H1 2021

RESULTS FOR THE PERIOD ENDED JUNE 2021

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H1 2021 Results

Operator

Good day ladies and gentlemen and welcome to the Gold Fields H1 2021 results analyst call. All participants are currently in listen only mode. There will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal an operator by pressing * then 0. Please note that this call is being recorded. I would now like to turn the conference over to Avishkar Nagaser. Please go ahead, sir.

Avishkar Nagaser – Head of Investor Relations

Thank you Claudia. Good morning everyone and thank you for joining us on this sell side call this morning. On the call today we have Chris Griffith, our CEO, Paul Schmidt, our CFO, and Tomas and I are also o. Chris will start with some brief introductory comments and then we'll move on to Q&A. Chris, over to you. Thank you.

Chris Griffith – CEO

Thanks Avishkar. Good morning to everyone. Just a couple of opening comments. You would have seen the results by now in all likelihood, but just a couple of comments. I think overall we had a very good safety performance overall with 30% down on total recordable rates. It was a bit overshadowed by the fatality that we had in April of Vumile Mgcine who was a shaft timberman at South Deep, and also I think the impact of COVID and the amount of our colleagues that we've lost. We've lost 19 colleagues since the start of the pandemic so far, the majority of those at South Deep and three at South America as well. So I think that continues to be quite a big strain on the company. Most of the effect at South deep the guys have managed to be better at managing the production impact. But of course the impact on people having lost 19 of our colleagues has been massive.

Production is up 2% year on year notwithstanding the comparative period of last year first half when we had ten more production days. At that time we aligned the month end production with the month end financials, and that put ten extra production days into first half of last year. But production being up 2% versus a comparative period with more production days we think was a solid performance. Cash generation has also been solid with the higher gold price flowing to the bottom line. We've seen normalised earnings up 33% to $430 million, cash from operations fairly constant at about $399 million. I think a very positive message is that we've been able to pay for all of the capex including Salares Norte capex plus the dividend from existing cash generation.

We ended the half at $180 million free cash flow. Our all-in sustaining cost you will see we showed up 11%. I think very important to note that Australia had a 17% strengthening of their exchange rate and in South Africa a 12% strengthening of exchange rate. If you exclude the impact of exchange then the all-in sustaining costs were up by 2%. To give you a similar comparison, if we exclude the extra capital at Salares and we excluded the impact of exchange rate, then the all-in cost was actually flat year on year. I think I shared this with you to show that costs remained well under control other than the strengthening exchange rates which translated into higher US Dollar all-in sustaining costs and all-in costs.

It is very pleasing that the dividend was up 31% year on year from 0.37 US cents to 0.49 US cents, a 30% pay-out of normalised earnings. The balance sheet is in a strong place, a small reduction again of net debt to EBITDA from just over 0.5x to 0.49x at the end of the first half. ESG continues to be a very positive story for Gold Fields on the back of having invested at Granny's and at Agnew in Australia. This year we are in the process of putting a 12 MW solar plant in place at Gruyere. Then we will have three of our mines in Australia with renewable energy. And I think very pleasingly we were able to announce before the president announced this 100 MW increase in self-generation capacity South Deep has got approval for a 40 MW solar plant. And that is in construction at the moment and that will be delivered next year. I think all round a very positive story, building on the leading ESG position that Gold Fields occupies. For example, recycling this half was 74%. It's way up on the ICMM targeted of 60% recycling of water. And we had a 12% reduction of fresh water use again in this first half.

So overall I think we're in a good space. I think we had a solid first half performance. I did give some indication of strategy in the booklet. And we can go in more detail a bit later, but I did illustrate that I thought Gold Fields was in great shape strategy-wise. I think the focus the company has had on portfolio and the quality of assets over the last number of years, the focus on value creation and the focus on capital discipline and returning cash to shareholders, that part of the strategy has done well for Gold Fields and I think is important for us to maintain. So no need to have a major strategy change in that regard. I think the continued focus on having a quality portfolio of assets with the focus on quality growth, the quality life of mine extension I think has all been very good. So that part of the strategy remains in place.

