



**GOLD FIELDS**

# Q3 C2011

RESULTS FOR THE PERIOD  
ENDED 30 SEPTEMBER 2011

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## **Q3 2011 Conference Call Transcript 10 November 2011**



Speaker

Narrative

**Operator**

Good day and welcome to the Gold Fields Q3 2011 results. All participants are in listen-only mode and there will be an opportunity for you to ask questions after today's presentation. If you should need any assistance during the conference then please signal for an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to hand the conference over to Willie Jacobsz. Please go ahead, sir.

**Willie Jacobsz**

Good afternoon, ladies and gentlemen. Thank you very much for joining us for the results teleconference for our third quarter results. Nick Holland is going to give a brief introduction to the results, after which we're going to open it up for questions. I now hand over to Nick.

**Nick Holland**

Thank you very much, Willie.

With me today I've got Paul Schmidt, our Chief Financial Officer, Zakira Amra, our Head of Investor Relations. Willie you've already heard from. And then Michael Fleischer, our General Counsel, is also with us today.

**Quarterly Results**

Let me briefly highlight some of the key features of the quarterly results, after which we can take your questions.

The group delivered a strong performance in quarter three, reporting quarterly earnings of \$293 million. That's a record quarter for Gold Fields and significantly higher than the \$186 million recorded in the June quarter.

Group attributable production was up 3% to 900,000 ounces in the September quarter - that's in line with guidance - supported by the acquisition of minorities in Ghana and Peru which we concluded at the end of the previous quarter. The 900,000 ounces and 3% increase was achieved despite the five day wage-related industrial action in South Africa in the early part of the quarter.

The international regions contributed 52% or 472 000 ounces of the group attributable gold equivalent production and 63% to the group operating profit.

It's particularly interesting that the international portfolio has increased over the last three and a half years from 1.3 million ounces of production to 2 million ounces of production. And that production has come in at a lower cost than the rest of the group and has had a positive impact on our overall costs.

There was a 14% increase in the realised gold price for the quarter, which resulted in an 11% increase in revenue to \$1.6 billion for the quarter.

Our business process re-engineering initiatives across the globe continue to deliver, demonstrating sound cost control and improved efficiencies across the group.



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Total Rand denominated spend for the September quarter in South Africa increased by only 1.8% when compared with the September 2010 quarter, despite increasing electricity tariffs associated with the winter months where higher tariffs are levied, as well as wage increases over that period.

Total cash costs for the group for the quarter were \$851 an ounce compared to \$816 an ounce in the previous quarter. About a quarter of that increase was driven by higher royalties, which in turn increased because of the higher gold price.

Cash flow generated from operating activities for the quarter increased by 133% to \$717 million when compared with the September 2010 quarter. On an annualised basis we are now generating almost \$3 billion in cash flow from our operating activities across the globe.

If we deduct capital expenditure from cash from operating activities, then we also made a record \$346 million of net cash flow compared with \$99 million in the previous quarter. And that's an increase of 249%.

The NCE margin for the quarter increased from 21% to 29%, exceeding our medium to long-term target of 25%. Remember we are the only company that extensively reports our NCE margins for each of our assets and for the group, and we believe that this is an important proxy for the generation of free cash flow. This margin increase was driven by the higher gold price and sound cost control.

The South African operations' NCE margin improved to 16% for the June quarter. If we exclude the developing South Deep project which is in ram-up and not yet cash-positive, then the NCE margin for the other operations in South Africa increased to 24%.

### **Growth**

The delivery of our growth strategy is a key focus for Gold Fields. During the September quarter significant progress was made in support of this strategy.

At the **Chucapaca** joint venture project in Peru we announced a 35% increase in resources to 7.6 million ounces. It is very important to note that the vast majority (70%) of that 7.6 million ounces is in the indicated category, which is essentially reserve status ounces, and gives us increased confidence that we can successfully build a mine in this part of Peru. We continued progress with the feasibility study and expect to finalise this during the first half of next year.

