earnings. It's in line with our policy. Our policy is to pay out between 25% and 35% of our normalised earnings, so we're slap bang in the middle of that particular range, and that's been pretty consistent with the pay-outs we've been giving over the last five years.

Salares is tracking well. We are actually ahead of plan. Pure construction activities are up over 15%. And we thought we would be just under 10% at this point in time, so things are going well. But we have to accept of course it's still early days and there is still a lot of work to be done this year and in 2022. We thought we would just aggregate the balance sheet for you at the bottom of the slide so you can actually see the net debt including the capitalised leases.

But the figure I like to focus on is not so much the accounting number but the real external debt that we owe to our lenders, which has dropped from $1.33 billion in 2019 to $640 million at the end of 2020. So in essence we've taken off almost $700 million off our debt over the year. Remember, we've incurred substantial expenditure over the last four years to buy and build Gruyere, to do the Damang life extension, and of course to take Salares to where we are today. So all told there's over $1 billion of spend to secure the future of Gold Fields that we've incurred, and now we're actually reaping some of the benefits, bringing those projects in, and we are de=levering the balance sheet quite quickly.

Moving on to slide four, the COVID situation. This is a slide we showed at half year as well, so we have updated it for the situation as of just a few days ago. I think as you've seen we've tested a lot of people around the globe. In fact, if you look at the 72,000 tests that we've done these are the real diagnostic tests you can rely on, the PCR tests as it were. That means we've tested the global workforce about four times, although that's a bit distorted in that we haven't really tested in Australia. We still don't have any active or live cases in Australia, remarkably so, although the state itself has had some. We have not had any on our mines across Western Australia. So we are not deploying PCR testing there. We haven't had to. So the 72,000 tests you see there are all concentrated in Ghana, South America and of course South Africa.

At this stage we're sitting with active cases of around about 170. Those are people that are recovering. Fortunately we only have five in hospital and we're hopeful that they will be discharged soon. Regrettably over the year and up to the middle of February we've lost ten people to COVID, eight of those at South Deep. So that's regrettable and obviously that's had an impact on people, on their morale, on their state of mind. So we have been focussing quite heavily on mental health assistance for people who are feeling this is actually a real thing for them. They know people who have contracted it. They have people in their family who have suffered from it. So it's a very important thing for us to do.

While we're on this slide what I would also say is we're starting now to get to grips with the fact that COVID may be with us for much longer than we initially thought. And we need to figure out how we sustain our business given the fact that we're not travelling, given the fact that a lot of people like me are working from home, the fact that we can't get service providers into the various jurisdictions that we operate in, and in addition of course the mental health issues and the fact that we may have a lot of people who are impacted by this virus over the next year or so.

So we are engaging specific advisors in each region we're in. Every country has got a different profile. Every country has got a different risk – helping us manage these issues, ensure that our business is sustainable, that people health and in particular their mental health is looked after, and that we have a proper strategy with regard to the rollout of vaccines working with industry forums. In South Africa for example we're working with the Minerals Council of South Africa as an industry working out the best way for us to roll this out. And we're doing similar initiatives in Peru with the Mines Society, the Chamber of Mines in Ghana and of course the Mining Chamber in Perth as well which regulates the industry.

And we will be figuring out a strategy over the coming months to try and make sure that our people across the group, the 16,000 people who work for us, as well as communities that could be impacted that we can play a role in helping to vaccinate them. We will be working out a strategy with governments to work that out. So that's what I can tell you so far about COVID. Our guidance for 2021 has not been factored down for COVID. It's an inherent risk in the business and we'll have to see how it pans out. If we have to shut down operations, putting our people first, or there are mandated shutdowns by government, we will obviously keep the market informed and make sure that we limit the impact first and foremost on people and thereafter on the sustainability of the business.

Moving on to slide number five, I think if we just summarise the year under review, first of all if you look at Australia in the bottom right corner there you can see it's been a phenomenal year for Australia, a million ounces of production plus. That has been bolstered by a full year of Gruyere, given the fact that we reached commercial levels of production towards Q4 of 2019. Of course in 2020 we had a full year of production, and you can see the impact of that. We pushed our production up. Gruyere is also slightly lower cost than the rest of the operations, and that has also helped us as well, coming in at all-in costs of $957 per ounce. That's fully loaded costs, folks. That's got everything in there, so there is nothing below the line you have to put back in afterwards. That is the full cost of producing an ounce including all of the capital expenditure etc. Cash flow from Australia $498 million. Again that's bottom line cash after everything, after taxes and capital. So a great result from Australia.

West Africa, the second-largest region, produced just under 800,000 ounces of attributable production to the group with all-in costs of about $1,060 and also making very good cash flow, just over $250 million of cash for the year. So a great performance bolstered of course by Damang particularly in the second half of the year getting into really good grades in the Tarkwa phyllites which is the high-grade part of the ore body we've been looking to get into for some time. We're in that now and it's showing the benefits of the investment and moving all the waste above that to access that particular ore.

If we go to the Americas, Cerro Corona had a tough year, down around 80,000 ounces or so from the previous year to 206,000 ounces. And it's really all down to COVID. The fact that Peru was particularly hard hit, the fact that it's a remote site in the Andes – a lot of our people come from Lima – so we had to shut down the operation for a period of time. We were running at half capacity for a number of months of the year. And we were forced to mill low-grade stockpiles that we were hoping to build up for the long-term life of mine plan that takes us to 2030. And at the same time we couldn't mine all of the waste that we were looking to mine to actually accelerate the mining of the pit, given that we're going to use the pit for in-pit tailings from 2026 onwards.

So that plan has been deferred. We've had to obviously make the best of what we could do, take some of the lower-grade ore that we could expose pretty quickly, take some of the low-grade stockpiles and mine a little bit out of sequence just to keep things moving along. So it has been a tough year for us. It will take us three years to recover a lot of the waste that we couldn't mine. There is about 9 million tonnes of waste. We have deployed additional resources in terms of people, equipment and also additional accommodation facilities that are all COVID friendly so we can start catching up. But the long-term integrity of the ore body and the long-term plan remains intact.

Lastly we look at South Africa, South Deep. Also impacted by COVID. We ended up losing something around 32,000 ounces as a consequence of COVID. Sorry, just going back to Corona, I should have said we lost about 46,000 ounces because of COVID. So that's the bulk of the decrease. 32,000 ounces at South Deep. Nevertheless, we still made some good money and ended up with cash flow of $34 million for the year. And I think if you look at the momentum that has been built up at South Deep it's most unfortunate having the COVID interruptions, but pleasing to see they're getting back to the pre-COVID levels gradually and we're very optimistic about the future going forward.