In addition to that I think the enhancements that I and the leadership team are thinking about now introducing on top of that base is the maximisation of the value that we believe still exists in our existing assets. The second addition is building on our leading commitment to ESG. And thirdly, having created the value that we will have created over the next few years by the time that Salares Norte is in place – so that's 2.8 million ounces of improving quality of the portfolio in the cash generation ability and of the all-in cost position – we believe that being able to maintain that position is something that we're going to be actively pursuing, as long as it can be value creative to the company. We've got some time to do that. We don't need to chase anything at the top of the market. And at the moment it doesn't seem like there are very cheap assets out there. So we are going to keep an eye on that. Having created that value for our shareholders, we believe that we can, as long as it's a value creation, maintain that value that we've created. So I'll pause there for comments. That's just a few introductory remarks. Both myself, Paul and Avishkar are very happy to take your questions. Thanks.

Operator

Thank you very much sir. If you would like to ask a question, please press * then 1 on your touchtone phone or on the keypad on your screen. If you decide to withdraw the question, please press * then 2 to remove yourself from the list. Again, if you would like to ask a question, please press * then 1. We will pause to see if we do have questions. The first question comes from Catherine Cunningham from JP Morgan. Please go ahead, Catherine.

Catherine Cunningham – JP Morgan

Hi guys. Thanks for the update. I have three questions to kick off. The first one is just on Damang. The most recent resources and reserves statement from 2020 alludes to ongoing assessment to extend the life of mine beyond 2025. Is it possible to get an update or a sense of how that is actually progressing?

Chris Griffith – CEO

Catherine, you said you've got three questions. Why don't you just fire those off?

Catherine Cunningham – JP Morgan

All at once. Okay, the second one is on the South Deep solar project and R120 million cost saving that you mentioned per year. Can you break down the building blocks on what those underlying assumptions are, i.e. what the Eskom tariff assumed is versus the operating cost per kilowatt hour? And with the newly gazetted legislation now only requiring registration as opposed to licensing for projects up to 100 MW, are there constraints to expanding this particular project beyond 40 MW? I know in the release you say its 200 soccer fields already. Is there a space constraint or can we expect that to be bigger at all? And then the third and final question is at the Q1 results your comment was that you were more positive than you had expected to be on South Deep but that it was still fairly early days. I'm just curious a few months later how your view has evolved since then.

<u>Chris Griffith – CEO</u>

Okay. Catherine, thanks a stack. All right. I will quickly go through that. Damang we've got no new update. I think the Damang cutback is going well. The team are delivering on what they expected and we have now paid back the initial capital that we spent on the cutback. The team are busy working with their advisors and with their team on what the next phase of life for Damang could be. And there is potential for further cutbacks and there is also potential for underground opportunities. But of course they need to finish that work and we need to see if that is value accretive to the company and whether it makes sense for the Ghanaian team with the Ghanaian assets as a cluster but also for the company. So I think we're very focussed on the fact that whatever we do has got to compete for capital elsewhere in the company, but also it has to be value accretive to the company. So I think work in progress, Catherine.

On South Deep, just a comment on South Deep. I have got a comment. R120 million comes from a saving of about two thirds of the cost. I've actually got a note here somewhere that explains that. But it's about two thirds of the tariffs at the moment we save. That's how we get to the R600 million of capital. We pay that back in five years. The operating cost is something like 10 cents per kilowatt hour. And the capital inclusion is about 30 to 40 cents per kilowatt hour. So if you add that back you can see it is about a third of the current Eskom tariff. So that's how we get to R120 million worth of saving a year. It's 20% of our total power, so you don't get it of course on 100% of your power because the South Deep solar is about 20% of our power. So 20% of the power comes in at a third of the cost. That's how the R120 million is made up.

And then with the 100 MW having lifted the constraints the answer is for now we won't expand more than 40 MW. The team are looking at some small incremental upside on that. But we haven't even built the plant. We've said to the team, build the plant. You can do some of the homework. But the reason why we wouldn't want to do more than the 40 MW for now is because of course the sun is only shining during the day. And it's about 6.5 hours that we calculate to get the value of the sun for the solar. Anything more than that that we generate would mean that we'd have to store that power so that we can use it when the sun's not shining.

So at the moment it's not our plan to expand beyond that, but we are investigating cost effective storage options. The moment that we can land on that, then it makes sense for us to expand given the capital and operating cost make a lot of sense for us at South Deep. So it's on our radar. Work is being done, but it's not important now because we are still building the plant and we need to find storage solutions that are cost effective. Once we do that, we'll be able to expand that plant. We've got enough space. Even if it's 200 soccer fields there is still some more space at South Deep for us to construct. The team on the mine are very keen on that, but we're saying to them, look, let's deliver the project first and after that we will continue exploring the storage options.