At the **Damang Super Pit** project in Ghana – that's a brown-fields expansion of an existing operation – the second phase of our drilling has now been completed. We have completed another 38,000 metres of drilling across the entire ore body. We are now in the process of constructing a geological model, taking those drill results into account, together with the earlier proof of concept drilling that we finished around the middle of the year. We expect to complete that work during the second quarter



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of 2012. Metallurgical, geotechnical and environmental test work is running in parallel with engineering and design activities. As we've previously indicated, our aim is to quadruple our reserves at the Damang pit from 1 million ounces to 4 million ounces, and we intend to achieve that target within the next 12 months or so.

We've made a second down payment of \$66 million in terms of our option agreement to acquire a 60% interest in the **Far Southeast project** in the Philippines. That means to date we have funded \$120 million of the total of \$340 million that will need to be funded in order for us to acquire the 60% interest in that particular project. We expect to fund the balance of the \$220 million before the middle of next year, which would then vest a 60% interest in the project. And so far we can see very little reason why we would not proceed to take our 60% interest in this very exciting project. The proof of concept drill results, which contained 27,000 metres of drilling over 17 holes, have confirmed our initial understanding of the scale and grade of the deposit, that we inherited using historical models. But beyond that it is also demonstrating significant upside potential both at depth and laterally.

The two 50 tonne pilot plant test programmes at the **Arctic Platinum Project** in Finland have been completed. The results from the test programme broadly confirm the bench scale test work which indicates a 25% improvement in recoveries, depending on the metal. Bear in mind this is a polymetallic deposit which contains palladium and platinum – a three to one ratio of palladium to platinum – that makes up about 40% of the metal in the head – gold at around about 10% with nickel and copper making up the balance of the 40% of the metal. We are now going to look at all of the different options given that we've been able to demonstrate that we can produce the metals on site at acceptable recovery levels. Now we want to determine what the right scale for this project is. We want to look at additional ore sources in the area. In essence we looked at initial models on only the Konttjarvi and Ahmavaara ore bodies. We're now going to look at the Vaaralampi, Tuumasuo and Suhanko North ore bodies and work out what the best production profile and mix is for this project. We expect this work to take the next 12 months, and we will be in a position to then make a definitive decision as to which way to go on the project.

The **Yanfolila** scoping study is complete - that is focussed, as you will recall, on the Komana project in the south, which is a series of pits - indicating that this project will require a minimum of 1.5 million ounces in resource to satisfy project thresholds. We're about two-thirds of the way there at present, and we have started another drilling programme now that the rainy season in Mali is behind us. We can expect to finish that early next year, put together the new models and, if all goes well, I believe that we will fast track this project towards the end of next year and get it into a feasibility study.

In South Africa the **South Deep** infrastructure programme continues to meet its key delivery dates to support the build-up to production of 750,000 ounces per year. The new tailings storage facility was commissioned during the quarter, and that will provide sufficient capacity for many years to come. The ventilation shaft deepening programme remains on track for commissioning before the end of 2012, along with the plant expansion from 220,000 tonnes per month to 330,000 tonnes per month.



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We expect that to be commissioned at more or less the same time as the ventilation shaft. The de-stress mining project, which in essence is the opening up and development of the ore body to facilitate long-haul open stoping, reported a 23% increase quarter on quarter, and we are now starting to gain momentum on this very important aspect of the project to make sure the additional hoisting and processing capacity can be filled with the requisite quantum of ore-bearing material.

**Outlook**

Turning to the outlook for the rest of the year which is almost behind us.

Our production guidance remains unchanged at 3.5 million ounces, despite the recent wage-related industrial action where we lost some five days of production, plus the knock-on effects of trying to get back to full production thereafter, as well as safety-related stoppages that we encountered. Our guidance for cash costs for the year is \$810 per ounce and \$1,200 per ounce NCE.

**Questions**

With that backdrop I'd now like to open up the floor to any questions which either myself or my colleagues will endeavour to answer.

**Operator**

Thank you very much, sir. Ladies and gentlemen, at this time if you would like to ask a question please press star and then one on your touchtone phone. If you would then like to withdraw your question please press star and then two. We will pause a moment to see if there are any questions. Our first question comes from John Bridges of JP Morgan. Please go ahead, sir.