So that's a snapshot if you look at the group then. Nine mines, one project. Of course that's Salares Norte in Chile. We're in five countries. 2.236 million ounces. All-in cost $1,079. Making $868 million from the mines, $631 million after interest and projects.

Moving on to slide number six, this is a little bit of a look back and a look forward. I did mention earlier that we've been focussing on our key projects to deliver a long-term sustainable future for the company that will be profitable through the price cycles. Gruyere has come into production which provides a low-cost, long-life operation with upside. Damang has now come into really good production levels in the second half and we're starting to see the benefits of the $350 million we invested, and we are expecting to have a very good 2021, 2022 and 2023. When we think that costs of somewhere about $800 an ounce will mean at these sorts of prices today will generate substantial cash flow.

The restructuring we did at South Deep at the end of 2018 was very painful but very necessary and helped to reshape and rebase the culture at the operation. We also managed to take over R1 billion a year out of our cost base. We turned it back to profitability and we're slowly working on a number of interventions to improve it. Our debt levels were never allowed to really get out of hand, but if we look where we've landed at the end of the year our debt level now is almost something we don't have to lose too much sleep over at night.

And the portfolio is set up now to do 2 million to 2.5 million ounces a year, somewhere in that range, for the next ten years with upside beyond that. I don't think there are too many gold companies who can stand up with confidence and say that that's what we have on the table for investors at costs which are more defensive given the low-cost assets we brought in, and of course with Salares that will be producing somewhere around 450,000 ounces a year at all-in cost below $500 per ounce. And we've managed to deliver the gold price to the bottom line. ESG targets, I'm going to talk about how we've integrated those into the business and what we're looking to do going forward.

Looking at Salares, it's in construction. The next 18 months are going to be key. We started the pre-strip in early January. Remember there is about 50 million to 60 million tonnes of barren waste we've got to move before we can expose the ore body and get into those nice high-grade epithermal veins that are part of the system. So we've got to actually get through all of that. And at the same time we've also started the process plan construction. So now we're into the big year, $500 million of capital, which is around about 60% of the total capital spend on the project.

We remain very excited about brownfields opportunities across the portfolio. We're seeing at St Ives the Invincible complex continues to grow both at depth and laterally. We haven't seen the limits of this ore body yet. At Agnew we're seeing a transformation in terms of what we're going to do with this asset. You've seen a big increase in its reserves and you're going to see an increase in its production profile over the next three to five years as we convert that exploration success into a rising production profile. Cerro Corona we have potential to go beyond 2030, so we will be doing some further studies this year to look at the potential for a mini cutback of sorts. We're going to be informed by some additional drilling at depth and getting a better understanding of the potential more likely to the east of the ore body.

On Damang, although we're doing very well on the production we have to have an eye on the future, and we're doing studies on a further cutback. Bear in mind we have a resource of about 6 million ounces at Damang. We have a reserve of 1 million ounces. That tells you there are opportunities to convert resources. And we're looking at different scenarios where by possibly we have a couple of additional cuts whereby we de-risk the project and also we manage this over the life of mine. So we will update you towards the end of the year, but it's likely we will be adding a few more years to Damang if all goes well in the next 12 months or so.

I don't think we need to rush into expensive M&A. A lot of people have asked us. The profile is set up. Salares I think is one of the better investments we can make. There is not unlimited capital of course in these markets, and with the brownfields exploration opportunities that is a low-cost addition to mine life at all of our operations, and low risk as well because we know those ore bodies.

We have also summarised our reserves at the end of the year – fairly hot off the press – and again we've managed to increase our reserves. And if we look at the reserves outside of South Africa we're over 20 million ounces of attributable reserves. And that compares well to many companies in the top ten in the gold industry. So I think we're competing with most of the peer group in our space, and we see further upside. We continue to replace what we mine in Australia and some, and I think that is something we will potentially see particularly in the likes of Agnew and potentially at St Ives going forward. At Tarkwa I'm delighted that we've been able to put back everything that we've mined into reserves, particularly as this is our largest mine in the group with 500,000 ounces a year production. So in a way it's the flagship operation. A very large open pit moving about 90 million tonnes a year. So I'm delighted that we could put back everything into reserves and then some.

On slide number eight we list here all of the ESG priorities for the coming year. And there are five clusters really. It's about obviously safety and health of our workforce as well as impacts on associated communities around us. Our goal is zero fatalities and no serious injuries. We've got work to do because unfortunately we had a fatality in 2020. We lost Abel Magajane at South Deep to an accident. And we also had 13 serious injuries as against 12 and one fatality in 2019. So we have work to do on our safety. Vehicle accidents we want to eliminate, so we're putting in collision avoidance systems across the group. That's vehicle to vehicle and vehicle to person, so that we can avoid those kinds of fatalities in our industry.

And then in the spirit of these whole cleaner, safer vehicles, which is an initiative that we've been driving together with the ICMM, we are also looking to reduce diesel underground. I think the long-term goal is eventually to get diesel out of underground mines. The first step though is let's make sure we have the best generation filters to reduce diesel particulates and also improve ventilation practises. But eventually we want to have a long-term aspiration to move off diesel underground completely, and we are working on that as you'll see. Also we don't want to have environmental issues with communities. We want to make sure that none of the things we do have an impact on those around us.

Diversity and inclusion, we're going to be setting some targets on that. Currently we have around 20% of women in the workforce, so we do want to increase that and provide opportunities for our workforce to match the demographics over time. Shared value is something you know we've embraced over the last eight or nine years. And that's manifested itself in greater host community employment and procurement, particularly in-country procurement whereby these activities together with social investment mean that around $650 million or so, or almost 30% of our spend, is concentrated in host communities, making an impact therefore where the mines are.

Carbon emissions will continue to be key for us. You know that we produce 640 tonnes of carbon based on the ESG presentation I did a few months back. And we're going to be setting targets to reduce that further. Renewables are going to have a key role to play in that, together with moving off higher carbon type of energy. And we will be looking at more renewables in Australia. We've concentrated on Agnew. We've done something at Granny Smith. We're now going to be looking at St Ives and also Gruyere. So I think there is low hanging fruit for us in those areas in particular. Electric vehicles underground, we are trialling a vehicle underground in Australia, and if that works for us that may be the blueprint for us to roll out something bigger across the underground mines in the group.

