The changing face of a gold investor

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Denver Gold Forum

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Forward looking statement

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In particular, the forward looking statements in this document include among others those relating to the Damang Exploration Target Statement; the Far Southeast Exploration Target Statement; commodity prices; demand for gold and other metals and minerals; interest rate expectations; exploration and production costs; levels of expected production; Gold Fields’ growth pipeline; levels and expected benefits of current and planned capital expenditures; future reserve, resource and other mineralisation levels; and the extent of cost efficiencies and savings to be achieved. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the company to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political 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, exploration and development activities; decreases in the market price of gold and/or copper; hazards associated with underground and surface gold mining; labour disruptions; availability terms and deployment of capital or credit; changes in government regulations, particularly taxation and environmental regulations; and new legislation affecting mining and mineral rights; changes in exchange rates; currency devaluations; the availability and cost of raw and finished materials; the cost of energy and water; inflation and other macro-economic factors, industrial action, temporary stoppages of mines for safety and unplanned maintenance reasons; and the impact of the AIDS and other occupational health risks experienced by Gold Fields’ employees.

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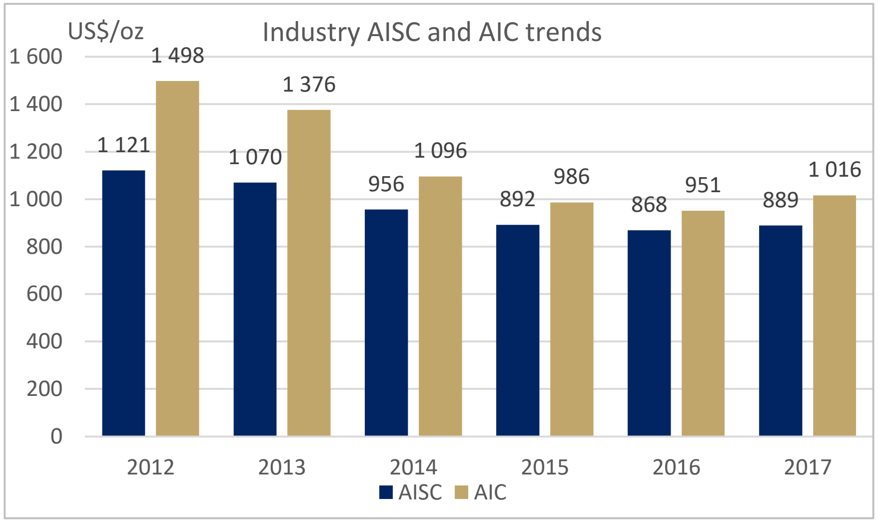
Setting the scene

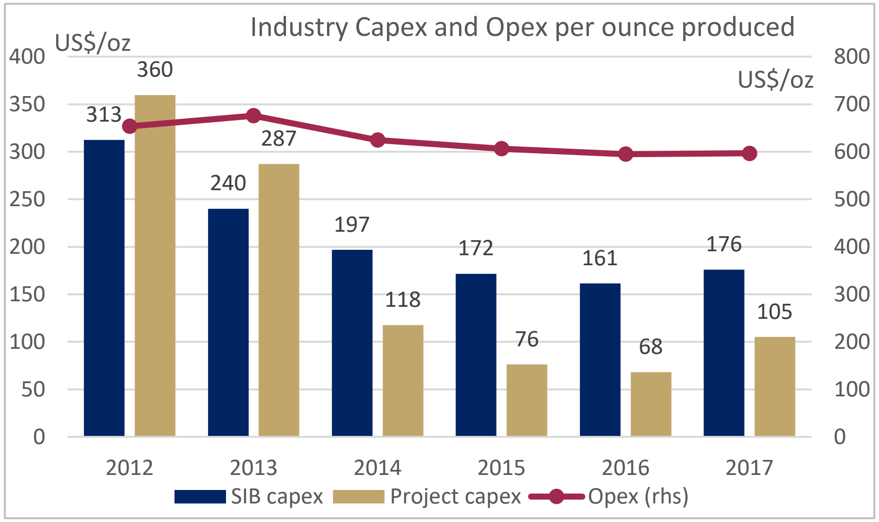
- **Mine production** has peaked
- **Costs** have decreased significantly but appear to have bottomed
- **Capital expenditure** has been a focus area in the cost cutting drive, but has the industry cut too deep?
- **Exploration** has focused on brownfields projects and near-mine development
  - Greenfields exploration all but dried up
- **Funding** is harder to source. Passive/index funds comprise a larger portion of gold companies' share registers
  - As these funds do not provide equity funding, companies have to rely more on internal/debt funding to fund projects or acquisitions