**John Bridges**

**Afternoon, Nick, everybody. I was intrigued to hear you making progress with the PGM project. I wondered I you could give us more detail on that. That's very interesting. What sort of cost structure do you expect from this? You spoke about steps, but if you could give us a bit more detail on how you expect that to go forward I would really appreciate it.**

**Nick Holland**

Sure. John, what we're going to be doing is some additional drilling on the other deposits on the property. If you can recall, we've said that the 12 million ounces that we have is made up of a series of different pits across the ore body, including the SK Reef as well as the ones I've just mentioned. We're going to look at what is the best level of production for the project in terms of annual volume, what's the best mix, and then we're going to look at the associated cost structures taking that into account.

We've done some initial cost work, just looking at the Konttijarvi and Ahmavaara ore bodies which are fairly well understood. And broad indications are that this project would be around about the median of the overall PGM cost curve. And of course, given that 40% of the metals here are PGMs, and having worked in the PGM industry myself, the PGM industry cost positioning is always very important. So we've done some broad numbers which we will firm up as we get into the next phase, but this project looks like it would be placed around the middle of the cost curve, which is important to consider when taking this project to the next stage.



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In the next stage we're going to be drilling some of the other satellite deposits and getting more information. We've got some information, but not enough. Then we will be running a series of iterations and coming up with what we think is the best outcome for the ore body. That includes looking at what the annual tonnage is likely to be for this particular project, and looking at how we can optimise strip ratios, how we can optimise mix, grade and feed into the plant, and of course also the hydrometallurgical autoclave system which the concentrate will feed into. So that's going to be the focus of the work, John, over the next six to 12 months.

I believe we will then be in a better position to decide what to do. I'm not fixated whether we build it ourselves. We can look at all sorts of different options. Do we partner with someone else? Do we sell it? Do we spin it off? All of these options can be considered once we've optimised all of the different options. We will take that view later. But right now we're sitting with something that frankly no one has attributed any value to in our NAV so I think our job is to see how we can valorise this project.

**John Bridges** **Presumably you've looked at the economics of platinum and palladium. I would be interested in your view particularly on palladium as an independent arbiter of the industry, being outside it at present.**

**Nick Holland** Certainly the fundamentals for palladium have improved quite significantly. That has given us the encouragement to do the test work we did. We've completed about a year of work. We have essentially replicated an entire hydromet process facility. So it is almost like a mini system of what the real thing will be like, and it has taken us a lot of time and effort to do.

And the palladium price has given us the incentive to do that. So I'm reasonably encouraged by what we're seeing today. If I look at the South African cost curve, John, at these sorts of prices it's very evident that the platinum industry is not making much money. If you had to look at an NCE comparative for platinum in South Africa at these sorts of prices the guys are not making much money.

I think there is potential for the cost levels in South Africa to rise even more as we see further electricity and wage increases, and that is going to act as a catalyst for PGM prices. And we're sitting with a project in a country with more benign cost inflation, and we could be a beneficiary of that into the future.

**John Bridges** **Excellent. That's very helpful. Thanks a lot, Nick.**

**Nick Holland** Very good, John.

**Operator** Ladies and gentlemen, a reminder that if you would like to ask a question please press star and then one now. We will just pause a moment to see if there are any further questions. Gentlemen, it appears we have no further questions. Would you like to make some closing comments?



