

GOLD FIELDS LTD

Form 6-K

May 09, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

Dated 8 May 2014

Commission File Number: 001-31318

GOLD FIELDS LIMITED

(Translation of registrant's name into English)

150 Helen Rd.

Sandown, Sandton 2196

South Africa

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

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Salient features

Cash generative with Group production and costs tracking guidance

JOHANNESBURG. 8 May 2014, Gold Fields Limited (NYSE & JSE: GFI) today announced normalised earnings from continuing operations for the March 2014 quarter of US\$21 million compared with US\$14 million for the December 2013 quarter and US\$68 million for the March 2013 quarter. Net losses for the March 2014 quarter of US\$0.3 million compared with net losses of US\$491 million for the December 2013 quarter.

US\$1,066

per ounce

All-in-sustaining costs

US\$1,114

per ounce

All-in-costs

557,000

ounces of attributable

gold production

Introduction

During the March 2014 quarter, the Group continued to focus on improving execution and delivery across our portfolio of assets, with particular attention and effort on:

- Driving margins and cash flow across the portfolio;
- Reducing net debt;
- Rebasing South Deep to de-risk the build-up plan and achieve cash break-even by the end of 2014 or early 2015;
- Consolidating the Damang turn-around;
- Continuing to bed down and optimise the newly acquired Yilgarn South assets; and
- Disposal of non-core projects.

US\$54m

cash flow

from operating activities

after taking account of

net capital expenditure,

environmental payments,

debt service costs and

non-recurring items

It is pleasing to say that the Group had a fatality free quarter – which should be the norm.

Driving margins and cash flow

During the March 2014 quarter, Gold Fields achieved all-in sustaining costs (AISC) of US\$1,066/oz and all-in costs (AIC) of

US\$1,114/oz, on 524,800 gold only ounces sold. Our AISC was 5% better than our guidance for the full year of US\$1,125/oz and our

AIC was 3% better than our AIC guidance of US\$1,150/oz.

During the quarter, the Group generated US\$54 million in cash flow from operating activities after taking account of net capital

expenditure, environmental payments, debt service costs and non-recurring items, which is a 42% increase on the US\$38 million

generated in the December 2013 quarter.

The Group's medium-term objective remains to generate a free cash flow margin of at least 15%, at a US\$1,300/oz gold price. On that

basis the Group generated a free cash flow margin of 13% in the March quarter (see table on page 7). If South Deep is excluded from the results for the March quarter (as this project has not yet achieved commercial levels of production), then the Group's AIC was US\$1,053/oz and the free cash flow margin, at the achieved gold price, was approximately 18%.

When one compares the Group's results for the March 2014 quarter to the March 2013 quarter, the Group's AISC improved by 18% from US\$1,303/oz to US\$1,066/oz and its AIC improved by 25% from US\$1,476/oz to US\$1,114/oz. Over the same period the Group's attributable equivalent gold production increased by 17% from 477,000 ounces to 557,000 ounces, mainly due to the additional production from the newly acquired Yilgarn South assets in Australia. Despite a 21% decline in the gold price over the same period, from US\$1,625/oz to US\$1,283/oz, cash flow from operating activities after taking account of net capital expenditure, environmental payments, debt service costs and non-recurring items; improved by 217% from a net cash outflow of US\$46 million in the March 2013

Statement by Nick Holland, Chief Executive Officer of Gold Fields:

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quarter to a net cash inflow of US\$54 million in the March 2014 quarter, a positive swing of US\$100 million. This performance

improvement over the past year is a direct result of our strategy of focusing on driving margins and cash flow.

Gold Fields remains on track to achieve its full-year guidance of AISC of US\$1,125/oz and AIC of US\$1,150/oz on attributable

production of around 2.2 million gold equivalent ounces.

Reducing net debt

Our priorities with the cash that we generate are to reward our shareholders by paying out a dividend of between 25% and 35% of our

normalised earnings, which is in line with our long-standing dividend policy and to reduce our debt. During the March quarter we

reduced our net debt by US\$49 million to US\$1,686 million and thereby reducing our net debt to EBITDA ratio from 1.63 in the

December 2013 quarter to 1.50 in the March 2014 quarter, based on a 12-month rolling historical average.

Debt levels will also be determined by the extent of project disposals and, subject to prevailing gold prices, we will target further debt

reductions.

Rebasing South Deep

South Deep is the most important value driver in the Gold Fields portfolio.

We have a critical understanding of this project's value proposition; a sense of urgency for the execution and delivery of the project; and

are resolute and confident in our commitment to make it work within the new timeframe published on 13 February 2014.

Since we took full ownership of the mine in April 2007, we have essentially built most of the mine and key infrastructure to support the

build-up to full production. We have completed the Twin Shaft infrastructure, providing 330,000 tonnes of hoisting capacity per month,

and upgraded the plant capacity commensurately; installed full life of mine tailings and backfill capacity on surface; and completed all of

the key ancillary surface infrastructure. We have also completed a large proportion of the underground horizontal capital development

required to access the new mine below 95-level (North of Wrench Fault). In September 2009 we stopped all conventional hand-held

mining and converted South Deep to a fully mechanised operation. Importantly, we have significantly advanced our understanding and

knowledge of the ore body through surface and underground drilling, including grade control drilling, 3D seismics and detailed high

resolution resource modelling, to ensure that appropriate levels of confidence underpin all short and long-term planning.

A detailed six-month review, including an external review of the project late in 2013 and early 2014 found that the physical infrastructure

was of world class quality and the long-term build-up plan was sound. However, the review also concluded that the expected build-up

of the project was likely to take longer than the previous guidance provided in 2012. This expected delay related to execution

constraints caused by the lack of a modern mechanised mining culture; the inadequate availability and utilisation of the mining fleet;

sub-optimal mechanised mining skills levels; as well as discreet ore handling and logistical constraints underground.

Following this review, we published a revised build-up schedule for the project on 13 February 2014 (steady state production of

between 650,000 and 700,000 ounces per year by the end of 2017, at an AIC of approximately US\$900/oz). During the March 2014 quarter we fundamentally changed the way we manage and execute the South Deep project with the implementation of a comprehensive transformation process aimed at addressing the shortcomings identified during the review; de-risking the momentum and sustainability of the new build-up plan; and positioning South Deep to achieve cash break-even by late 2014 or early 2015, assuming prevailing rand gold prices.

Central to the transformation process is the introduction of a team of mechanised mining specialists from Australia, to assist South Deep to transform itself into a world-class mechanised mine. Despite the uncertainty which inevitably accompanies any transformation process, South Deep employees and their representative organisations have largely embraced the change and, while much remains to be done, the early signs are encouraging.

Having said that, the changes inevitably came with some temporary disruptions and at the expense of short-term momentum in production, distress mining and development, which compounded the effects of the Christmas break in the March quarter. However, we expect that the transformation process will continue to gain traction through the June quarter and should result in greater stability and improved productivity during the second half of the year, which is also characterised by fewer interruptions from public holidays, compared to the first half of the year.