On South Deep I did say that I would wait to see. I had no vested interest in South Deep when I joined Gold Fields. But having spent a lot of time with the team, having been underground now – fortunately the one place I've been able to get underground – I think I'm in a space to say that we believe that South Deep is a Gold Fields franchise asset. The fact is that the asset is making money now. It's improving its productivity all the time on almost all the metrics. And so if we continue with that trajectory we will be able to deliver the guidance that Nick gave at the beginning of the year to say over the next four years or so post 2021 we believe we can add another 20% to 30% production to South Deep. I think that's still okay.

The plan is let's get along that trajectory and then we'll evaluate what the next potential for the step up is from there. But what we're saying to the team at the moment is let's focus on continuing the ramp up, continuing to generate cash, continuing to reduce the cost of that asset. So the bottom line is that we believe that South Deep is a franchise asset that belongs with the company. It has all the makings of a very slid mine within our portfolio. And it will still only be when we increase the production about 10% of the overall production, so I think that feels fine for us, the production that we've got in South Africa. So a long answer of saying that we believe South Deep's recent history over the last few years of generating cash – it has almost generated as such cash in the first half as it did last year – that trajectory is continuing. We believe that it belongs within the Gold Fields portfolio. Thanks Catherine.

Catherine Cunningham – JP Morgan

Awesome. Thank you.

Operator

Thank you. The next question comes from Adrian Hammond from SBG Securities. Please go ahead, Adrian.

Adrian Hammond – SBG Securities

Morning Chris. I've got three questions for you please. Firstly, since joining the group what are you impressed by the business? What areas of focus are for you? You talked about quality. Which assets are most prospective do you think or undervalued within the group? Secondly, you talked about 2.7 million ounces with Salares Norte coming into the portfolio. How sustainable do you think that run rate is going forward? Thirdly, just on Damang, it looks like you've got some grade issues there regarding some of the [unclear] you're encountering at the Huni pit. Could you expand on how concerned you are about that, whether it's temporary or permanent, and what should we be looking forward to next year? Thanks.

Chris Griffith – CEO

Okay, Adrian. Thanks. What are my impressions of Gold Fields so far, and what I think has been done well. Look, I think let's start in Australia. I think the work that the guys have done in Australia has been some incredible work. These were unloved assets by other companies. We have taken over those assets and I think Stuart and the team in Australia have done some fantastic work. 20 years ago we bought some of those assets in 2002. We now have notwithstanding 20 years' worth of mining the same level of reserve that we had when we started there after 20 years of mining. And we can still see a number of life extensions beyond that. Just the nature of the ore body means you actually have to get down because they're steeply dipping ore bodies. So you can't really drill them from surface, but what you can do is drill out the next tranche when you get down there. So for 20 years we've had eight or nine years' life at some of the assets, at some of the assets three or four years' life. So I think what's impressed me at Gold Fields is the commitment of brownfields exploration of $80 million to $100 million. We've converted reserve there at about A$60 per ounce. So we are generating reserves very cheaply. I think all round that's been a fantastic performance.

I think one of the questions that you asked is where we think the value for the group is. I think the Australian assets by all of our calculations are undervalued. I think the difficulty with most analysts is they are using the reserves because they've got nothing else to use. So they use reserves divided by annual production and say that that's the life of the mine. We can see a much greater potential out of Australia that we currently believe we are getting value for in the market. But I think that has been a great success story. I think the work that the team in Australia have done and the way that they've continued to replace assets has been a great story.

I think I've been very impressed also with some of the work done in Ghana. The Tarkwa asset is a true tier one asset. I think we're looking at that and saying we believe we can drive more value out of that asset. Generally the work around Damang and Tarkwa has been good. I think Damang is getting towards the end of its life, but we are evaluating the underground options and further cutback options. I think I mentioned that a bit earlier in Catherine's question. If the next wave of value created value, then we will invest in it. And if not, we won't. I think generally Ghana has been run well. The team understands how to operate there.