Production peaking, costs bottoming

Source: World Gold Council



Source: Company records



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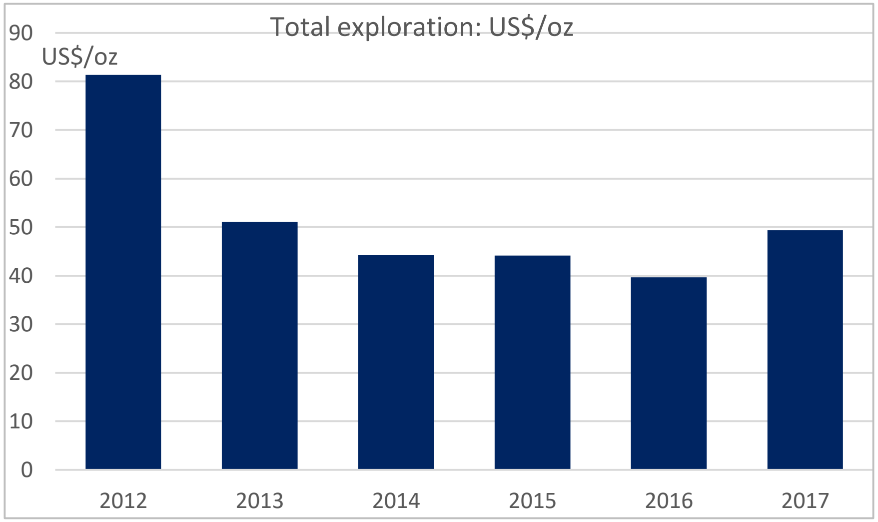
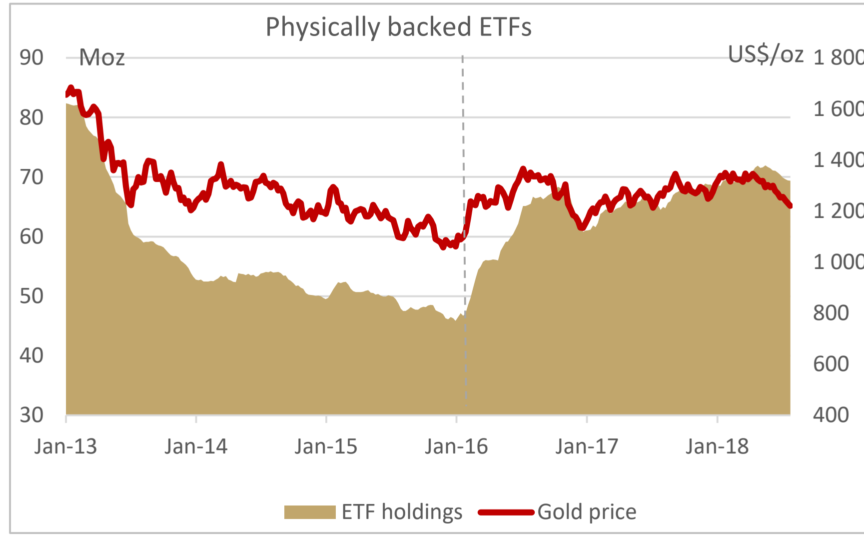