This should provide a strong foundation for improved performance from South Deep and de-risk the momentum and sustainability of the new build-up plan. As a result of the temporary disruption and loss of momentum caused by the implementation of the transformation process, production for the full year is expected to be around 10% lower than the full-year guidance of 360,000 ounces. However, distress mining is expected to be on guidance at 54,600m², thus providing an important underpin for the build-up plan. South Deep is expected to achieve its AISC guidance for the full year of US\$1,290/oz and AIC of US\$1,350/oz. More details on the transformation process are provided in the South Deep section on page 8.

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Australian operations

This was the second consecutive quarter of strong performance from the Yilgarn South assets (Granny Smith, Lawlers and Darlot)

which were acquired from Barrick in October 2013. These assets contributed 115,000 ounces of gold production out of Australian

production of 245,000 ounces for the quarter and contributed to all-in cost for the Australia region of US\$1,103/oz for the quarter.

The integration of the Yilgarn South assets into the Gold Fields portfolio has been completed and the expected synergies largely

realised through the combination of the Agnew and Lawlers operations, specifically, the closure of the Lawlers Mill, and the

rationalisation of employee numbers across all of the operations. In order to secure the future of our Australian operations, including

the Yilgarn South assets, we have committed approximately US\$50 million (US\$50 per ounce) to brownfields exploration at all of the

mines in the region during 2014 and early indications are that we expect to translate some of that expenditure into a resource and

reserve upgrade of the region by the end of 2014. We are pleased with the acquisition and are confident that the Yilgarn South assets

will continue to perform to our expectations well into the future.

Consolidating the turn-around at Damang

During the March quarter, Damang further consolidated the turn-around achieved in the December 2013 quarter by reducing its AIC by

12% to US\$1,111/oz from US\$1,261/oz achieved in the December 2013 quarter, and increasing gold production by 3% to 46,700

ounces. This mine has now been restored to sustainable profitability and is expected to make a meaningful contribution to the Group's

strategy of generating cash flow for at least the next five years, and likely well beyond that.

Disposal of project portfolio

In line with our strategic repositioning to a focus on growing cash flow and margins rather than ounces of production, we previously

indicated that we had moved away from greenfields exploration and new project development as a strategy for growth, in favour of the

acquisition of in-production ounces. Accordingly, our Growth and International Projects Division (GIP), which incorporated greenfields

exploration as well as new project development, was disbanded and several of the projects in that portfolio earmarked for disposal.

The projects earmarked for disposal are the Talas project in Kyrgyzstan, the Yanfolila project in Mali, the Arctic Platinum project in

Finland (APP) and the Woodjam project in British Columbia. Also earmarked for disposal is the Group's extensive portfolio of royalties

held over various projects and mines.

To date, the disposal of the Talas project has been concluded and negotiations are well advanced for the possible disposal of the

Yanfolila project as well as the Royalty portfolio. Processes are also underway for the possible disposal of the Arctic Platinum and

Woodjam projects. However, if reasonable considerations cannot be secured for the disposal of these assets, their sale will be

deferred pending more conducive market conditions.

Expenditure on the Chucapaca project in Peru as well as the Far Southeast project (FSE) in the Philippines has been significantly reduced to essential holding costs only, pending decisions on the future of those projects. Most of our other greenfields exploration projects have been relinquished, with only five projects in the Americas retained pending completion of current work programmes, after which decisions will be made on the possible disposal of those projects.

Annual review

The Gold Fields Integrated Annual Review and Statutory Financial Reports for 2013 were published at the end of March 2014 and is available on our website.

On 25 April 2014 the Group filed its annual report on Form 20-F with the US Securities and Exchange Commission.

Stock data

NYSE – (GFI)

Number of shares in issue

Range – Quarter

US\$3.00 – US\$4.36

– at end March 2014

768,651,164

Average Volume – Quarter

5,964,818 shares/day

– average for the quarter

767,841,289

JSE Limited – (GFI)

Free Float

100 per cent

ADR Ratio

1:1

Range – Quarter

ZAR31.72 – ZAR45.95

Bloomberg/Reuters

GFISJ/GFLJ.J

Average Volume – Quarter

2,229,689 shares/day

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Certain forward looking statements

Key Statistics**UNITED STATES DOLLARS****Quarter****March****2014**

December

2013

March

2013

Gold produced*

oz (000)

557

598 477

Tonnes milled/treated

000

8,877

10,080 9,535

Revenue

\$/oz

1,283

1,265 1,625

Operating costs

\$/tonne

48

48 42

Operating profit

\$m

292

312 404

All-in sustaining costs

#

\$/oz

1,066

1,054 1,303

Total all-in cost

#

\$/oz

1,114

1,095 1,476

Net (loss)/earnings

\$m

-

(491) 27

Net (loss)/earnings

US c.p.s.

-

(66) 4

Headline earnings/(loss)

\$m

5

(23)	28
Headline earnings/(loss)	
US c.p.s.	
1	
(3)	4
Normalised earnings	
\$m	
21	
14	68
Normalised earnings	
US c.p.s.	
3	
2	9

* All of the key statistics given above are managed figures, except for gold produced which is attributable equivalent production.

#

As per the new World Gold Council Standard issued on 27 June 2013. Refer to page 22 and 23.

All operations are wholly owned except for Tarkwa and Damang in Ghana (90.0 per cent) and Cerro Corona in Peru (99.5 per cent).

Gold produced (and sales) throughout this report includes copper gold equivalents of approximately 8 per cent of Group production.

Figures may not add as they are rounded independently.

Certain statements in this document constitute “forward looking statements” within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934.

Such forward-looking statements, including, among others, those relating to the future business prospects, revenues and income of Gold Fields, wherever they may occur in this report, are necessarily estimates reflecting the best judgement of the senior management of Gold Fields and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in this report. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- overall economic and business conditions in South Africa, Ghana, Australia, Peru and elsewhere;
- the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions;
- the ability to achieve anticipated cost savings at existing operations;
- the success of exploration and development activities;
- decreases in the market price of gold or copper;
- the occurrence of hazards associated with underground and surface gold mining;
- the occurrence of work stoppages related to health and safety incidents;
- fluctuations in exchange rates, currency devaluations and other macroeconomic monetary policies;
- the occurrence of labour disruptions and industrial actions;
- the ability to manage and maintain access to current and future sources of liquidity, capital and credit, including the terms and conditions of Gold Fields’ facilities and Gold Fields’ overall cost of funding;
- the manner, amount and timing of capital expenditures made by Gold Fields on both existing and new mines, mining projects, exploration projects or other initiatives;
- changes in relevant government regulations, particularly environmental, tax, health and safety, regulations and

potential new legislation affecting mining and mineral rights; and

- political instability in South Africa, Ghana, Peru or regionally in Africa or South America.