Fresh water of course is key, reducing our reliance on fresh water and recycling more often, and doing a lot more through this. We had a good year on this. More work to be done. I think you all know that tailings dams have been topical in the news because of the tragedy in Brail. We signed up obviously as ICMM members to the new standard, and we will be rolling out that standard over the next three to five years in accordance with the commitments given by the ICMM on our behalf and directly ourselves. We are doing a gap analysis at the moment and we would expect to have a good idea as to what we need to do during the course of the middle of 2021.

Slide number nine, cash generation I mentioned has been very good. And you can see here at the bottom we had one of our best years ever on the net cash flow. And you can see our capital expenditure being pretty much in line with what we guided, slightly under in fact what we guided at the beginning of the year. And I've given you all of those cash flow numbers so I won't go through those again except to say that another $600 million to $700 million taken off the debt this last year has been fantastic.

Moving on to slide number ten, I must just credit Paul and his team for doing a fantastic job in extending our maturities. We had a $1 billion bond we had to pay off in October of which around $600 million was outstanding. And we refinanced that by putting in two new bonds, one out to 2024 of $500 million and one out to 2029 of $500 million. So we are in pretty good shape now in terms of our tenures, our maturity profile, and with the cash flow we're making we're in pretty good shape to make sure there is no near-term liquidity crunch, particularly when we're sitting with $900 million of cash on the balance sheet.

Slide number 11 on Salares Norte. It's not often that you have virtually all of your engineering completed before you start a project in earnest. And in the number of projects I've been involved in in Gold Fields over the last 25 years it's the first time we've been here. Why is that important? The more front end work you can do, the less the risk at the back end of the project, and the risk of scope changes and scope creep because you really understand the detail behind it. So that puts us in a great position and it de-risks the entire project profile.

Construction progress, as I mentioned, is at 15%, slightly ahead of plan. Our camp construction is finished. This is something I have been watching quite carefully, because I know from experience that on these remote sites if you don't have enough beds in the camp if there's a crunch you're going to have to pull back activities. The nearest town is probably 80km to 90km away. Copiapó, the nearest big city, is five hours by road. So we have to have accommodation on site. We've already got over 1,600 beds as we speak, and peak manning on site looks like it's about 1,400. So that's a big de-risker again.

We spent about $150 million this last year. Two-thirds of that was on the project itself, and of course we continue exploring around us. The big focus last year has been on Horizonte, bearing in mind the footprint of that is about four times the size of the combined Brecha Principale and Agua Amarga targets that comprise the current Salares. Some interesting results we're going to continue, but also start looking at some of the other targets around us with a view to making sure that a ten year mine life is extended at least by the mid-life if not later.

Construction activities commenced in earnest, through diversion channels and bulk earthworks so we can actually start with the process plant construction. The mining contractor did all the early pioneering works, building ROM pads, creating access roads, that sort of thing so they could actually get going with the pre-strip which happened in early January and which we announced. 87% orders have been placed. What does that mean? It means we priced 87% of the total project spend and the only thing we have to worry about really is escalation on those particular items. So we don't see big scope changes given that the detailed engineering is virtually done. So that's where we are.

The chinchillas, which are these protected little rodents, we've had to suspend our activities on capturing them and looking to rehouse them. The protocols weren't working. We lost two chinchillas out of four unfortunately, so we have engaged with authorities to come up with a new plan so that we can find a sustainable solution for these protected species. There are some photographs of Salares. The camp at the top left. You can see the overall plant site. Pre-stripping has started at the bottom, so these activities are real. They're happening. And you can see the footprint of the workshop earthworks that we're setting up over there, the foundation. That's coming.

Resources and reserves, I'm pleased to say we've increased our attributable reserves – I'm on slide number 13 now – to 52.1 million ounces from 51.3 million ounces. A great performance at South Deep on the back of lower cut-off grades. We've been able to bring some reserves in. A tremendous performance from Australia, putting back way more than we depleted. And Ghana through Tarkwa essentially putting back what we depleted as well. The Americas fairly similar. So a really good result for the group.

If you look at this picture over the longer term on slide 14 – I got the guys to put this slide in because I thought it was quite useful – if you look from the end of 2015 up to the end of 2020 – and this is after depletion – we put back something like 5 million ounces after depletion, which is a 9% reserve growth over the five years. And the average cost of these ounces that we're putting in is less than $100 an ounce. M&A at the moment in our space is anything from $200 to $400 an ounce this is really good business for us. This is really good business for us. And we're extending ore bodies within reach of infrastructure, within easy haulage distance, extension of underground ore bodies etc. They are ore bodies that we understand. So I think this shows you why we get excited about organic growth and why we continue to be excited about it going forward into the future.

I talked about this briefly, but I should mention that at Tarkwa in particular we've got a potential 20km of strike extension around the four main pits that we're mining. And it looks based on the structures, these large paleoplacer ore bodies, very consistent ore thickness. Very consistent grades. Multiple reef packages, stacked conglomerate packages very similar to what you see in the Wits style ore bodies, but in an open pit type scenario. So I'm sure you'll see a lot more from Tarkwa coming forward. I've talked about the Invincible complex in Australia and Greater Agnew. Granny Smith we still have another big zone at depth, which if it's going to be anything like what we've seen above it, it's probably another 2 million to 2.5 million ounces in situ. The extraction ratio in the past has been around 60%, so a lot of life extension potential. At Gruyere we're probably going to be looking at a mid-year declaration update because there are some additional reserves. We've been in discussions with our partners, Gold Road, on that and we're looking at the potential below the pit for underground potential down the road. So we will be doing a deep drilling programme during the course of 2021.

Looking briefly at the regions, Australia as I've mentioned a million ounces over the last year. It's nice to see the reserves are up at 7.5 million ounces. The bottom line there compared to 6.9 million ounces. That's after depletion, so we're really in great shape. Projects are the expansion of the plant at Agnew which starts with a replacement of the crusher, and then we will go into the grind circuit in 2022. A second decline at Granny Smith to debottleneck the mine particularly as we're getting deeper so we can maintain 250,000 ounces a year, and then further lateral development at Invincible to capitalize on that project. That's Australia.