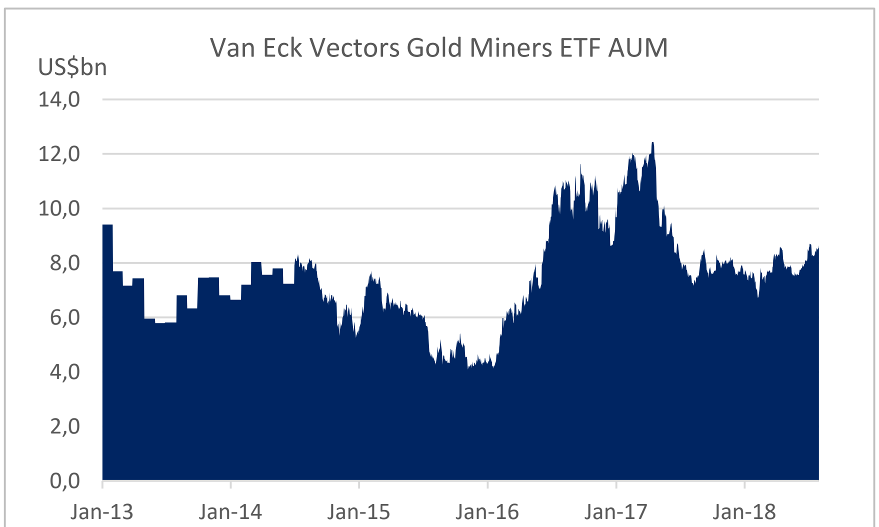
Source: Company records

Alternatives to direct equity investing

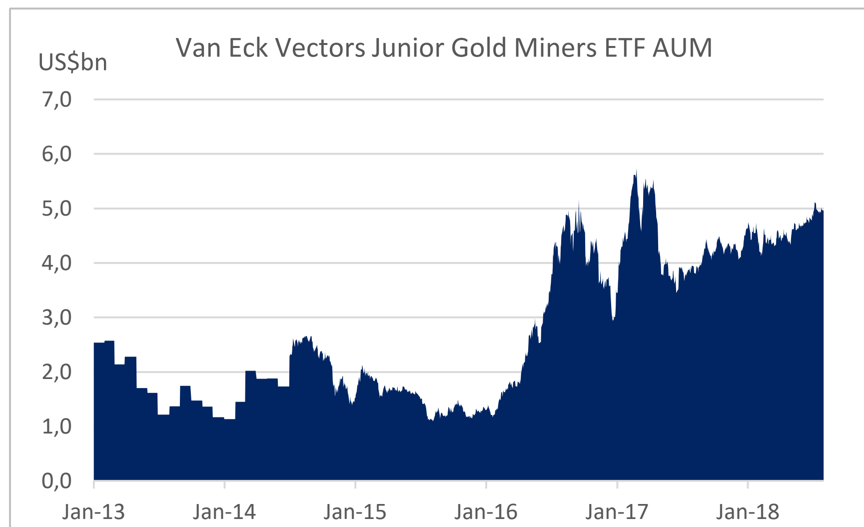
- Alternative gold investment options have grown significantly over the past decade and a half
- Physically backed gold ETFs have grown significantly since inception in 2003
  - There are currently 69Moz backing ETFs, with a value of US$84.6bn (peak of 83Moz and US$143.7bn in 2012)
- Assets under management at gold equity ETFs:
  - Van Eck Vectors Gold Miners ETF: US$8.6bn (peak of US$12.4bn in 2017)
  - Van Eck Vectors Junior Gold Miners ETF: US$5.0bn (peak of US$5.6bn in 2017)