Gold Fields undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Results for the Group

Safety

The Group's fatality injury frequency rate improved from 0.10 in the December quarter to 0.00 in the March quarter.

The total recordable injury frequency rate (TRIFR) ¹ for the Group has regressed from 3.97 in the December quarter to 4.31 in the March quarter.

1 Total Recordable Injury Frequency rate (TRIFR) Group safety metric was introduced in the December quarter. (TRIFR) = (Fatalities + Lost Time Injuries ² + Restricted Work Injuries ³ + Medically Treated Injuries ⁴) x 1,000,000/number of man-hours worked.

2

A Lost Time Injury (LTI) is a work-related injury resulting in the employee or contractor being unable to attend work for a period of one or more days after the day of the injury. The employee or contractor is unable to perform any functions.

3

A Restricted Work Injury (RWI) is a work-related injury sustained by an employee or contractor which results in the employee or contractor being unable to perform one or more of their routine functions for a full working day, from the day after the injury occurred.

4

A Medically Treated Injury (MTI) is a work-related injury sustained by an employee or contractor which does not incapacitate that employee and who, after having received medical treatment, is deemed fit to immediately resume his/her normal duties on the next calendar day, immediately following the treatment.

Quarter ended 31 March 2014 compared with quarter ended 31 December 2013

Revenue

As anticipated, attributable equivalent gold production from continuing operations decreased by 7 per cent from 598,000 ounces in the December quarter to 557,000 ounces in the March quarter in line with guidance. This decrease was mainly due to lower production at South Deep, Agnew/Lawlers, Tarkwa and St Ives. Gold production at South Deep in South Africa, decreased by 26 per cent from 2,471 kilograms (79,400 ounces) to 1,840 kilograms (59,200 ounces).

Attributable gold production at the West African operations decreased by 7 per cent from 184,800 ounces in the December quarter to 172,700 ounces in the March quarter. Attributable equivalent gold production at Cerro Corona in Peru increased by 2 per cent from 78,800 ounces in the December quarter to 80,100 ounces in the March quarter. Gold production at the Australian

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operations, decreased by 4 per cent from 254,600 ounces in the December quarter to 245,200 ounces in the March quarter mainly due to lower production at Agnew/Lawlers and St Ives, partially offset by higher production at Darlot and Granny Smith.

At the South Africa region, production at South Deep decreased by 26 per cent from 79,400 ounces in the December quarter 59,200 ounces in the March quarter mainly due to a decrease in reef tonnes mined and processed as a result of the extended Christmas break and transformation implementation disruptions.

At the West Africa region, managed gold production at Tarkwa decreased by 9 per cent from 160,000 ounces in the December quarter to 145,200 ounces in the March quarter due to cessation of stacking at the North heap leach operations and lower CIL head grade, partially offset by higher CIL throughput. At Damang, managed gold production increased by 3 per cent from 45,400 ounces in the December quarter to 46,700 ounces in the March quarter due to higher throughput and higher recoveries.

At the South America region, total managed gold equivalent production at Cerro Corona increased by 2 per cent from 79,200 equivalent ounces in the December quarter to 80,500 equivalent ounces in the March quarter. This was mainly due to an increase in copper head grades and an increase in ore treated, partially offset by lower gold head grades.

At the Australia region, St Ives' gold production decreased by 3 per cent from 99,100 ounces in the December quarter to 96,600 ounces in the March quarter mainly due to excessive rain affecting the open pit operations in January and February. At Agnew/Lawlers, gold production decreased by 20 per cent from 73,600 ounces in the December quarter to 59,200 ounces in the March quarter mainly due to lower grades mined and the once-off clean-up of the Lawlers mill in the December quarter. At Darlot, gold production increased by 16 per cent from 19,700 ounces in the December quarter to 22,900 ounces in the March quarter mainly due to increased head grade. At Granny Smith, gold production increased by 7 per cent from 62,200 ounces in the December quarter to 66,500 ounces in the March quarter mainly due to an increase in ore tonnes mined.

The average quarterly US dollar gold price achieved by the Group increased by 1 per cent from US\$1,265 per ounce in the December quarter to US\$1,283 per ounce in the March quarter. The average rand gold price increased by 7 per cent from R425,227 per kilogram to R453,152 per kilogram. The average Australian dollar gold price increased by 5 per cent from A\$1,372 per ounce to A\$1,438 per ounce. The average US dollar/Rand exchange rate weakened by 7 per cent from R10.11 in the December quarter to R10.85 in the March quarter. The average Rand/Australian dollar exchange rate weakened by 3 per cent from R9.41 to R9.70. The average Australian/US dollar exchange rate weakened by 4 per cent from A\$1.00 = US\$0.93 to A\$1.00 = US\$0.89.

As a result of the above mentioned factors, revenue decreased by 8 per cent from US\$781 million in the December quarter to US\$715

million in the March quarter.

Operating costs

Net operating costs decreased by 10 per cent from US\$468 million in the December quarter to US\$423 million in the March quarter.

At the South Africa region, net operating costs at South Deep decreased by 9 per cent from R781 million (US\$77 million) in the December quarter to R714 million (US\$66 million) in the March quarter mainly due to restructuring of the cost base.

At the West Africa region, net operating costs decreased by 18 per cent from US\$168 million in the December quarter to US\$137 million in the March quarter. This decrease in net operating costs was due to the lower production at Tarkwa as a result of the cessation of the North heap leach operation as well as lower tonnes mined and a bigger build-up of gold-in-circuit at Damang in the March quarter.

At Cerro Corona in South America, net operating costs decreased by 31 per cent from US\$35 million in the December quarter to US\$24 million in the March quarter mainly due to a build-up of concentrate inventory at the end of the March quarter as well as savings realised in processing costs.

At the Australia region, net operating costs increased by 9 per cent from A\$201 million (US\$189 million) in the December quarter to A\$219 million (US\$196 million) in the March quarter, mainly at St Ives due to the gold-in-process charge to cost in the March quarter compared with a credit to cost in the December quarter and at Granny Smith, due to increased production and a gold-in-process charge compared with a build-up in the December quarter. At Darlot, net operating costs increased due to a gold-in-process charge, compared with a build-up in the December quarter. This was partially offset by a decrease in net operating costs at Agnew due to a gold-in-process credit in the March quarter compared with a drawdown in the December quarter.

Operating profit

Operating profit for the Group decreased by 6 per cent from US\$312 million in the December quarter to US\$292 million in the March quarter due to the decrease in revenue, partially offset by the lower net operating costs.

Amortisation

Amortisation for the Group decreased by 13 per cent from US\$183 million in the December quarter to US\$159 million in the March quarter. This was mainly due to the lower amortisation at St Ives due to its lower cost base, as a result of the impairment in the December quarter and lower production for the Group in the March quarter.