And then Cerro Corona has been a great success for the company since we bought that asset. Likewise we've got four or five years of mining left and four or five years of putting stockpiles through the plant. We're looking at ways to enhance the value either on the mine or in the region. So again I think the team in Peru have been very impressive. And the potential we can find, we've got a few targets including one that we've got some joint venture prospects in. So I think there is a real potential for us in Peru going forward. And then I think the team that have found, explored and now are developing the asset in South America, that has been a great success story. We know that South Deep doesn't have the best history, but I think under Martin's leadership over the last couple of years and the team that they've put together there I think we've got a real potential now to drive that value forward.

So overall I think the company is in good shape. I think the strategy over the last number of years under Nick's leadership was really good. Overall the culture in the company is great. It's a really nice and welcoming culture. It is a high performance culture but it has also got sort of a family feel to it, so that's great. And then I think the focus on ESG in Gold Fields – I think actually way ahead of many of our competitors – has also been great. So I think overall there is lots to be very proud of for the people that work in Gold Fields. Certainly I am in a space that I expected to be after the homework that I've done, and of course many years of listening and looking at what is being done in Gold Fields, the decision years ago to move out of South Africa, ditch the conventional high cost labour intensive assets. All of those have done very well for the company. So I think it's a great platform to build on. We are building over the next couple of years, and I think the focus for the company will be how we maintain that value. And there are I think some exciting opportunities on the horizon.

I think that talks to the undervalued assets. I think the undervalued assets I've already mentioned Australia. The other undervalued asset is South Deep. The delivery of that is in our hands. We're never going to get the full value of that asset until we demonstrate it. So we know that the potential still to see market cap growth and value growth for Gold Fields is absolutely on the cards at South Deep. And then finally, of course, when Salares finally delivers – and is very much on track to do so – you're going to see again a value increase for Gold fields. So I think some nice opportunities. There is definitely value upside on where we are now. The company is in our view not fairly valued. But many of those aspects are in our hands. So we're not whinging about that. What we are saying is that much of that future value that we can see is in our hands to deliver.

How sustainable is 2.8 million ounces? So it peaks at that. First of all, in the first year or two at Salares we are in a higher grade area. So just by its nature of where we start it drops off a bit after that. And then we see that it starts dropping off slowly over the next five years or so back to about 2.3 million or 2.4 million ounces.

And I think that has always been the case. Now, that means that it's in our wherewithal to see if we can maintain our existing assets. And we will only do that if they add value. I've already mentioned Damang. But some of the assets it's just by the nature of the assets. We continue to do the work. Generally we maintain the life. And then lastly there is some drop off in production and we think we can maintain that value, but we will only do that if it is value accretive to the company, so either in the right jurisdictions or the right quality assets. And if it is not value accretive to the company, we would actually be comfortable to let it go back to 2.3 million or 2.4 million ounces.

Damang grade, we are doing some more work to see if this is actually the grade that we should be expecting. We are seeing more Huni sandstone in the mix than we'd anticipated, so we are getting a lower grade than we had planned. That may prevail, but hopefully not. We've got a couple of good years left and then we start tailing off if we are unable to create the next cutbacks in a value accretive way. I have now said that a few times. The future of Damang, the long-term future will depend on what we get. Thanks Adrian.

Adrian Hammond – SBG Securities

Thanks Chris. You are one of few companies to be able to demonstrate growth, and I appreciate Australia has potential. But I look forward to seeing how you can convert resources to reserves without spending a lot of money. But that' just the nature of the ore body. And I do look forward to South Deep reaching 20% or 30% growth, which I think is about 350,000 ounces. So I wish you all the best with that, Chris.

Chris Griffith – CEO

Thanks Adrian. Perhaps just a final comment on that. The reality is that we haven't overspent on the resource generation in Australia. I think the success has been the steady, consistent expenditure year on year. One of the things in the presentation later today I'm actually going to expand a little on that and show some of those numbers. But we've mined St Ives and Agnew since 2002 and we have got more reserve now than when we started. And we've got additional resource, and we've mined that asset for 20 years. I think that demonstrate the types of ore bodies they are. And if you look at the combination of what we have now in reserves and resource, and assume some sort of realistic conversion of resource to reserve, then we have easily a ten year line of sight life at the Australian assets, at all of them. We're in a really good position actually in Australia. Thanks Adrian.

Operator

Thank you. The next question comes from Jared Hoover from RMB Morgan Stanley. Please go ahead, Jared.