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<b>Nick Holland</b>	Dylan, I just want to double-check because last time we did the conference call we didn't get a lot of questions. Afterwards we got some calls from people who were trying to press their buttons to alert your attention to a question. I don't know whether we want to try and double-check if people are trying to get through to ask questions.
<b>Operator</b>	Of course, sir. Ladies and gentlemen, the question queue is still open. We now have two further questions in the queue. The first comes from Adrian Hammond of Cadiz Securities. Please go ahead.
<b>Adrian Hammond</b>	<b>Good day gentlemen. You've indicated that you'll be targeting 5 million ounces by 2015 either in production or in development. Could you please indicate what the ramp-up to this profile will look like over the next four years?</b>
<b>Nick Holland</b>	<p>Well, we've indicated that we're either going to be in development or production. I can't give you categorically today what that split is going to look like, but I believe that we should have Chucapaca and Damang in ramp-up. There is a very good chance that we will have Yanfolila in development and potentially APP. Far Southeast I think is going to take longer. Particularly depending on the mining method we choose to implement.</p> <p>But in terms of who is going to be in production, I think there is a reasonable prospect that Chucapaca and Damang should be in ramp-up. They may provide between them around about 500,000 ounces attributable production to the Group at steady state. Of course we've got the South Deep project which is ramping up, some of which might be replacement but certainly most of which is likely to be growth.</p> <p>So we haven't got a definitive schedule for you today as to what that's going to look like, as all of these projects are graduating up the curve. But we believe that we will have the 5 million ounces either in development – in other words bricks and mortar level – or we will have them in production. That's why we have decided to state it that way.</p> <p>In terms of actual production levels we're going to give more thought to that and try and give you better resolution over the coming months.</p>
<b>Adrian Hammond</b>	<b>Thank you very much.</b>
<b>Nick Holland</b>	Sure.
<b>Operator</b>	<b>Ladies and gentlemen, a final reminder that if you'd like to ask a question please press star and then one on your touchtone phone. Our next question comes from Jana Marais of Bloomberg. Please go ahead.</b>
<b>Jana Marais</b>	<b>Thank you. Hi, Nick. I just want to double check something. The platinum palladium project you were talking about earlier, that's the Artic Platinum Project in Finland, right?</b>



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Nick Holland	Yes.
Jana Marais	Okay. Great. Thanks.
Nick Holland	Pleasure, Jana.
Operator	<b>Our next question comes from Howard Flinker of Flinker &amp; Co. Please go ahead.</b>
Howard Flinker	<b>Hello everybody.</b>
Nick Holland	Good afternoon, Howard.
Howard Flinker	<b>Hi. Could you please give us an update on any political changes in South Africa?</b>
Nick Holland	Political changes in terms of what specifically, Howard?
Howard Flinker	<b>In terms of any regulatory or legislative development that makes it a little bit easier to do business down there.</b>
Nick Holland	No, there hasn't been anything specific that we'd like to mention. The Mining Charter was revised around about a year ago and that is still enforced today. There are no real changes there. I've got Michael with me here, our General Counsel. Michael, I don't know if you want to answer Howard's question.
Michael Fleischer	No, I wouldn't say that there has been anything material. The other legislative change was that we got a new Companies Act on 1 <sup>st</sup> May this year which has made probably company law a little more in line with the rest of the world. So I think that was a good change, but other than that there haven't been any material changes that I can think of offhand that impact on us in any material way.
Howard Flinker	<b>Were there any specific general changes in the ANC or not?</b>
Michael Fleischer	Any specific changes in the ANC? President Zuma did announce that some Ministers that were the subject of various investigations have been removed from office. You may have seen the Commissioner of Police was suspended pending an investigation into some leases that had been entered into where it was suspected that he may have been a related party.
Howard Flinker	<b>May have been?</b>
Michael Fleischer	That's still an on-going investigation. But other than that, nothing material that I can think of.
Howard Flinker	Thank you.
Operator	Ladies and gentlemen, we appear to have no one in the queue. Therefore, gentlemen, if you would like to make some closing comments.



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<b>Nick Holland</b>	<p>Thank you very much, Dylan.</p> <p>Thank you everyone for attending the call today and we look forward to talking to you again in a quarter's time.</p> <p><b>Don't forget the analyst day in New York and in Johannesburg on 5<sup>th</sup> December in Johannesburg and the 7<sup>th</sup> December in New York. We hope to see as many of you as we can face to face and look forward to interacting with you there. With that I'm going to say goodbye and we look forward to talking to you again in the future. Thank you.</b></p>
<b>Operator</b>	<p>Thank you very much, sir. On behalf of Gold Fields that concludes this conference. Thank you for joining us. You may now disconnect your lines.</p>

**END OF TRANSCRIPT**