Other

Net interest paid for the Group increased from US\$16 million in the December quarter to US\$19 million in the March quarter. In the March quarter interest paid of US\$26 million was partially offset by interest received of US\$1 million and interest capitalised of US\$6 million. In the December quarter interest paid of US\$24 million was partially offset by interest received of US\$2 million and interest capitalised of US\$6 million.

The share of equity accounted losses after taxation for the Group decreased from US\$2 million in the December quarter to US\$1 million in the March quarter and related to the ongoing study and evaluation costs at the Far Southeast project (FSE).

Share-based payments for the Group increased from US\$3 million to US\$11 million due to year-end forfeiture adjustments in the December quarter.

Other costs for the Group increased from US\$6 million in the December quarter to US\$11 million in the March quarter, mainly due to the inclusion of rehabilitation costs under other costs. It was previously reported under operating costs.

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Exploration

Exploration expenditure increased from US\$7 million in the December quarter to US\$12 million in the March quarter due to the decision to expense expenditure at Chucapaca and at the Arctic Platinum project (APP). Previously these expenditures were capitalised.

Feasibility and evaluation costs

The Group did not incur any expenditure on feasibility and evaluation costs in the March quarter, compared with US\$11 million in the December quarter, due to the deliberate reduction in feasibility and evaluation activities.

Non-recurring items

Non-recurring expenses decreased from US\$713 million in the December quarter to US\$27 million in the March quarter. The non-recurring expenses in the March quarter included retrenchment costs of US\$19 million at all the operations of which US\$16 million was incurred at the Ghanaian operations. It also included US\$5 million on the impairment of the Group's associate stake of 21.6 per cent in Bezant Resources PLC, acquired in January 2013.

Included in the December quarter were impairments, net of tax, at St Ives, Damang and Tarkwa of A\$297 million (US\$264 million), US\$173 million and US\$51 million, respectively. In addition, the following were impaired during the December quarter:

- US\$90 million at the Arctic Platinum project (APP) and US\$30 million at Yanfolila;
- US\$44 million at Tarkwa (on long lead items relating to the Tarkwa Expansion Phase 6, assets no longer in use, heap leach related assets and the high pressure grinding roller);
- US\$10 million at Cerro Corona (on the oxide heap leach project); and
- US\$10 million on the Group's option payment to Bezant.

Non-recurring costs in the December 2013 quarter also included US\$20 million on restructuring costs across the Group and US\$27 million related to transaction costs on the acquisition of the Yilgarn South assets. The profit on the sale of the Group's interest in Talas amounted to US\$5 million.

Royalties

Government royalties for the Group decreased from US\$25 million in the December quarter to US\$22 million in the March quarter mainly due to the lower revenue received on which royalties are calculated.

Taxation

The taxation charge of US\$29 million in the March quarter compared with a credit for the Group of US\$149 million in the December quarter.

Earnings

Net losses attributable to owners of the parent amounted to US\$0.3 million or US\$0.00 per share in the March quarter compared with net

losses of US\$491 million or US\$0.66 per share in the December quarter.

Headline earnings of US\$5 million or US\$0.01 per share in the March quarter compared with headline losses of US\$23 million or US\$0.03 per share in the December quarter.

Normalised earnings of US\$21 million or US\$0.03 per share in the March quarter compared with normalised earnings of US\$14 million or US\$0.02 per share in the December quarter.

Cash flow

Cash inflow from operating activities for continuing operations of US\$198 million in the March quarter compared with US\$182 million in the December quarter, an increase of 9 per cent, mainly due to lower tax and royalties paid and a release of working capital.

Cash outflow from investing activities for continuing operations decreased from US\$250 million in the December quarter to US\$144 million in the March quarter, a decrease of 42 per cent. This was mainly due to the Yilgarn South asset purchase of US\$105 million in the December quarter and capital expenditure which decreased from US\$152 million in the December quarter to US\$141 million in the March quarter.

Cash inflow from operating activities less net capital expenditure and environmental payments amounted to US\$54 million in the March quarter compared with cash inflow of US\$38 million in the December quarter. The US\$54 million in the March quarter comprised: US\$92 million generated by the eight mining operations, less US\$22 million of interest paid (this excludes any interest paid by the mines), US\$10 million for exploration (this excludes any mine based brownfields exploration) and US\$6 million on non-mine based tax payments and costs.

In the South Africa region at South Deep, capital expenditure decreased from R365 million (US\$35 million) in the December quarter to R282 million (US\$26 million) in the March quarter. The majority of this expenditure was on development and infrastructure costs required in the build-up to full production.

At the West Africa region, capital expenditure increased from US\$44 million in the December quarter to US\$46 million in the March quarter. Tarkwa increased from US\$38 million to US\$39 million with expenditure mainly incurred on pre-stripping, the tailings storage facility and major fleet components. Capital expenditure at Damang increased from US\$6 million to US\$7 million with the majority of the expenditure on the tailings storage facility.

In South America, at Cerro Corona, capital expenditure decreased from US\$14 million in the December quarter to US\$7 million in the March quarter with the majority of the expenditure on the construction of the tailings storage facility.

At the Australia region, capital expenditure increased from A\$58 million (US\$54 million) in the December quarter to A\$71 million (US\$63 million) in the March quarter. At St Ives, capital expenditure increased from A\$29 million (US\$27 million) to A\$37 million (US\$33 million), with expenditure mainly on pre-strip at the Neptune open pit. At Agnew/Lawlers, capital expenditure increased from A\$19 million

(US\$18 million) to A\$23 million (US\$21 million). The increase was mainly due to additional capital development at the New Holland mine and additional exploration activity. At Darlot, capital expenditure was similar at A\$2 million (US\$2 million) and at Granny Smith, capital expenditure was similar at A\$8 million (US\$7 million). Purchase of investments of US\$2 million in the March quarter related to the Group's subscription in the Tocqueville Bullion Reserve (TBR). TBR provides professionally managed warehousing of physical gold bullion and is targeted at strategic long term gold holders as a global alternative to gold Exchange Traded Funds (ETFs). Gold Fields assisted TBR in its launch because the Group is of the view that it may benefit the gold mining industry by creating

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the first global institutional solution for bullion ownership in a format that does not permit leverage, shorting and speculation.

Proceeds on the disposal of investments of US\$2 million related to the sale of the Group's interest in the Talas Gold Copper project in Kyrgyzstan.

Net cash inflow from financing activities for continuing operations of US\$9 million in the March quarter compared with an outflow of US\$77 million in the December quarter. The inflow in the March quarter comprised a net inflow of rand borrowings, partially offset by dollar loans repaid. In the March quarter US\$49 million was repaid on offshore dollar facilities.