If we move to slide number 18 that's Peru. I've covered a lot of this. It was a torrid year for Peru, but the integrity of the long-term plan remains intact. Notwithstanding all of that they still made $80 million over the course of the year, so that was a great achievement for them. And we're starting to think about longer term growth opportunities in Peru. We have a stake in Chakana which has Soledad project. It's in Ancash further down from Cajamarca. And we're up to 20% now. We're quite excited. A series of Brecha pipes, copper-gold potential there, and we'll see how that pans out. We're doing some more exploration with that. And we have just announced a deal with Regulus on a little area of ground called Don Jorge that we own with an idea to see if this is a catalyst for some kind of bigger cooperation in the area.

In West Africa it's really all about the performance of Damang. The second half of the year, as we said it would be in August, will become even better than what we thought it would, given we're now in the Tarkwa phyllites, the higher-grade ore body that we were looking to get into. And that has made a big difference to us, and that will be the mainstay and the main proportion of our total feed from the different rock types over the next two to three years. Tarkwa has just been very consistent and steady, and the investment plan at Damang continues to track well against the original approved project. Together with dividends from Asanko we made almost $300 million from the region.

South Deep was again impacted by COVID but still managed to marginally increase its production against the previous year. And we're pretty confident that the integrity of our long-term plans to improve this operation remains intact. Many of you have asked me over the last year or two what the long-term profile of South Deep is. We've been quite coy on this one because we've had many targets we've had to take off the table. I think given two years of delivery and consistent production we're quite confident to say that we think we can increase by 20% to 30% over the coming four to five years off the 2021 guidance of 289,000 ounces.

One of the reasons we're getting more optimistic is if you look at this graph on the bottom right corner you will see that our development productivity has improved over the last couple of years and our scoping productivity has improved. Now, those scoping tonnes are really important because as you increase the proportion of high income [?] stoping you get much bigger cuts, you get much bigger tonnes than what you get in a normal development end. You re opening up a whole cavity. And as you improve your performance in those areas, your compliance as you increase the number of stopes, it has a significant impact on the overall volume reporting to the plant. So more delivery to come from South Deep into the future.

Looking at the outlook lastly, if we got to the last slide, page 22, as summarised in the book that we published this morning our attributable production for this year is 2.3 million to 2.35 million ounces. That is up about 100,000 ounces from the previous year. Our all-in sustaining costs are a little bit up on the back of some of the activities I've spoken about, some exchange rate fluctuations and things. And then all-in costs including Salares, if we put that in, somewhere between $1,310 and $1,350. If you exclude Salares from those all-in costs then we're somewhere around about $1,100 an ounce. Capital this year, a big year, almost $1.2 billion of capital. Of course $500 million of that comes from Salares Norte.

I've mentioned the ongoing risks of COVID. In fact, we've got to watch this and we may need to reassess the production profiles of our group. Salares I think the key thing is for us to stick to the schedule, because by the end of this year we'll be 70% through the project. And continue to embed the productivity improvements and the culture change that we've brought about at South Deep, which will help us to bring about almost a 30% increase in production. That looks high, but bear in mind had we achieved the original plan South Deep would have made somewhere about 245,000 to 250,000 ounces. So against that base this increase is not that significant. And we want to continue reducing our net debt, de-gearing, and maintain our policy.

So with that, this is going to be the last set of results that I will be reporting given my retirement coming up at the end of March. And I hope that you will welcome Chris Griffiths into the company from the 1st April. I think Gold Fields has been very lucky to get Chris to join us. And I'm sure that he will work together with the strong executive team and all the people in Gold Fields in taking this company to the next level. So I think with that we'll hand back to questions. Sorry, I've taken a little bit more time maybe than I wanted to, but one gets quite passionate talking about really good numbers and it has been a good year for Gold Fields. Irene, we'll hand back to questions. Thank you.

Avishkar Nagaser – Head of Investor Relations

We'll take the first question from the webcast and then we'll go to the conference call. On the webcast the question relates to **how much emphasis we have put on reducing pollution by harnessing clean technologies and renewable energy in 2020**.

Nick Holland – CEO

Renewables as we've said have been rolled out at Agnew. We've got a micro grid there. We have a solar project at Granny Smith. The solar project we want to do at South Deep is going to be 40 MW. That's going to be around about 15% to 20% of total base load. We're encouraged by the process through NERSA, which is the regulating body here. And I'm hopeful that we'll get final approval from NERSA at the end of February. We've been in touch with Eskom. Because this will be a [unclear] project we just need to do some technical checks to make sure there will be no impact on the grid. I think they're pretty confident there won't be any issues. And if all goes well we could be making a final decision and taking this back to the board during the course of March and getting ready to start constructing this. That will make a big difference to reducing our carbon emissions.

I think we said if we did South Deep on the back of what we've done in Australia we'd take the whole group to over 10% of renewables in terms of renewable energy sources. So that's a big ticket item. I mentioned that at St Ives and Gruyere in Australia we're going to be looking at what we learnt from Agnew and Granny Smith and rolling out those projects as well. There's a great opportunity for us to harness that as well. We are testing a battery loader underground at St Ives and we will see how that pans out. But if that works it may be that we will move on to battery electric underground. We're still looking at hydrogen as well, but at this stage battery electric looks like it might work better for us. And then at Tarkwa we're going to be looking at a hybrid diesel gas vehicle that will reduce emissions. It won't completely take the emissions away, but it moves from higher carbon to lower carbon. So those are some of the main initiatives we are working on which will have a step change, so that by the end of 2021 we can report more progress on these projects.

Avishkar Nagaser – Head of Investor Relations

Okay. We have a question from Nkateko at Investec. **What is the maximum potential steady state production at the restructured South Deep? Is it circa 377,000 ounces per annum you are guiding for in the next three to four years?**

Nick Holland – CEO

Look, we wouldn't want to give any cap on what South Deep can do. Because people have been asking us and because we took long-term guidance off the table, what we have said in this presentation and in the book is we believe we can increase by between 20% and 30% over the next four to five years off the 2021 guidance of 290,000 ounces. So nominally that might be somewhere between 60,000 and 90,000 ounces on top of our guidance for 2021. That doesn't mean that's the end. That's what we'd like to try and target in the short to medium term, but the sky's the limit here over time, particularly as we embrace more technology and particularly as we get the heart of the mining into North of Wrench.

If we can move away from the scattered mining above the infrastructure that we largely inherited when we bought this and actually concentrate the mining on the areas Gold Fields developed, which are much easier to mine, haulages are better set up, tips are much closer, a lot of direct dumping as well, if we get more of our mining in there that's going to get us a step change as well. So let's not cap anything, but I think as a minimum we want to try and achieve that over the next four to five years.