Source: Bloomberg



Source: Bloomberg



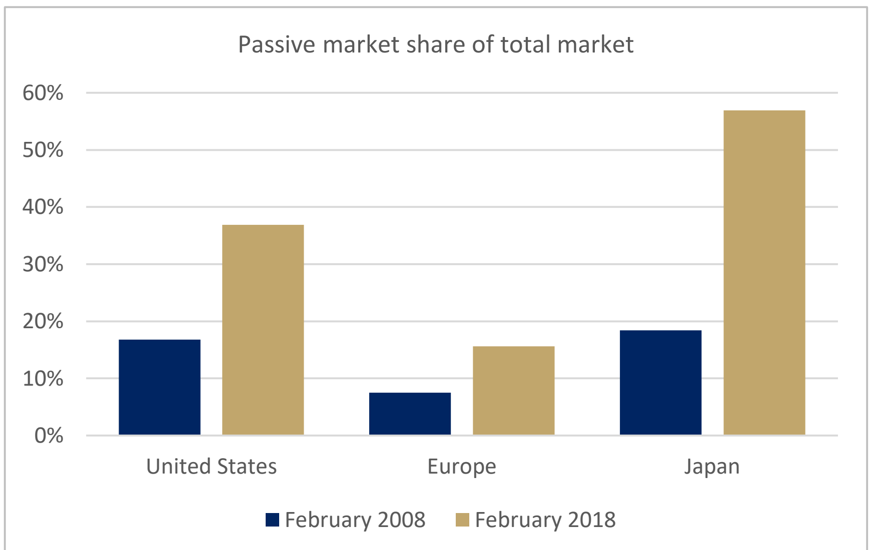
Source: Bloomberg

Changing gold investor landscape

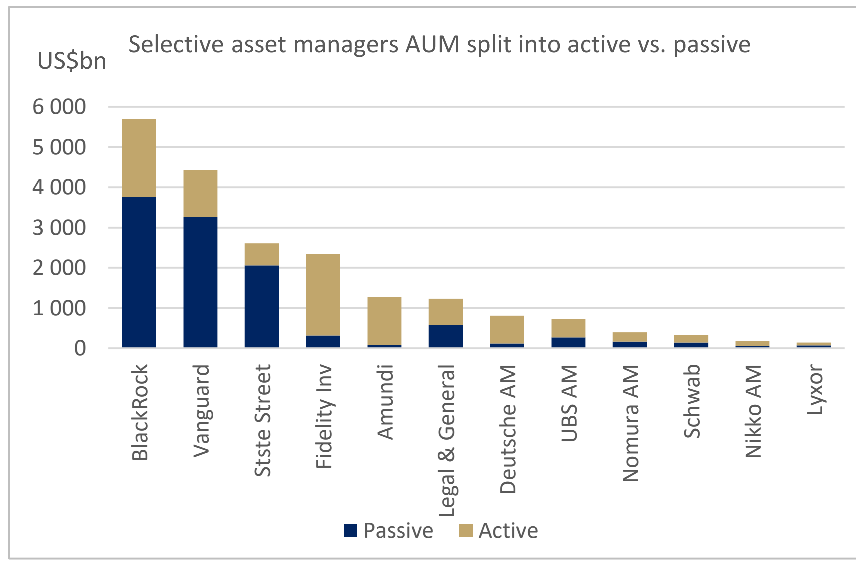
- Five to seven years ago, there were a lot more generalist investors investing in gold stocks
  - Market cap of NA gold companies has decreased to US$130bn from US$250bn seven years ago
  - Far fewer generalist investors showing interest in the sector today (2016 was the exception)
- Passive or index funds now hold a much bigger proportion of the gold sector's free float
- Assets under management at traditional gold funds have fallen almost 40% over the past two years
- Traditional gold investors are being a lot more selective about what stocks they invest in compared to five years ago
  - Investors will own selected stocks as opposed to any and all of them

Changing shareholder landscape: Move to passive

- Passive investing has grown in significance and now accounts for a far larger share of publicly traded assets
- Global assets under management at traditional index funds have grown to US$8.1tn from US$1.8tn 10 years ago
  - This represents 25% of all fund assets, up from 12% a decade ago
- The shift to indexing has been most notable in the US where 36% of funds are passively managed compared to 17% 10 years ago