The net cash inflow for the Group for continuing operations of US\$47 million in the March quarter compared with a net cash outflow of US\$145 million in the December quarter. After accounting for a positive translation adjustment of US\$2 million on offshore cash balances, the cash inflow for the March quarter was US\$49 million. As a result, the cash balance increased from US\$325 million at the end of December to US\$374 million at the end of March.

All-in sustaining and total all-in cost

The World Gold Council has worked closely with its member companies to develop definitions for "all-in sustaining costs" and "all-in costs". These non-GAAP measures are intended to provide further transparency into the costs associated with producing and selling an ounce of gold. The new standard was released by the World Gold Council on 27 June 2013. It is expected that these new metrics will be helpful to investors, governments, local communities and other stakeholders in understanding the economics of gold mining. The "all-in sustaining costs" incorporate costs related to sustaining current production. The "all-in costs" include additional costs which relate to the growth of the Group.

Gold Fields adopted and implemented these metrics as from the June 2013 quarter. All-in sustaining costs and total all-in cost are reported on a per ounce basis – refer to the detailed table on page 22 to page 25 of this report.

The Group all-in sustaining costs increased by 1 per cent from US\$1,054 per ounce in the December quarter to US\$1,066 per ounce in the March quarter mainly due to the decreased gold sold and the higher non-cash remuneration (share-based payments) partially offset by lower operating costs, royalties, community costs and sustaining capital expenditure. Total all-in cost increased by 2 per cent from US\$1,095 per ounce in the December quarter to US\$1,114 per ounce in the March quarter for the same reasons as all-in sustaining costs as well as the decrease in exploration and non-sustaining capital expenditure.

In the South Africa region, at South Deep, all-in sustaining costs per kilogram increased by 3 per cent from R454,581 per kilogram (US\$1,399 per ounce) to R469,227 per kilogram (US\$1,345 per ounce) due to the lower gold sold, partially offset by the lower capital expenditure and lower operating costs. The total all-in cost increased by 19 per cent from R466,908 per kilogram (US\$1,436 per

ounce) to R557,078 per kilogram (US\$1,597 per ounce) due to lower gold sold, partially offset by lower operating costs.

At the West Africa region, all-in sustaining costs and total all-in cost per ounce decreased by 8 per cent from US\$1,132 per ounce in the December quarter to US\$1,039 per ounce in the March quarter due to lower operating costs, partially offset by the higher capital expenditure and the lower gold sold.

At the South America region, all-in sustaining costs and total all-in cost per ounce decreased by 53 per cent from US\$207 per ounce in the December quarter to US\$97 per ounce in the March quarter mainly due to a bigger gold-in-process credit to costs and lower operating costs, partially offset by the decrease in by-product credits and the lower gold sold. All-in sustaining costs and total all-in cost per equivalent ounce decreased by 18 per cent from US\$708 per equivalent ounce to US\$581 per equivalent ounce.

At the Australia region, all-in sustaining costs and total all-in cost per ounce increased by 15 per cent from A\$1,072 per ounce (US\$998 per ounce) in the December quarter to A\$1,234 per ounce (US\$1,103 per ounce) in the December quarter mainly due to the lower gold sold, higher operating costs, the gold-in-process charge to cost compared with the credit to cost in the December quarter and higher capital expenditure.

Free cash flow margin

The Group has shifted focus from principally ounces of gold in production to cash generation, reflecting our new goal of a Group 15 per cent free cash flow margin at a gold price of US\$1,300 per ounce. The free cash flow (FCF) margin is revenue less cash outflow divided by revenue expressed as a percentage. The FCF for the Group for the March 2014 quarter is calculated as follows:

March 2014

US\$m

US\$/oz

Revenue (gold only = revenue as per the income statement less by-product credits as per AIC)*

681.3

1,298

Less: Cash outflow

(592.7)

1,129

- AIC

(584.7)

1,114

Adjusted for

Share-based payments

(as non-cash)

11.1

21

Exploration, feasibility and evaluation costs

10.3

20

Capital expenditure on exploration,
feasibility and evaluation

-

-

- Tax paid (excluding royalties)

(29.4)

56

Free cash flow

88.6

169

FCF margin

13%

Gold sold only – 000' ounces

524.8

** Revenue from income statement at US\$714.6 million less revenue from by-products in AIC at US\$33.3 million equals US\$681.3 million.*

The Group achieved a FCF margin of 13 per cent in the March quarter compared with 11 per cent in the December quarter.

Balance sheet

Net debt (long-term loans plus the current portion of long-term loans less cash and deposits) decreased from US\$1,735 million at the end of December to US\$1,686 million at the end of March.

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South Africa region**South Deep project****March****2014**

Dec

2013

Gold produced

- 000'oz

59.2

79.4

-

kg

1,840

2,471

Yield

- underground

- g/t

5.24

5.38

- combined

- g/t

4.73

4.28

All-in sustaining costs

- R/kg

469,227

454,581

-

US\$/oz

1,345

1,399

Total all-in cost

- R/kg

557,078

466,908

-

US\$/oz

1,597

1,436

Gold production decreased by 26 per cent from 2,471 kilograms (79,400 ounces) in the December quarter to 1,840 kilograms (59,200 ounces) in the March quarter mainly due to a decrease in reef tonnes mined and processed as a result of the Christmas break.

The weaker performance in the March quarter was further compounded by the inevitable initial disruptions caused by the implementation of the transformation process, which came at the expense of short-term momentum in production, distress mining and development.

The main aim of the transformation process implemented in the March quarter, which is ongoing, is to establish a modern

mechanised mining culture and create an operating environment conducive to optimal equipment availability and utilisation, improved performance of front-line operators and achievement of targets. In addition to changes to senior, middle and line management personnel, a team of mechanised mining specialists from Australia are assisting South Deep to transform itself into a world-class mechanised mine. We are de-congesting the mine by:

- re-assessing the size, composition and deployment of the mechanised mining fleet;
- addressing the associated staffing levels by reducing reliance on external contractors;

improving the availability and utilisation of equipment by

- improving the operation of underground workshops;
- improving the skills and productivity of front-line operators through on-the-job mentoring and coaching;
- de-bottlenecking the infrastructure constraints; and
- improving dilution control and grade management (early gains are already evident).

Total tonnes milled (included 38,000 tonnes of off-reef development in the March quarter compared with 119,000 tonnes in the December quarter) decreased by 33 per cent from 578,000 tonnes to 389,000 tonnes due to the Christmas break and lower waste mining. Underground reef yield decreased by 3 per cent from 5.38 grams per tonne to 5.24 grams per tonne due to the cleaning of the lower grade longhole stoping backlog tonnages in 95 1W and 87 IW. The combined yield (ore and waste) increased from 4.28 grams per tonne to 4.73 grams per tonne due to less waste dilution. The plant recovery factor increased marginally from 96.3 per cent to 96.4 per cent.