<u>**Avishkar Nagaser – Head of Investor Relations**</u>

Okay. Another one from Investec. **The operational cost associated with COVID of roughly $35 million in 2020. Can we expect a similar number in 2021?**

<u>**Nick Holland – CEO**</u>

I would say unless we have significant cuts in production because of mandated shutdowns, I would say no. A lot of these are non-recurring items. For example, we expanded accommodation facilities at Cerro Corona. We expanded some facilities as well at Salares, as I mentioned earlier. We've had to man step down areas for people to recover. We've had to put on additional flights in Australia because we had to operate the planes with half loadings. We had to bring in additional resources because people were incapacitated. That's an extra cost. So no, I think a lot of it is a one-off. But if things change, sure. Some of those costs are going to come back, and it's indeterminable as to what they might be.

<u>**Avishkar Nagaser – Head of Investor Relations**</u>

Okay. Can we take questions from the conference call please?

<u>**Operator**</u>

Thank you sir. Our first question from the conference is from Leroy Mnguni from HSBC.

<u>**Leroy Mnguni – HSBC**</u>

Good afternoon guys. Thanks for the opportunity. I'm just trying to get an overall picture of the movement in your reserves. At a total level your attributable reserves seem like it only increased about 2%, but you've had significant increases in Australia and at South Deep. Where have they declined? Does that Asanko exclusion account for all of that, or are there other areas where your reserves have declined? That's my first question. And my second question is just on slide 15 where you detail the organic growth opportunities. Particularly in Australia which of those are more life extension and which of those are potentially an increase in production? That's it. Thanks.

<u>**Nick Holland – CEO**</u>

Okay. Let me go to the back end first. I think all of the stuff that we are looking at in Australia should be seen as life extension. If you look at our process plants, a lot of our process plants other than Granny Smith are operating close to capacity. So there isn't much potential for us to put more through the process plants. The problem with Granny Smith is that there is only so much you can get out of the hole given the multiple levels we're mining. So even if we wanted to accelerate it's unlikely we could put more through the plant. And Granny Smith is a one ore source operation. There is only the Wallaby underground mine. There is nothing else. So it's really life extension.

Looking at the reserves, Damang has obviously come off. We've had some modelling changes and we've had depletion, so there is no pushback. Also at Cerro Corona we haven't added anything there as well. Tarkwa has just about kept level with where it is. So the plusses and minuses give you a net increase of around 1 million ounces a year. What we'll do is we'll do a little recon for you giving you a little breakdown. I'll send it to you after this call.

Leroy Mnguni – HSBC

Thank you. I appreciate that.

Operator

Thank you. Our next question is from Jared Hoover of RMB Morgan Stanley.

Jared Hoover – RMB Morgan Stanley

Thanks for the call. Just a few questions from my side please. The first is around Salares Norte. It looks like as you mentioned a lot of the detailed engineering work is done and you've managed to mitigate a lot of the risks that we would find in other projects. But I wondered if you could chat about within the country there has been a lot of increases in COVID-19 cases, and we know globally logistics are a problem, and you guys are fabricating off site. So in terms of importation and therefore transportation up to the project site you probably have to go through a few different provinces and cities. Do you foresee any delays in that if they have different COVID-19 protocols? And one more on Salares Norte. How big an issue do you see this chinchilla issue? There have been other global mining projects that have been stalled by an inability to relocate indigenous animals. If you could just chat through those please, and then I'll follow up with one more after that.

Nick Holland – CEO

In terms of access roads, as you correctly say, all the fabrication is done offsite. We have plotted all the roads through. We've made sure the roads are passable. They can take the big trucks. Another thing we've done as part of our risk mitigation is we've looked at alternate routes to make sure there are other ways through here. So we're reasonably confident we can get the stuff to site. Speaking of COVID delays, there is going to be an impact. One thing we've said in the book – a generic statement – there is no factoring down of anything this year because of COVID because we can't determine it with any degree of accuracy, whether it will happen, the extent to which it happens, how long. So if COVID happens it's going to have an impact. We've got some flex in the project. In addition to around $85 million of contingency we've got in that $860 million we've also got some time contingency, around five months of time contingency. That may be needed anyway because things just run late. But if COVID comes through in a big way and there are mandated shutdowns it's going to affect the project. The degree to which we can't determine at this point in time. So that's the one aspect.

The chinchilla, we were operating in accordance with a laid out plan given to us by the authorities. And what we've discovered is that the area that we had these chinchilla in was probably too small given how they roam and their natural habitat. And actually that contributed to two of them dying unfortunately. So we went back to the authorities and said, look, we think we need a different plan here compared to the one you told us to follow. And they're open to that. S owe released the other two chinchilla. Once we've got a plan approved we will start it again. I just want to mention, there is no big urgency with this. It's not going to impact any activities during the construction. So we've got a year or two to fix this. What we'd rather do is re-look at it. We've brought in the experts who understand this species and how they live. And we're working together with the authorities for another plan. There is no indication that this is going to be a problem. We've also made it quite clear to various ESG groups that are interested in this what we're doing. There is visibility on our plans, and we'll do what is necessary to protect the species.

Jared Hoover – HSBC

Great. Thanks for that, Nick. Just two more. It looked like there was quite a large working capital build into the second half of the year. Can we expect something similar given Salares Norte going into peak capex this year? And then my last question was just around South Deep. I know you've given almost indicative guidance over the next three to four years and how you see the production building out, but should we be thinking about that as you potentially having more opex and capex coming through given that you've restructured the asset for about a 250,000 to 270,000 footprint, or should we be thinking that you're just going to continue improving your productivity and that's going to drive a bit of a production bump going forward? Thanks.

Nick Holland – CEO

I'll let Paul answer the first question and I'll do the second.

Paul Schmidt - CFO

On the working capital I don't think we can expect the number to soar this year. We should return to the historical norms. The big reason for this year is because of the change in calendar year-end we had a fifth cycle of creditors' payments that came through. We had a big [unclear] build-up. Despite it being a credit on the costs, it's a negative on the working capital. And also we had a lot of pre-payments at Salares Norte for capital which will unwind next year.

Nick Holland - CEO

In terms of the second question, let's just remember at South Deep that the essential infrastructure of the mine is built. We've got the backfill facility on surface. We've got the process plant on surface. We've got the twin shaft system which was built some time ago. Obviously there is ongoing maintenance for the fixed infrastructure. There is going to be fleet replacement and rebuilds of our trucks and loaders etc. But I think the main item you're going to see coming through in 2021 and beyond is getting back to the new mine development, opening up the deeper part of the mine where there's 10 million ounces of reserves waiting for us.