Jared Hoover – RMB Morgan Stanley

Morning Chris and team. Thanks for the call. I have three questions. I guess my first before I get into them, I just wanted to follow up on Adrian's question and the Australian reserve life. I understand your comments around historically you've shown life of mine increases and the orogenic nature of the ore body means as you drill and get those results then you manage to convert those resources into reserves. But you have had examples in your portfolio, for example Darlot, where maybe the reserve conversion wasn't what you expected and you ended up selling it. And I appreciate that this was before your time, Chris, but do you guys have or are you getting to a stage where you have good evidence to come to market and show us that these assets will definitely have a life of ten plus years? That was my first comment or question.

My next is around Salares. We've seen that your total project completion rate relative to the planned rate

has been contracting over the last few quarters. Obviously COVID seems to be eating into that budget a bit. Is there anything that you are worried about on this project that could potentially result in time or cost or capex overruns relative to the fact that you have hedged a lot of the capex on this project? And my last question is just on your strategy. You have spoken to it a bit already, but your comments in the release did allude to M&A. Whether that means junior explorers or in production assets, I was hoping you could narrow our focus for us. Maybe give us a pecking order of what you would prefer to maintain value beyond 2024. And does talking about M&A now mean you don't have that many options within the portfolio? Thanks. I'll leave it there.

Chris Griffith – CEO

Okay, Jared. Thanks. Look, the evidence on the Australian assets, it's one of these things. If you only want to look at reserve then the existing reserve divided by the annual production is very easy for all of us to calculate. But even if you do that, we've got eight years at St Ives, ten years at Granny's and nine years at Gruyere. So we're almost at the ten years if you include only the reserves. We almost at those three assets have a ten year life anyway. With the additional resource that we have we've got 5 million ounces of resource at St Ives, almost 8 million ounces at Granny's and 6.7 million at Gruyere. We just have to convert only a small percentage of that and we've got a ten year life at those three assets. It depends on what you want to use, but I'll doing is trying to give a sense that we can see above ten years and at those three assets it's actually very easy to see that.

At Agnew it's a little bit more difficult given the nature of its ore body. There we have 4.5 years life. And we've had that for the last 20 years. So we've had a seven times reserve multiplier at Agnew. We currently have 4.5 years life. But just to give you a sense of how we think about it, we wouldn't have just invested in a ten year renewable energy investment there. We wouldn't have just put an incredible amount of money into upgrading the camp and to make sure people have got great living standards when they fly into Agnew. We wouldn't have done that if we didn't think we had a much longer life. What I'm not trying to do here is convince you to do anything else.

What I'm doing is saying we can see a much longer life, both the combination of understanding the ore body, what we've been able to do in the past, the current reserves we have and the current resource we have. And the reason on the back of that is why we've done these investments. we've got quite a bit of investment in the Greater Agnew project both in the mine and in the plant because we believe that we need to think about this asset not as a revolving three year life of mine but as an at least ten year life of mine. So that's how we think about the assets. And the evidence we have is the resource and the reserve and the history that we've had of converting these to be able to mine.

At Salares, Paul, I'm happy to get your thoughts as well on capex, but at the moment we are on track notwithstanding some very difficult issues we've had to deal with. COVID has been a major impact and we've just done an external review of this project. One of the things that the assessors were able to say to us is that they are not sure how we've managed to keep the project on schedule where everyone else with similar types of projects have seen major slippages due to the COVID impact. Now, we've had COVID. The first thing that we had to do is de-densify the accommodation at the mine. We had to de-densify that according to authorities. So we did that.

We also had impact from not being able to get people to site. Unfortunately the government pay-out for people not working has been actually very successful, such that even people that were working decided it was better to stay at home and get the government's pay-out. COVID has impacted deliveries of material on the water, of transport to the site. So we've had big impacts from COVID. You are right; it has gobbled up some of the fact in the system that we had. So we're ahead of schedule. But that's the kind of thing you want. You want to be able to manage some of these headwinds.

And then we had three really big storms in June. Of course we knew it was winter and we planned for some time. But this was the first time we've actually gone through a winter there. And the first storm we were very badly affected. We lost almost a week. It took us a long time to recover. And of course once you've built things and you can operate under roofs and that sort of thing, it's a lot easier to deal with the winter storms. But at the moment we don't have that capacity. We're building out in the open. A lot of things like for example the rebar, the moment that we had snow in amongst all of that we found it very difficult to get the snow out there. The second and third events we'd already learnt a lot and we were in a much better space. We were finding with the same intensity of storms we were losing two days instead of seven days.

