

1.4 Our business model – Unlocking the value of gold

The untapped value inherent in a gold-containing ore body can only be accessed through the input and collaboration of a number of different stakeholders. While Gold Fields has the expertise, the financial and human resources as well as the technical experience to mine gold, we recognise that we cannot do so without the financial backing of investors, the relevant licences from governments, the consent and buy-in from neighbouring communities, sufficient access to water and energy, the services of a range of suppliers and contractors, and the skills and manpower of our people.

Only when all of these fundamentals are in place, is accessing the ore body feasible. It is at this point that Gold Fields' expertise really comes into play. As experts in mechanised gold mining, we are best positioned to extract maximum value from what we recognise to be national assets and deliver it to our stakeholders.

The mining cycle – from exploration right through to mine closure – is made optimally effective by the business' strategic imperatives that seek to deliver maximum value through safe gold extraction. Our 2014 strategic focus areas were:

1. Drive safety and the goal of Zero Harm
2. Focus on a 15% free cash flow margin at a gold price of US\$1,300/oz
3. Proactive portfolio management – clean up portfolio and divest non-core assets
4. Growth through value accretive acquisitions and near-mine exploration
5. Strengthen the balance sheet and reduce debt
6. Pay dividends of between 25% and 35% of normalised earnings
7. Deliver South Deep
8. Maintain social licence to operate.

In mining our assets we also take into account a range of local and global risks. The top 10 risks for the year were (further detail can be found on p50 – 51):

1. South Deep – Failure to deliver the business plan and loss of investor confidence
2. Lower gold price and volatility
3. Non-achievement of a 15% free cash flow margin at a gold price of US\$1,300/oz
4. Replacing mineral resources and reserves at international operations

5. Loss of "social licence" to operate
6. Regulatory uncertainty and litigation
7. Security of power supply and cost of energy
8. Non-compliance with the Mining Charter in South Africa and its Social and Labour Plans (SLPs)
9. Labour relations/wage negotiations
10. Safety and health of our employees

We remain acutely aware of our responsibilities to our investors, our communities and our employees. Our commitment to these three critical stakeholder groups is upheld in our Investor, Society and Community and Employee Charters. By adhering to the Gold Fields Values of Safety, Responsibility, Honesty, Respect, Innovation and Delivery we seek to honour these commitments. Living the Gold Fields Values also ensures that we achieve our goal of causing Zero Harm to people, the environment and communities, while delivering maximum value to shareholders. (See Our DNA on p2 – 3).

The extraction of gold – and the generation of cash – is the end result of all our efforts. From this flows a number of outcomes that deliver value to a broad range of stakeholders. On the financial side, shareholders receive dividends, governments benefit from royalties and taxes, and banks earn interest on the debt funding they provide. The economy benefits from the jobs we have created and sustained, the payments we have made to our contractors and supply chain partners, and the raw material – gold – that we send to the refineries and that they distribute to the downstream jewellery industry or financial institutions for investment purposes. Employees receive salaries and, where appropriate, bonuses, and benefit from skills development and training. They also derive job security from working for a strategically fit-for-purpose, sustainable company with a strong balance sheet. Our host communities benefit from the investments we make in infrastructure, education, sanitation, housing and healthcare as well as our Shared Value projects.

This value, extracted from a previously untapped ore body and delivered to such a broad group of beneficiaries, is considerable. However, we recognise that not all of the outcomes of gold mining are value-adding. Mining waste and CO₂ emissions represent the consequences of mining and can have a potentially negative impact on people, communities and the environment. These need to be actively managed and reducing the negative impact of these outcomes is a key component of ensuring that we deliver net value through the extraction of gold.

The end-to-end Gold Fields business model is captured in the infographic on the two pages that follow.

INPUTS

SKILLS AND EXPERTISE

We draw on the manpower, experience and intellectual capital of our people.

EQUITY AND DEBT CAPITAL

The financial capital provided by banks, shareholders and bond holders delivers necessary funding.

WATER, ENERGY AND LAND

These natural capitals are critical to support the mining process.

CONTRACTOR AND SUPPLIER SERVICES

These partners supply the manufactured capital (goods and services) for the development and maintenance of our mines.

GOVERNMENT LICENCES

We are required to meet the regulatory, legal and fiscal requirements of our host governments.

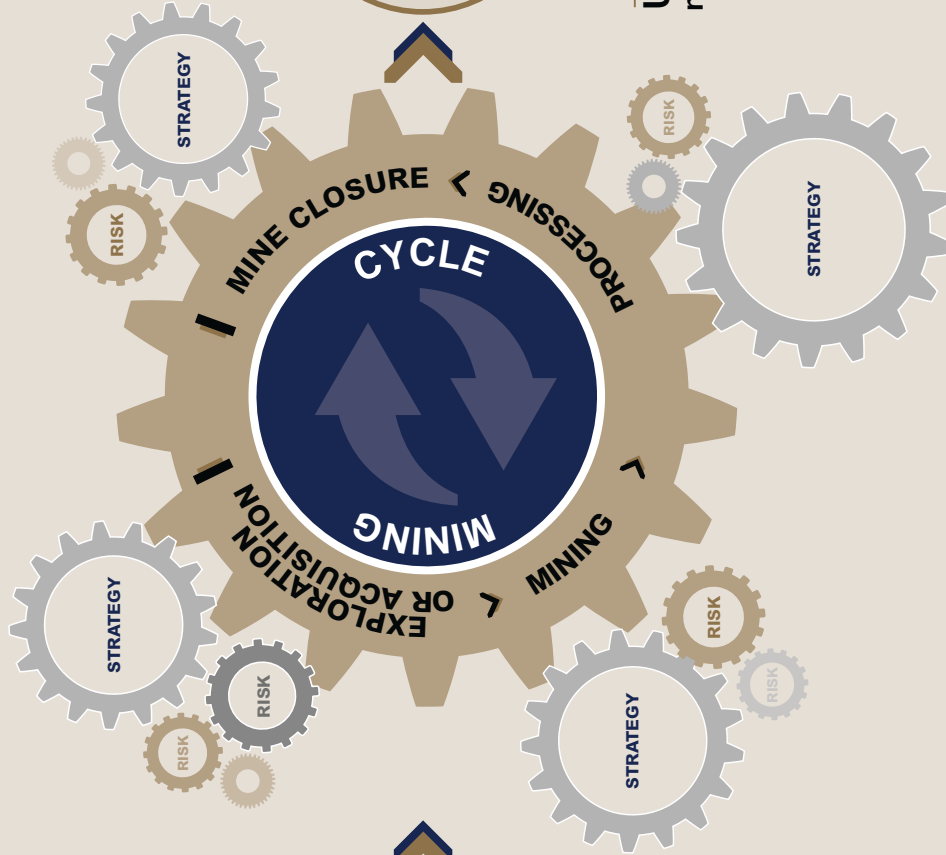
COMMUNITY CONSENT

Community consent – or social capital – ensures we secure and maintain our social licence to operate.

UNTAPPED VALUE

ORE BODY

OUR BUSINESS



OUTPUT



US\$235 million
net cash generated
in 2014

OUTCOMES

US\$194 million Taxes and royalties paid to governments	15 440 Total workforce
US\$13 million Training and development	US\$1.84 billion Payments to businesses and suppliers
US\$105 million Interest paid to financial institutions	R0.40/share Dividends declared to shareholders
US\$16 million Community investment	US\$16 million Community investment
139Mt Mining waste	1,69Mt CO ₂ emissions
30,207Mℓ Water withdrawal	

VALUE DELIVERED, IMPACTS MANAGED