And that's really just extending our infrastructure and our cuts down into the North of Wrench area. And you will see that coming through this year and into the following year. It is actually no different from what we do at Invincible underground in Australia. It's follow-on development by and large that we'll be undertaking during the course of this year and the next couple of years to open up the mining fronts so that we can deliver that 20% to 30% increase in production. And from time to time there's going to be fleet replacements. Fleet has a typical life of about six years or so. So as fleet comes to the end we have to replace it, but it doesn't come all at once because different parts of the fleet have different lifecycle processes. So luckily it's not all happening at once. Hopefully that clarifies it for you.

Jared Hoover – HSBC

Great. Thanks Nick. Just to sum it up, I guess it's more incremental on the opex and capex, and as you get into the North of Wrench area hopefully productivity also picks up with that.

Nick Holland - CEO

I mean I don't see a massive pick-up in opex other than obviously the variable cost component of additional tonnes, which on South Deep is not that high. And as I say, the new mine development we're going to be doing this year is probably a good yardstick for what we'll see in the years to follow.

Jared Hoover – HSBC

Perfect. That clears it up. Thanks, Nick. Thanks, team. Appreciate it.

Operator

Thank you. Our next question is from Patrick Mann of Bank of America.

Patrick Mann – Bank of America

Hi. Good day. Thanks very much for the call. I had two questions. One was around capital allocation. So obviously in a big capex year for Gold Fields this year, but net debt has come down quite nicely. And if gold prices hang around here it looks like you'll still build up a fair amount of cash. How would you think about allocating that capital post this big capex year? And then, Nick, maybe one for you. You've been outspoken over the years as a gold industry CEO about the industry not investing enough for replacement and a lot of the M&A being driven by survival needs rather than rational or value-accretive transactions. Do you just want to give us your thoughts on the industry and the key things investors should look out for in the next one to two years? I think we're going to miss having your views being put out there each time. Thanks a lot.

Nick Holland – CEO

Let me start at the back end and work back to the front question. As I've said before – and I've given you this presentation a couple of times over the last three years – the industry has not only not explored enough over the last 20 years. It has actually been slowly strangling its mines of not only growth capital but also sustaining capital. And when you see sustaining capital coming down, that's a worry because that normally means you're going to have a near-term production impact. I think you'll find companies are going to use the windfall in the gold price to try and catch up some of the capital they haven't spent. And we've had outside research companies doing a lot of this analysis for us, so it's not just a gut feel. It's based on empirical data that we put together and we update each year. And I've done so for the last five years.

I think that leads into the second question about mergers. Mergers I think have been driven largely by survival. And people try and argue about synergies. If you look at big bang mergers over time, a lot of the synergies that were promised were never delivered. In fact, if anything they went the other way as they had to equalise costs between companies with different philosophies on remuneration and having consolidation of suppliers, contractors etc. So I think a lot of it is driven by the fact that companies are running out of road. And they have to do something to make up for that. There's an argument that we're catering for a new category of investor, the index funds that want the big caps to invest in. But I think that's a small part of the answer.

The problem you've got is when you created these big monsters, how do you keep feeding them? How do you keep replacing a 7 million ounce company? That means every year you've got to be finding 14 million ounces, because only half of that if you're lucky will convert into a reserve. It's well-nigh impossible. So therefore it's either going to mean the big guys swallowing up the smaller guys, or it's going to mean big bang mergers so that people can actually keep things going.

We've always said we want to be in charge of our own destiny and we don't want to be beholden to anybody else to figure out our strategy. Therefore we've been opportunistic on M&A. We've created now a wonderful base of organic growth. We've got Salares. And capital allocation, I think we can see further life extension at Invincible which will flow through into St Ives. That will mean ongoing spend. And just to bear in mind, we are building new mines all the time. It's in our spend already. Last year we actually brought in a new mine called Hamlet North. I don't think you saw it in the cost, did you? As some capital expenditure comes off, other capital comes in.

And St Ives is a very dynamic operation. So you didn't see the impact of Hamlet North coming. You didn't see the impact of the additional stages of the Neptune open pit at St Ives. You didn't see the significant impact of opening up zone 135, zone 110 and 120 at Granny Smith. But there is significant ventilation rises that need to be put in, upfront development, second escape ways. There is a whole bunch of stuff you've got to put in place to get those areas ready to mine. And we've been basically handling that within our bucket of capital expenditure. And so I would say the ones to watch for is are we going to do another Damang pushback? That is obviously going to be visible capital like the original pushback was. Tarkwa I think would just continue to push out the mining boundaries because we're doing a lot of stripping already at Tarkwa.

Australia, Gruyere if we did an expansion of the pit that will only happen in years to come. It won't happen in the first few years. And then Corona, again I think it's more a focus there of catching up the waste and doing a study on a potential further cutback. South Deep, if you look at the capital we're spending this year that's going to be a pretty good yardstick of what you can look at going forward, roughly R1 billion to R1.1 billion a year is what you can expect from South Deep with a rising production profile. Hopefully that answers your question, Patrick.

Patrick Mann – Bank of America

It does. Thank you very much.

Operator

Thank you. Our next question is from Shilan Modi of UBS.

Shilan Modi – UBS

Afternoon gents. Thanks for taking my questions. A couple of questions on Salares. Previously you mentioned that you had some sort of FX hedging in terms of the capex. I believe it was 60% hedged in Chilean Pesos. Producer currencies have strengthened quite dramatically in the last couple of months. What state is that offer in? Does it still exist or has that been eroded? I'm trying to get a gauge for the $860 million capex if there is potential risk to that number. Then just in terms of reserves and resources, you've shown strong growth in reserves and resources over the last couple of years. Maybe just outline the strategy for Australia again, and maybe highlight Agnew in particular given that it's the shortest life asset you have there. And then maybe can you also explain the same type of philosophy around Damang? Effectively Agnew and Damang appear to be the lowest life assets. I'm trying to gauge whether Salares is more replacement or if those assets can persist and actually Salares is growth. Thanks.

Nick Holland – CEO

Paul, do you want to talk about the hedge?

Paul Schmidt – CFO

As you know, we hedged the full Peso component. It was just over $500 million worth. We hedged it at 836 Chilean Pesos to the US Dollar. Obviously where the Peso is sitting now one of the most valuable assets on my balance sheet is the mark to market of that hedge. And we are just letting it roll in as we are buying the Dollars to convert to the Pesos. So that exposure has been totally covered by the hedge and its proving to be a very lucrative hedge that we put in place.