Development decreased by 27 per cent from 2,263 metres in the December quarter to 1,645 metres in the March quarter mainly due to the transitional arrangements with respect to moving from contractor development to owner development. The new mine capital development in phase one, sub 95 level, decreased from 228 metres to 135 metres. Vertical development decreased from 122 metres to 30 metres. Development in the current mine areas above 95 level decreased from 1,912 metres to 1,479 metres.

Development areas in 95 2W and 3W level were negatively affected by seismicity during the March quarter. Destress mining decreased by 44 per cent from 14,504 square metres in the December quarter to 8,157 square metres in the March quarter.

Apart from the impact of the Christmas break, the declines in mining, development and destress mining rates were temporary in nature and mainly due to the implementation of the transformation process. Specifically, the decrease in development was related to the transitional arrangements with respect to moving from contractor development to owner development. After the close of the March quarter, the transformation interventions started to show evidence of bedding down. Mining and destress mining rates are expected to return closer to planned levels during the second half of the year.

During the March quarter, the current mine (95-level and above) contributed 80 per cent of the ore tonnes and the new mine (below 95-level) contributed 20 per cent. The long-hole stoping method accounted for 21 per cent of total ore tonnes mined.

Operating costs decreased by 9 per cent from R781 million (US\$77 million) in the December quarter to R714 million (US\$66 million) in the March quarter. This was mainly due to lower stores consumption, lower contractor costs and other restructuring costs.

Operating profit decreased from R249 million (US\$24 million) in the December quarter to R119 million (US\$11 million) in the March quarter due to the lower gold production, partially offset by the lower net operating costs.

Capital expenditure decreased from R365 million (US\$35 million) to R282 million (US\$26 million) in line with increased focus on capital optimisation and scheduling. The majority of the expenditure was on development and infrastructure costs.

All-in sustaining cost increased from R454,581 per kilogram (US\$1,399 per ounce) in the December quarter to R469,227 per kilogram (US\$1,345 per ounce) in the March quarter due to the lower gold sold. The total all-in cost increased from R466,908 per kilogram (US\$1,436 per ounce) to R557,078 per kilogram (US\$1,597 per ounce) due to the lower gold sold.

However, we expect that the transformation process will continue to gain traction through the June quarter and should result in greater stability and improved productivity during the second half of the year, which is also characterised by fewer interruptions from public holidays, compared to the first half of the year.

This should provide a strong foundation for improved performance from South Deep and to de-risk the momentum and sustainability of the new build-up plan, as published on 13 February, 2014. The inevitable consequences of the transformation process have resulted in expected production to be around 10 per cent lower than the full-year guidance of 360,000 ounces. Destress mining is expected to be on guidance at 54,600m², providing an important underpin for the build-up plan. South Deep is expected to achieve its AISC guidance for the full year of US\$1,290 per ounce and AIC of US\$1,350 per ounce. Capital expenditure is expected to be around R1.34 billion for the full year.

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West Africa region**Ghana****Tarkwa****March****2014**

Dec

2013

Gold produced

- 000'oz

145.2

160.0

Yield

- heap leach*

- g/t

-

0.48

- CIL plant

- g/t

1.19

1.35

- combined

- g/t

1.19

1.00

All-in sustaining costs

- US\$/oz

1,016

1,096

Total all-in cost

- US\$/oz

1,016

1,096

* *Heap leach produced 15,400 ounces, of which 12,900 ounces was rinsed from inventory and 2,500 ounces was produced from the 192,000 tonnes stacked during the quarter.*

Gold production decreased by 9 per cent from 160,000 ounces in the December quarter to 145,200 ounces in the March quarter due to the planned cessation of stacking at the North heap leach operations and decreased CIL head grade and yield, partially offset by increased throughput.

Total tonnes mined, including capital stripping, decreased from 33.8 million tonnes in the December quarter to 24.5 million tonnes in the March quarter mainly due to the rescheduling of operations required by the discontinuation of the North heap leach operation. Ore tonnes mined decreased from 4.5 million tonnes to 3.5 million tonnes. Operational waste tonnes mined decreased from 17.5 million tonnes to 8.8 million tonnes and capital waste tonnes mined increased from 11.8 million tonnes to 12.2 million tonnes. The decrease in operational waste tonnes mined is in line with the 2014 mine plan. Head grade mined decreased from 1.30 grams per tonne in the December quarter to 1.28 grams per tonne in the March

quarter. The strip ratio decreased from 6.5 to 6.0. The reduced mining rates, as a consequence of the cessation of the Heap leach operations, indicate that the average and peak stripping ratios over the remaining life of 12 years are expected to be 5.1 and 6.8, respectively, based on depletion of the current reserve of 7 million ounces.

The CIL plant throughput increased from 3.06 million tonnes in the December quarter to 3.38 million tonnes in the March quarter.

Realised yield from the CIL plant decreased from 1.35 grams per tonne to 1.19 grams per tonne. During the March quarter, as a result of the closure of the North heap leach operation, both medium and high grade ore were fed to the CIL. In the December quarter, with the North heap leach still in operation, medium grade ore was fed into the heap leach operation and only high grade material was fed to the CIL plant. The CIL plant production decreased from 133,100 ounces in the December quarter to 129,800 ounces in the March quarter.

Feed to the North heap leach section decreased from 1.76 million tonnes in the December quarter to 192,000 tonnes in the March quarter. Gold production from the North heap leach operation decreased from 26,900 ounces in the December quarter to 15,400 ounces in the March quarter. The heap leach produced 15,400 ounces, of which 12,900 ounces was rinsed from inventory and 2,500 ounces was produced from the 192,000 tonnes stacked during the quarter.

Net operating costs, including gold-in-process movements, decreased from US\$118 million in the December quarter to US\$96 million in the March quarter mainly due to lower production and cost reductions as a result of the North heap leach closure.

Operating profit increased from US\$85 million in the December quarter to US\$92 million in the March quarter as a result of lower net operating costs and higher gold price received, partially offset by the lower gold production.

Capital expenditure increased from US\$38 million in the December quarter to US\$39 million in the March quarter with the majority of expenditure on pre-stripping, the tailings storage facilities and major fleet components.

All-in sustaining costs and total all-in cost per ounce decreased from US\$1,096 per ounce in the December quarter to US\$1,016 per ounce in the March quarter due to the decrease in operating costs, partially offset by lower gold production.

Damang

March

2014

Dec

2013

Gold produced

- 000'oz

46.7

45.4

Yield -

g/t

1.35

1.41

All-in sustaining costs

- US\$/oz

1,111

1,261

Total all-in cost

- US\$/oz

1,111

1,261

Gold production increased by 3 per cent from 45,400 ounces in the December quarter to 46,700 ounces in the March quarter due to higher mill throughput as a result of improved plant availability.

Total tonnes mined, including capital stripping, decreased from 7.3 million tonnes in the December quarter to 5.2 million tonnes in the March quarter.