So I think actually we've gone through some pretty tough things and the project remains on schedule. The project capital remains on schedule. Perhaps, Paul, you can comment on how we've protected ourselves and why we're fairly comfortable. I think we planned to be at about 65% by the end of the year. Again the project team have been quite smart moving out some issues that are not on the critical path so we can maintain the camp capacity, maintain our focus on the critical path, because that actually gives us the final date. At the moment we are actually notwithstanding some of the challenges very comfortably on track to deliver as we have promise the market the first quarter of 2022. Paul, do you want to comment a bit on the capex?

Paul Schmidt – CFO

No, I think I agree with what you're saying. We are on track with the capex. Remember we guided $860 million. In the $860 million we had $90 million of contingency, about $50 million of price and about $40 million of time. We had a couple of months of time contingency. Subsequently I put that currency hedge in place. It has already paid out about $35 million to us. It has been a very good hedge for us. So the capital is not under threat at the moment at all, so tracking very well against what we guided.

Chris Griffith – CEO

Thanks Paul. And then on the strategy, look, I've been asked to provide some guidance as to strategy. I think the very first message is actually the current strategy of the company is in good shape. And if it is in good shape then there is no particular need to change it. That's certainly my view. In addition to that I've mentioned there are three areas that I think we can build on that as opposed to change that. And I've mentioned that I think there is still lots of value in existing assets. I think we can build on the position given the intensity of the focus on investing in companies that have got good ESG credentials. I think there is more that we can leverage off the great work that we've done. And thirdly, I've mentioned that I think we can preserve the value that we have created.

Now, if we peak and then we come down, in that gap if without being overly aggressive we can chase topping that up in a value accretive way, then we would seek to do that. What we don't think we need to do is to chase 4 million to 5 million. I think that makes the tail that you have to continually top up much more difficult. I think being at about 2 million ounces feels slightly too small given the crowded space of the mid-cap. And I think we could lift ourselves to be somewhere between the mid-cap sector and the majors. And I think we could very nicely differentiate ourselves on value in that space in time to come. And there are a number of options.

Does it mean M&A? Does it mean introduction assets? Does it mean finding early assets that are in development? I think a combination is all of those including some targets that we've got in the regions around the assets where we operate. I think it could be a combination of all of those. We've done some homework on what that could look like, but at the moment many of these assets are in our view over valued or not at the kind of value that we'd want to buy in now. Given that we've got a bit of time, I think that's fine.

So to me it feels like we've got some options. We've got some targets about what we think we want to do. But we don't have to chase out and try and do them by December. And that also hopefully should be positive to those who are investing in our company that we've got time. We don't have to chase it now. We can be opportunistic. But we are being clear that we are looking for those types of things. That doesn't mean we want to go and do big deals at the wrong time. So we've got some ideas, but we can't be more definitive than that because this is work in progress, Jared. Thanks. I'll pause there.

Jared Hoover – RMB Morgan Stanley

Great. Thanks Chris and Paul. Very clear. Maybe just one more follow-up from me. As you said, it seems clear that you've got a suite of options, no real pecking order but whatever creates the most amount of value at that point in time. For example, if I just had to map out your reserves over the next ten or 15 years or so, and I assume a relatively conservative conversion of MMI resources into reserves, should I be thinking that the moment you touch about 2 million ounces, maybe two to three years prior to that point would be when you need to do something, be it organic, inorganic, junior explorers etc.?

Chris Griffith – CEO

I think that sounds about right. We've got a long life we know at South Deep. And the others I've already mentioned that we certainly see a ten year life for most of the assets at Australia with an ongoing tail. And depending on how successful we are, that could be another 20 years. So I think Australia is fairly well set. South Deep would be very well set, as long as they continue their current trajectory and performance. We've got long life at Tarkwa. We've got less life at Damang. Asanko has got potential for longer life, but it depends on what happens over the next few years. And then Cerro Corona we've got five years' worth of mining life and easily another five years of treating lower-grade stockpiles. So the ounces drop but the volume stays the same for the plant. But we're looking for external assets. I think you've got to look at it something like that, Jared. And then as it comes down we would look to start topping that up. And if it's in production then of course you don't need such a lead time. If it's development assets, you need a bit more lead time.