Nick Holland – CEO

Okay. So coming back to Agnew, Agnew now has potential on three fronts. We've got the Waroonga North and Kath area which continues to be open at depth and also laterally. We have Sheba across at New Holland which looks the most prospective, but there are a few other targets there that are looking good. And the new complex is the Redeemer complex with what we call Barren Lands. There is nothing barren about Barren Lands. We're going to be doing a study on an open pit and an underground operation there. What does that mean? It means that Agnew's reserves will continue to grow. We will more than likely double the reserves or at least go up to 1.5 million ounce within the next couple of years I would I think with the exploration budget that we've allocated.

And at the same time, having a tiny plant of only 1.2 million ton a year doesn't seem to make sense with what's coming at us, and so we've started with the front end replacing the crusher, which had to be replaced anyway. And so if we're going to replace it, let's upgrade it. It's marginal extra cost to do so. Then we'll start on the grind circuit. There may be a second ball mill that we can bring in, a second line, and then we'll look at the back end after that. And the idea really is to get Agnew up to 1.7 million ton a year. And that will translate at the average grades we're seeing at somewhere around 270,000 ounces a year.

So we would think that we can get reserve life for Agnew at that level for at least five years, and probably even longer over time. So that's Agnew. And we think that that will be good capital that we can allocate. Coming back to Patrick's question, it's not so much about the production profile. It's about the returns that we can get. Can we get the returns that we've set for ourselves on these assets? It's not going to be about driving ounces for ounces' sake. You've heard me saying for eight years that that game is over. It's about actually creating fundamental, incremental value for us whatever the production profile is for the group.

Damang, again it's a function of saying does the next cutback make returns for us? Is it worth spending the capital to get those extra years of life? And that's the study we're going to be doing over the course of 2021. If we see more of what we're seeing at the moment, I think the chances are very good because once we're in the Tarkwa phyllites, once we're in that ore domain, we're starting to see really good grades coming out. So that gives us a good idea as to what to expect further down. And laying back the walls a little bit further to access that deeper material, it may well be a good project for us. But the numbers have got to stack up for us, and then we'll make the decision.

Shilan Modi – UBS

Okay. Thanks. Just a final comment from myself. Nick, thanks for all the debates we've had over the last decade or so. I think I've learnt a lot. I think we've had quite a few arguments and I think we're both better for it. But thank you for all the guidance and the debates that we've had over the last long while.

Nick Holland – CEO

Thank you so much. Appreciate it.

Operator

Our next question is from Grant Sporre of Bloomberg Intelligence.

Grant Sporre – Bloomberg Intelligence

Hi. Good afternoon. Thanks for taking my call and the questions. Just two follow-up questions from our previous calls. I think if I'm not mistaken the water source comes from the aquifers in the surrounding areas. Has there been any pressure on you to try and supply desalinated water? And I'm just putting that in context of some of the copper mines where the pressure does seem to be ratcheting up. So that's the first question. And then a second simple one. In Australia what percentage of your costs are in Aussie Dollars? The reason for my question is your guidance is predicate don an Aussie Dollar of 75 cents I think it is. I'm just trying to get a sensitivity in case the Aussie Dollar strengthens. Thanks very much.

Nick Holland – CEO

One of the things that I was pretty insistent on given where we are in the Andes 4,700 metres up was that we couldn't start the feasibility study until we had water and we had permitted water. So we got an exploration company to actually do the exploration for the water through boreholes. They found the water. We've got more than enough water for the project with some buffer. And then we got it permitted. And all these questions were asked. We had to do a full catchment study. What's the upstream impact? What's the downstream impact etc.? And then we got it permitted. Only then did we start our feasibility study in earnest because no water up there, no project, no mine.

In addition, as we went through the environmental assessment and the submission to the authorities we again had to go through the water even though it was separately permitted. And a lot of the same questions were asked. So there has been real visibility and transparency to the authorities. There has been engagement with communities and other stakeholders. There is no indication at this stage that anyone is concerned about the water we're using. And I must just say, based on the catchment study and analysis we did there is virtually no impact on the catchment area. We are using not much water at all. It's a very small process plant. It's only a 2 million ton a year process plant because it's very high grade ore. So we're quite comfortable on that.

We've had no pressure. If anything we've just had support from the government, all the way from the President himself who has written to me indicating his support for the project. We've had the Mines Minister on site. The communities from the nearby town, Diego de Almagro, are very supportive. We've got shared value projects working with them, local employment opportunities, local procurement, everyone wants this project to go. So no indication. It has been on our risk register. We will continue to look for other water sources if we need them, but we don't see this as a major risk at this stage.

Grant Sporre – Bloomberg Intelligence

Thank you. Just what percentage of your costs is in Australian Dollars in Australia?

Paul Schmidt – CFO

The only real exposure we have in Australia to non-Australian Dollar denominated costs is the oil price affecting diesel. So in excess of 95% of their costs are Aussie Dollar based so no exposure to the US Dollar.

Grant Sporre – Bloomberg Intelligence

Great. Thanks very much.

Operator

Thank you. Our last question is from Catherine Cunningham of JP Morgan.

Catherine Cunningham – JP Morgan

Hello. Thanks for the call. Two questions from me. The first one is where geographically are you seeing cost inflation, and what mine inputs are giving you the most concern in this regard? And then linked to this, should we think of any radical changes in cut-off grade across the reserve base, or is long-term mine plan basically taking the same assumptions in the current high gold price environment? The second one is a little bit philosophical. The growth pipeline seems to be pretty full. Your shares are pretty cheap. Where is the key source of hidden value in [unclear]?

Nick Holland – CEO

You are breaking up. We can't hear you. I don't know if you can get closer to a microphone, but I couldn't hear. I only got every other word of what you were saying. If you can repeat that.

Catherine Cunningham – JP Morgan

Is this better?

Nick Holland – CEO

A little bit better. Give us one question at a time.

Catherine Cunningham – JP Morgan

Okay. The first question is where geographically are you seeing cost inflation, and which mining inputs give you the most concern? And then linked to that, should we think about any radical changes to cut-off grade across the reserve base or is long-term mine plan still sticking to the same assumptions in the current high gold price environment?