Ore tonnes mined decreased from 1.3 million tonnes to 1.0 million tonnes and operational waste tonnes decreased from 6.1 million tonnes in the December quarter to 4.2 million tonnes in the March quarter. The lower tonnages mined in the March quarter were due to a strategic decision to reposition the mine in 2014. In light of the lower gold price, mining operations were focused in lower strip ratio areas and mined grades were optimised by continually improving grade control and mining quality. Despite these interventions, the mine grade is however still below the reserve grade. The strip ratio decreased from 4.8 to 4.4.

The yield decreased from 1.41 grams per tonne to 1.35 grams per tonne due to mining lower grades from Saddle pit.

Tonnes processed increased from 1.0 million tonnes in the December quarter to 1.1 million tonnes in the March quarter. The increased throughput was due to the continuous stabilisation of the milling circuit availability and utilisation.

Net operating costs, including gold-in-process movements, decreased from US\$49 million to US\$41 million due to good cost control and lower tonnages mined in the March quarter.

Operating profit increased from US\$8 million in the December quarter to US\$19 million in the March quarter as a result of the higher revenue due to higher gold production and lower net operating costs.

Capital expenditure increased from US\$6 million to US\$7 million due to timing of expenditure with the majority spent on Far East tailings storage facility raise.

The all-in sustaining costs and total all-in cost per ounce decreased from US\$1,261 per ounce in the December quarter to US\$1,111 per ounce in the March quarter due to the higher gold production and

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lower operating costs, partially offset by the higher capital expenditure.

South America region

Peru

Cerro Corona

March

2014

Dec

2013

Gold produced

- 000'oz

34.8

36.2

Copper produced

- tonnes

8,294

7,701

Total equivalent gold produced - 000' eqoz

80.5

79.2

Total equivalent gold sold

- 000' eqoz

60.7

77.9

Yield

- gold

- g/t

0.66

0.72

- copper

- %

0.50

0.49

- combined

- g/t

1.46

1.50

All-in sustaining costs

- US\$/oz

97

207

Total all-in cost

- US\$/oz

97

207

AISC per equivalent ounce*

- US\$/oz

581

708

AIC per equivalent ounce*

- US\$/oz

581

708

Gold price**

- US\$/oz

1,283

1,283

Copper price**

- US\$/t

7,102

7,142

* Refer to page 24 and 25 for calculations.

** Average daily spot price for the period used to calculate total equivalent gold ounces produced.

Gold production decreased by 4 per cent from 36,200 ounces in the December quarter to 34,800 ounces in the March quarter. Copper production increased by 8 per cent from 7,701 tonnes to 8,294 tonnes. Equivalent gold production increased by 2 per cent from 79,200 ounces in the December quarter to 80,500 ounces in the March quarter mainly due to an increase in copper head grades and an increase in ore treated. Gold head grade decreased from 1.04 grams per tonne to 0.96 grams per tonne and copper head grade increased from 0.56 per cent to 0.60 per cent. Gold recoveries decreased from 68.7 per cent to 68.1 per cent resulting from lower gold head grades. Copper recoveries decreased from 87.2 per cent to 84.7 per cent, resulting from ore treated containing secondary copper from supergene zone domains related to the enrichment zone of the orebody with different mineralogical specimens (calcosine and covellite) and different metallurgical behaviour. The reduction in head grade was expected and head grade achieved still compares favourably with reserve head grades.

In the March quarter, concentrate with a payable content of 28,501 ounces of gold was sold at an average price of US\$1,281 per ounce and 6,083 tonnes of copper was sold at an average price of US\$6,350 per tonne, net of treatment and refining charges. This compared with 36,546 ounces of gold sold at an average price of US\$1,266 per ounce and 7,397 tonnes of copper sold at an average price of US\$6,293 per tonne in the December quarter. Total equivalent gold sales decreased by 22 per cent from 77,900 ounces in the December quarter to 60,700 ounces in the March quarter due to delays in the shipment schedule.

Tonnes mined increased by 3 per cent from 3.37 million tonnes in the December quarter to 3.46 million tonnes in the March quarter. Ore mined increased marginally from 1.78 million tonnes to 1.79 million tonnes. The strip ratio increased from 0.89 to 0.93 in line with the mining sequence.

Ore processed increased by 4 per cent from 1.64 million tonnes in the December quarter to 1.71 million tonnes in the March quarter mainly due to an increase in plant throughput from 805 tonnes per hour in the December quarter to 814 tonnes per hour in the March quarter. Gold yield decreased from 0.72 grams per tonne to 0.66

grams per tonne and copper yield increased from 0.49 per cent to 0.50 per cent.

Net operating costs, including gold-in-process movements, decreased by 31 per cent from US\$35 million in the December quarter to US\$24 million in the March quarter. The lower cost was mainly due to a build-up of concentrate inventory at the end of March and savings in operating costs, mainly in processing due to lower consumption of reagents.

Operating profit decreased from US\$55 million in the December quarter to US\$51 million in the March quarter mainly due to lower revenue resulting from shipments deferred and lower metal prices received.

Capital expenditure decreased from US\$14 million in the December quarter to US\$7 million in the March quarter mainly due to timing on the construction of the tailings dam construction.

The all-in sustaining costs and total all-in cost per ounce decreased from US\$207 per ounce in the December quarter to US\$97 per ounce in the March quarter mainly due to the inventory build-up and the lower capital expenditure at the end of the March quarter.

Australia region

St Ives

March

2014

Dec

2013

Gold produced

- 000'oz

96.6

99.1

Yield

- underground

- g/t

3.47

3.24

- surface

- g/t

1.27

1.51

- combined

- g/t

2.34

2.55

All-in sustaining costs

- A\$/oz

1,444

1,172

-

US\$/oz

1,291

1,091

Total all-in cost

- A\$/oz

1,444

1,172

-

US\$/oz

1,291

1,091

Gold production decreased by 3 per cent from 99,100 ounces in the December quarter to 96,600 ounces in the March quarter mainly due to two significant rain events, in January and February, affecting open pit operations as well as dilution and recovery challenges in some of the underground mines.

At the underground operations, ore mined decreased by 12 per cent from 712,000 tonnes in the December quarter to 625,000 tonnes in the March quarter. The average grade of ore mined increased from 3.44 grams per tonne to 3.97 grams per tonne. Reduced ore tonnages were a result of dilution/recovery issues in both Athena and Hamlet offset by higher grades from the Argo mine which closed subsequent to the March quarter end. The Argo mine has reached the end of its economic life having produced 915,000 ounces and generated A\$165 million of cash flow over a 12 year life.