Operator

Thank you. You only have ten minutes left to go, so the next question comes from Patrick Mann from Bank of America. Please go ahead, Patrick.

Patrick Mann – Bank of America

Hi. Good day. Thanks very much for the opportunity. I just wanted to follow up on some of the questions that have already been asked around the level of output and if you were to look at maintaining that. How much could come organically and from maintaining production and how many ounces would you need to bring in in terms of annual production? I suppose the other way of asking it is how much would you fall off if you didn't do anything? And just to push a little bit on why South Deep belongs within the Gold Fields portfolio, if Gold Fields didn't already own South Deep today would it be an attractive acquisition for the company, and why or why not? Thanks.

Chris Griffith – CEO

Okay. Thanks Patrick. Look, I think you're asking me to give you the level of detail around what some of the future options would look like around topping up that we don't have, Patrick. I think we have said indicatively we create this value, the company grows to 2.7 million ounces, and we think that's quite a nice space for the company. Now, having got there and then we drop off thereafter, the question we're asking ourselves is can we maintain that in a value accretive way. And there are a number of things we would look at. Now, I don't know the answer to all your questions. Would we allow ourselves to drop off? The answer is yes if we can't top it up in a more value accretive way. So if we drop back to 2.3 million ounces or 2.4 million ounces, that would be okay if that's actually the best value for the company.

Patrick, you know in my previous life I've been happy to have less volume but make a substantial amount more value and money for our shareholders. And that's actually something that Gold Fields has done. So both my own history and the company's history have demonstrated that that's okay. But what we are saying is having created the value to 2.7 million ounces there may be opportunities for us through a variety of different things to be able to keep that value roughly in that same place. If we tried to do those deals today I think we would not have the same value and I think we would destroy value with some of the things that are available to do today.

But we don't know the answer to that because we've still got lots of work. We've got some ideas of the kind of things we want to do. So the answer is if we can do that, we will because it feels like quite a good space to be having created this value. I think it can differentiate ourselves given both that kind of volume but also the kind of quality portfolio that we've got and the quality jurisdictions that we've got. It feels like we would differentiate ourselves from the mid-cap sector, and we would seek to do that. But we will only do that if we can create value. So I can't give you much more sense than that. And would we allow ourselves to drop back if we can't find the right value? The answer is yes.

At South Deep would we look at South Deep as an acquisition target if it wasn't in our portfolio? I think the answer is yes, we would look, given its resource, given the fact that it can be mined predominantly trackless and mechanised and have much higher productivities. I think we would be encouraged that the owners of that have done the hard work for us, probably ironed out most of the wrinkles. So we would look at it, but of course it would depend on what we had to pay for us. Now, for us as Gold Fields we've paid those school fees. We've done that. We've got the knowledge. We're not there yet, but I think the signs are encouraging enough for us to believe that given the size of the resource, given the grade of this resource.

It's not like underground assets are few and far between. More and more gold assets are going to be moving underground given the fact that we've built up the skill. It feels like all round that this is an asset we would look at. Whether or not we would pay for it, that would depend on the price and what we thought we could bring to the party to continue that improvement. But I think we've got most of those in our own sights now. I don't know how long it's going to take to make up all the money we've lost, but we absolutely are making money and it's contributing to the group. And generally the safety and a whole range of other things continue to improve, even the carbon footprint which is a heavy carbon load for the company. We're taking out 100 tonnes of carbon a year with the solar project out of South Deep. I think all round it feels like – hey, we own this asset and many people are dying to get hold of long-life, good grade, quality assets. Of course this asset has got some of its own challenges, but I think mostly the team have identified how to work through those. Thanks Patrick.

Patrick Mann – Bank of America

Thank you.

<u>Operator</u>

Thank you. Due to time I think we can only take one more question. The next question comes from Nina Dergunova from Goldman Sachs. Please go ahead, Nina.