Nick Holland – CEO

We have struck our reserves at a $1,300 price and we've used 75 cents Australian in converting for the reserves. And we've used R650,000 a kilo in South Africa. Those are marginally up on the previous year. So obviously that will dictate the cut-off grades along with the cost inputs that we use in the business amongst other factors as well, other technical factors. So that's something we want to stick to. We have been running at $1,200 for the last two to three years, so we want to try to stick to around $1,300 for a number of reasons.

One is gold prices of course may come back. We want to give ourselves a little bit of headroom. And the other thing is once you start relaxing cut-off grades – and I've lived through this in the previous cycle – it's very difficult to reconfigure the operations back to where they should be. So we're going to be quite cautious, particularly as a lot of our operations are plant constrained. There is no reason for us to be dabbling with lower grade. Let's stick to the high grade stuff. Cost inflation, we're not seeing really a lot of cost inflation. I think more of the cost increases for us is mines that may be getting a bit deeper, mines that are getting further away from the process plant with increased haulage distances, that sort of stuff. But we're not seeing big inflationary increases at this point in time. I'll just ask Paul if he wants to add to that.

Paul Schmidt – CFO

Nothing much, Nick. Obviously in South Africa we've got to deal with Eskom increases and the wages, but fairly benign on the inflationary side. As you say, it's more changing mining type of mining depth.

Catherine Cunningham – JP Morgan

The second one is a little bit more philosophical. The growth pipeline looks pretty full. Your shares are pretty cheap. So as you hand the baton over to Chris, where do you see the key sources and catalysts for hidden value?

Nick Holland – CEO

You just broke up again. Our share price is cheap. Where do we see the…?

Catherine Cunningham – JP Morgan

Where do you see the key sources of value and catalysts for unlocking them?

Nick Holland – CEO

Well, I think it's a function of delivering the guidance we've set out for you today at the cost envelope we've given you. We're fully exposed to the gold price this year. There are no hedged or anything that could cap the gold price. We've bought some floors in Australia to give us downside protection. But we're fully exposed to the gold price .and if you look at our cost envelope relative to the spot price today, even though it's come off a bit, there is significant value there. Even though we're going to be building Salares Norte it looks like we can fund it out of cash flow and keep our debt position pretty tidy if we stick at these sorts of price levels. And then the catalysts will be there's rising production this year. We're up another 5%. There is potentially rising production from South Deep. And of course there's Salares. Salares if you bring in 450,000 ounces a year at somewhere around $465 an ounce, I think you can see what additional cash flow that's going to bring in as we ramp up in 2023 on top of the existing base. And the other area of hidden value is our ability to continue to replace reserves and to have a strong profile of 2 million to 2.5 million ounces over ten years, which isn't necessarily evident in our average reserve life but it's getting close as we continue to put back more into reserves – as you've seen – than what we're depleting. So those are the areas I think of hidden value that could well be recognised in time.

Catherine Cunningham – JP Morgan

Great. Thank you and all the best.

Nick Holland – CEO

Thank you so much. Any other questions?

Operator

Thank you sir. We have no further questions from the conference call.

Avishkar Nagaser – Head of Investor Relations

There are two last questions on the webcast from Nina at Goldman Sachs. **One, Asanko. Could you elaborate why Galiano experienced production declines in 2021 and what is happening with yield? When do you think it will trend back to reserve grade?**

Nick Holland – CEO

At Asanko? Look, Galiano are doing a whole remodelling exercise as they have mentioned in their release during the course of the year. I think what has thrown them out is the fact that we lost Nkran cut 2 earlier than what we thought with the wall failure. That meant they had to reconfigure the plan. They had to do another pushback at [unclear]. They had to accelerate mining in Esaase South and Esaase Main. And in the mix the grade is what they got. They ran out of the flexibility that ordinarily they would have had if we had Nkran cut 2. So essentially you mine what you've got and you get the grade that you get. That has flowed through obviously into 2021.

And that's one of the reasons they're doing some more infill drilling of the key ore sources. It's one of the reasons they are pushing their exploration in particular on Miradani and some other ore sources, looking at potential further pushbacks at Nkran, Nkran cut 3, Akwasiso another stage, and then see how you put it all together. And hopefully that will improve the overall grade and the overall yield will get through the count taking into account the metallurgical recoveries that we can expect to get. So I think it's fair to say it's a very dynamic situation at the present time and there is probably another six months of work to be done before we'll have proper line of sight as to what an updated life of mine plan is. But the joint venture partners and ourselves are obviously treating this as priority and working through this as we speak.

Avishkar Nagaser – Head of Investor Relations

The second one from Nina is on Damang. You guided for an increase of 20% for 2021. Could you discuss how you plan to achieve this?

Nick Holland – CEO

The increase in production at Damang is all on the back of the grade. As we mentioned when we announced the Damang reinvestment project, we expected the grade to increase as we got into the higher grade ore domains which we are now in. And so what you're seeing here is pretty much in line with what we expected to see. So the volume through the process plant is still around 4.5 million tonnes a year, but on the back of a higher grade, somewhere around 1.85g to 1.9g per ton. That's going to give us a really good year of production not just this year but also the next two years thereafter. So we're seeing what we expected to see based on the detailed feasibility study.

Avishkar Nagaser – Head of Investor Relations

And the final question from Herbert [?] at Investec. **How do you think about hedging going forwards beyond 2021 given that peak capital is in 2021? Would you look at being fully exposed to the gold price?**

Nick Holland – CEO

So I'm going to ask Paul to talk about our hedging philosophy because he and I have spent a lot of time on this. I think we've both got very strong views.

Paul Schmidt – CFO

I think we are fully exposed to the gold price this year. Our hedging policy is quite simple. It is either to hedge marginal operations or to hedge years of heavy capital investment. The reason we put the foots in Australia this year is as you know we've got over $500 million additional capital going into Salares. The board was worried what would happen if the gold price dropped this year. As we stand at the moment there should be no more hedging for the rest of this year or in the future, but that depends again on what happens with projects or marginal operations. But at the moment no hedging at the moment going forward.

Avishkar Nagaser – Head of Investor Relations

Okay. Nick, out of time.

Nick Holland – CEO

Well, I just want to thank everyone for dialling in and for the very insightful and penetrating questions. We've had a very exciting 2020. Sadly we've lost a few people due to COVID. We hope that won't be the case in 2021. And we're hoping that Salares Norte will continue ahead of plan as it is right now, and that the rest of the operations continue to perform exceptionally well. But above all, let's do it safely. Let's not forget safety first and health for our people. I want to thank everyone. Take care, and we look forward to talking to you sometime in the future. Thank you very much for dialling in.

END OF TRANSCRIPT