

Gold Fields cuts marginal mines

By [Allan Seccombe](#)

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Fresh from spinning out 1.4-million ounces of production into a new company, Gold Fields has stripped another 100,000oz of gold from its portfolio as it narrows its focus to profitable operations.



"Investors have become increasingly disillusioned with gold stocks which have not delivered the bullish performance that gold has had over the past decade," Gold Fields chief executive, Nick Holland, said on Thursday (14 February).

"We've cut out marginal production that is not giving much of a return at current prices. We're in the business of improving the overall margin per ounce," Holland said delivering Gold Fields' annual results.

"It's going to help us absorb inflation, keep our costs in check and generate more cash in an industry which investors haven't given much attention to in the past five years," he said.

"Our share price has been flat over the past five years even though the gold price has gone up and people are asking where is the growth," he said. "Something new is needed to unblock the value that should be created."

Gold Fields has stopped marginal parts of the operations at St Ives and Agnew in Australia as well as its Tarkwa mine in Ghana.

"It's a radical change for us. we could have kept all those things going but the portfolio would not have been enhanced. It will create supply discipline for us and show we will not be lured by the marginal ounce that in theory will give you incremental value but seldom does," Holland said.

The company is now a 1.9m to 2m ounces a year producer, down from about 3.5m ounces when it still owned the Kloof, Driefontein and Beatrix mines that are now housed in the JSE-listed newcomer, Sibanye, the largest gold producer in SA and one in the global top 10.

Split welcomed

Analysts welcomed the split, saying it had strengthened Gold Fields.

"We view the remainder of its asset portfolio as higher quality relative to its SA peers. We view management's recent actions and rhetoric suggesting a switch from 'blue sky optimism' to 'value focused realism' as a positive change for Gold Fields," Citi Group said in a note on Thursday (14 February).

Gold Fields says it is assessing four greenfield mining projects but will impose much stricter criteria before going ahead with a development.

The South Deep project is Gold Fields' remaining exposure in SA. The new mine, which is fully mechanised and works around the clock will deliver 700,000oz of gold from 2016. The peak capital funding requirement was R2.5bn last year and this year it will taper down to R1.85bn.

"South Deep is being structured for us to get reach breakeven in the second half of this year. That's important for the new Gold Fields because we don't have significant cash generation from the other assets," Holland said.

The Sibanye mines provided the cash to build South Deep in the past.

"The creation of Sibanye would clear the way to any potential consolidation of the gold sector in SA," Holland said. "There hasn't been a company of substance that could be a recipient for asset disposals in the past," he added..

Sibanye's mines are in the Free State and North West.

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