<u>Nina Dergunova – Goldman Sachs</u>

Good morning team. Thank you very much for the presentation. Most of my questions have been answered, so just a few from my side. The first one is on dividends. Can you give more details on your thought process choosing to allocate 30% of net earnings to dividends? What made you decide to stay in the middle of the range and what can trigger payments on the high end of this range? And the second question relates to your cost guidance. You reiterated cost guidance and we see that year to date costs are a bit out of the full year range. So to get back to the range it could be decreasing In the second half year. Can you discuss what could be the major drivers of this? Thank you.

<u>Chris Griffith – CEO</u>

Paul, do you want to take these?

<u>Paul Schmidt – CFO</u>

Sure. We've been fixed on our dividend policy. It is 25% to 35%. Over the last two or three years we've averaged at 30%. And we've always said if you make more earnings, 30% is a much bigger dividend. So I don't think there is anything that's changed there. We've been very consistent in terms of that. Sorry, your last question I didn't full hear. Were you referring to our guidance on AISC or guidance on AIC? Sorry, can you just repeat it please?

<u>Nina Dergunova – Goldman Sachs</u>

Absolutely. I'm asking about the guidance for all-in sustaining cash cost and that your year to date costs are out of this range. So to get back in the range it means the second half year costs will be deflating actually. What are the major drivers of this?

<u>Paul Schmidt – CFO</u>

Sorry, in terms of that we have said we are on track to meet our guidance in terms of production, all-in sustaining cost and all-in cost. So we confirmed that, so there is no issue. Yes, by implication you can do that. I think the one thing that you need to take into account is we gave the guidance at certain exchange rates. So for the six months $1,093 would be $1,069 if we used the exchange rates we gave. And our all-in cost of $1,274 would be $1,242 at guidance exchange rates. I have no control over the conversion rates. Just that you look at that. Despite the strengthening of the Australian Dollar and the Rand we are on track to meet guidance on all the three numbers including capital expenditure as well. We give production, capital, all-in sustaining and all-in, and on four of those we are on track to be in our guidance.

<u>Chris Griffith – CEO</u>

And Nina, the only thing I would add to Paul's comments is we have a bit more production in the second half forecasted, and that also helps. So the combination of what Paul said, good cost control and the extra production, I think that's what brings us within the guidance.

Nina Dergunova – Goldman Sachs

May I ask a follow-up on this extra production comment? Most of the extra production will come from South Deep. Am I right to understand this is mostly due to COVID related lack of production in the first half year, and then the second half year this will be resolved? Or any additional factors would contribute to improved production in the second half year at South Deep specifically?

Chris Griffith – CEO

No, so it doesn't only come from South Deep. I think pretty much hall of our regions have got higher production in the second half. So if we delivered 1.1 and we say we're going to deliver 2.3 to 2.35, it means that pretty much across all of our regions we've got increased production. We've got a little bit extra coming from Cerro Corona, South Deep, Australia and Ghana. I think that's all fine. I think we're not trying to be too smart around COVID. I think we're anticipating fairly similar impacts of COVID in the second half. But it is the one thing that we have very little control over. Having said that, the team have got much better at managing. It has cost us extra money to be able to get some extra staff in to be able to manage the shortfalls. But the team have got better at doing that.

But it is the one aspect that we have no control over, what's happening on COVID. Having now vaccinated 80% of the staff at Salares Norte and 80% of the staff at South Deep, the two main areas that we have are well on their way to having better levels of protection. And then the other thing of course is the exchange rate. As Paul said, the strengthening exchange rates when you convert them, that is not in our control. What is in our control is managing the overall costs at the guidance that we've given. If the currencies in which we operate strengthen materially when we convert them to Dollars, that will have an impact. But excluding that, the guidance that we've given I think we are in shape to deliver. Paul.

Paul Schmidt – CFO

If I can add, historically for Gold Fields H2 is always better than H1 in terms of production. We normally have a slower start-up in Q1 which then affects Q2. So if you go back and look at Gold Fields over the last three or four years, that is the general trend. H2 is always more production than H1.

Operator

Okay. Thank you very much. Due to time we will have to conclude on that note. Chris, can I hand back to you for closing comments?

Chris Griffith – CEO

I will keep it very brief. Thanks very much for the opportunity to chat to you. I think it has been a solid performance for us. I think the company is in good shape with still lots of potential to come. And in particular I know many of our investors are thinking about investing in companies with good ESG credentials, and I think Gold Fields is very much ticking that box at the moment. Thanks very much everyone. It has been great to chat to you.

Operator

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

END OF TRANSCRIPT