At the open pit operations and as scheduled, total ore tonnes mined decreased by 77 per cent from 924,000 tonnes at 1.38 grams per tonne mined in the December quarter to 214,000 tonnes at 1.37 grams per tonne mined in the March quarter. Operational waste tonnes mined decreased from 2.0 million tonnes to 0.5 million tonnes, while capital waste tonnes mined increased from 0.8 million tonnes in the December quarter to 3.7 million tonnes in the March quarter. During the March quarter, the focus has been on pre-stripping the high grade Neptune pit and the West Idough pit in order to secure new ore sources for the second half of 2014. Mining of the Bellerophon pit was completed during the quarter. Rain significantly affected mining schedules with three weeks disruption across the

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open pit mines after the rain in the quarter. The strip ratio increased from 2.95 in the December quarter to 19.5 in the March quarter.

Throughput at the Lefroy mill increased from 1.21 million tonnes to 1.28 million tonnes. Yield decreased from 2.55 grams per tonne to 2.35 grams per tonne. Gold production from the Lefroy plant decreased from 96,900 ounces in the December quarter to 95,700 ounces in the March quarter mainly due to reduced underground high grade ore and volume of open pit ore mined which was replaced by lower grade stockpiled material. Following on from the cessation of stacking activities at the end 2012, irrigation of the existing heap leach pad continued, and a further 900 ounces were recovered in the March quarter compared with 2,200 ounces in the December quarter. Since cessation of stacking activities a total of 12,900 ounces have been recovered.

Net operating costs, including gold-in-process movements, increased from A\$83 million (US\$77 million) in the December quarter to A\$97 million (US\$87 million) in the March quarter mainly due to a A\$11 million (US\$10 million) gold-in-process charge to costs in the March quarter compared with a A\$11 million (US\$11 million) credit to costs in the December quarter. This was anticipated and reflects the high open pit mining volumes in the December quarter when ore was stockpiled to be drawdown in the March quarter while new pits were being stripped.

Operating profit decreased from A\$53 million (US\$48 million) in the December quarter to A\$41 million (US\$36 million) in the March quarter due to higher net operating costs.

Capital expenditure increased from A\$29 million (US\$27 million) in the December quarter to A\$37 million (US\$33 million) in the March quarter with increased expenditure on pre-stripping of open pits.

All-in sustaining costs and total all-in cost per ounce increased from A\$1,172 per ounce (US\$1,091 per ounce) in the December quarter to A\$1,444 per ounce (US\$1,291 per ounce) in the March quarter mainly due to the lower production, higher net operating costs and higher capital expenditure in the March quarter.

St Ives was severely impacted by two cyclonic weather events resulting in extensive flooding throughout the Western Australian goldfields. This resulted in high pit dewatering costs and delays in material movements from all pits.

Pre-stripping activities at the Neptune pit account for the majority of material movements in the March quarter and the June quarter. Ore supply from the Neptune high grade pit is planned to commence in the second half of 2014. The ore from Neptune is expected to result in a reduction in AISC and AIC in the later part of 2014. In addition, a number of efficiency and cost reduction initiatives are being investigated for implementation.

Agnew/Lawlers

March

2014

Dec

2013

Gold produced	
- 000'oz	
59.2	
73.6	
Yield	
- underground	
- g/t	
6.46	
7.76	
-	
surface	-
g/t	
2.15	
1.02	
- combined	
- g/t	
6.27	
6.56	
All-in sustaining costs	
- A\$/oz	
1,147	
998	
-	
US\$/oz	
1,025	
929	
Total all-in cost	
- A\$/oz	
1,147	
998	
-	
US\$/oz	
1,025	
929	

Gold production decreased by 20 per cent from 73,600 ounces in the December quarter to 59,200 ounces in the March quarter mainly due to lower grades mined, a once-off clean-out of the Lawlers mill in the December quarter and a build-up of gold-in-process in the March quarter compared with a reduction in the December quarter. The Lawlers mill is now on a care and maintenance programme.

Ore mined from underground decreased marginally from 267,400 tonnes to 266,300 tonnes and head grade decreased from 7.33 grams per tonne in the December quarter to 6.91 grams per tonne in the March quarter. The underground grade reduction was due to mining of lower grade areas in accordance with the mine plan sequence with an expected reduction in underground grades from Kim Lode in the Waroonga mine.

Tonnes processed decreased from 349,000 tonnes in the December quarter to 294,000 tonnes in the March quarter and included 13,000 tonnes of Songvang ore. The higher tonnes in the December quarter were due to processing all stockpiled ore at Lawlers prior to

diverting to the Agnew mill. The combined yield decreased from 6.56 grams per tonne to 6.27 grams per tonne.

Net operating costs, including gold-in-process movements, decreased from A\$50 million (US\$47 million) in the December quarter to A\$42 million (US\$37 million) in the March quarter. The March quarter included A\$5 million (US\$4 million) build-up of gold-in-circuit while the December quarter included A\$5 million (US\$5 million) gold-in-process drawdown.

Operating profit decreased from A\$52 million (US\$48 million) in the December quarter to A\$44 million (US\$39 million) in the March quarter due to lower gold sold partially offset by the higher gold price received and lower net operating costs.

Capital expenditure increased from A\$19 million (US\$18 million) in the December quarter to A\$23 million (US\$21 million) in the March quarter with additional capital development at the New Holland mine and additional exploration activity.

All-in sustaining costs and total all-in cost per ounce increased from A\$998 per ounce (US\$929 per ounce) in the December quarter to A\$1,147 per ounce (US\$1,025 per ounce) in the March quarter mainly due to the lower gold sold and increased capital expenditure, partially offset by lower operating costs.

Darlot

March

2014

Dec

2013

Gold produced

- 000'oz

22.9

19.7

Yield

- g/t

4.96

3.88

All-in sustaining costs

- A\$/oz

1,203

1,169

-

US\$/oz

1,075

1,132

Total all-in cost

- A\$/oz

1,203

1,169

-

US\$/oz

1,075

1,132

Gold production increased by 16 per cent from 19,700 ounces in the December quarter to 22,900 ounces in the March quarter mainly due to an increase in head grade processed and a reduction of gold-in-process.

Ore mined from underground decreased from 153,000 tonnes to 141,000 tonnes but head grade increased from 4.46 grams per tonne in the December quarter to 4.96 grams per tonne in the March quarter. The increased head grade reflects the continued focus on mining only those ounces that produce a margin.

Tonnes processed decreased from 158,000 tonnes in the December quarter to 144,000 tonnes in the March quarter. The yield increased from 3.88 grams per tonne to 4.96 grams per tonne with the higher

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yield due to higher grades mined and a reduction of gold-in-process.

The lower yield in the December quarter was due to a build-up of gold-in-circuit in the December quarter.

Net operating costs, including gold-in-process movements, increased from A\$21 million (US\$20 million) in the December quarter to A\$24 million (US\$22 million) in the March quarter. The increase was the result of a gold-in-process charge to cost in the March quarter compared with a gold-in-process credit to cost in the December quarter.

Operating profit increased from A\$6 million (US\$6 million) in the December quarter to A\$9 mil