Source: Morningstar Index Manager Stewardship Study

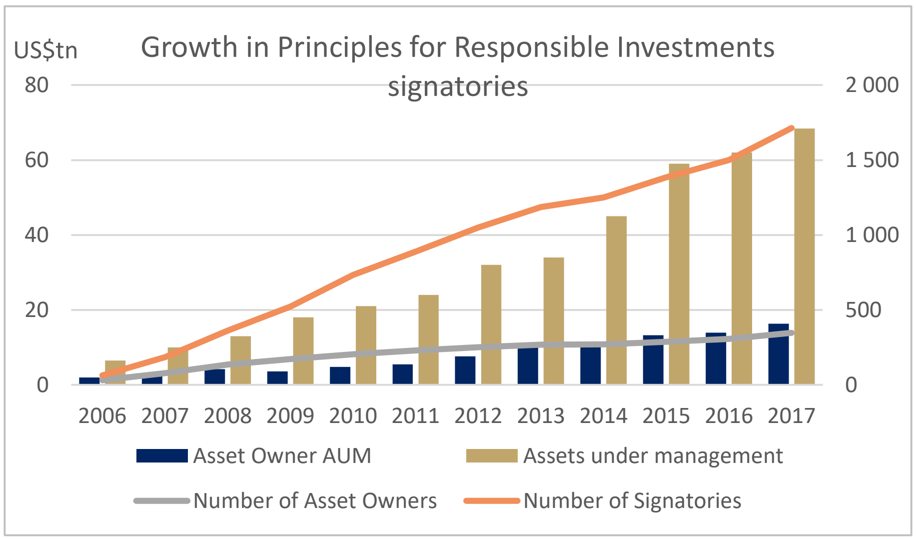


Source: Morningstar Index Manager Stewardship Study

Implications of an increase in passive ownership

What does the increase in index shareholders mean for a gold company?

1. Index managers cannot sell poorly run companies if they fall in the index and therefore tend to hold positions for long periods
2. They have a fiduciary duty to investors to push for change that will increase shareholder value
3. Index managers focus on issues that could impact long-run shareholder returns, including board composition, management compensation and effective oversight and disclosure of relevant risks
4. Shift to index investing has not led to an abdication of stewardship responsibilities
5. Index managers are increasingly committed pushing companies to improve ESG activities

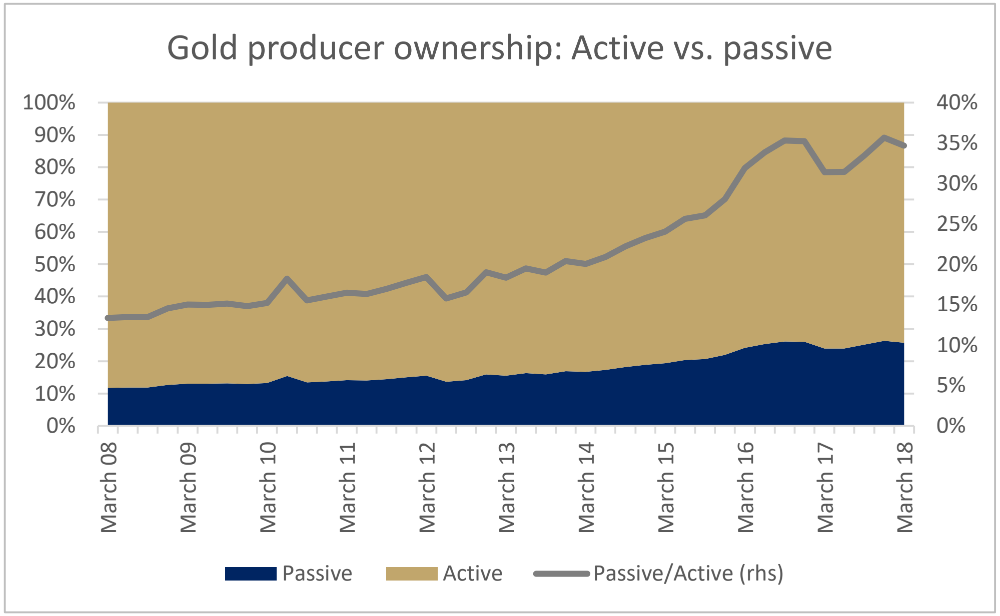


Source: UN Principles for Responsible Investments

UN Principles of Responsible Investments (PRI) signatories commit to be active owners and incorporate ESG issues into their ownership policies and practices

Evolving share registers of gold producers

- Passive shareholding in the top 11 gold companies increased to 26% in Q1 2018 from 12% in Q1 2008
- Over the past 10 years, the ratio of passive funds to active funds invested in the top 11 gold producers has increased from 13% to 35%

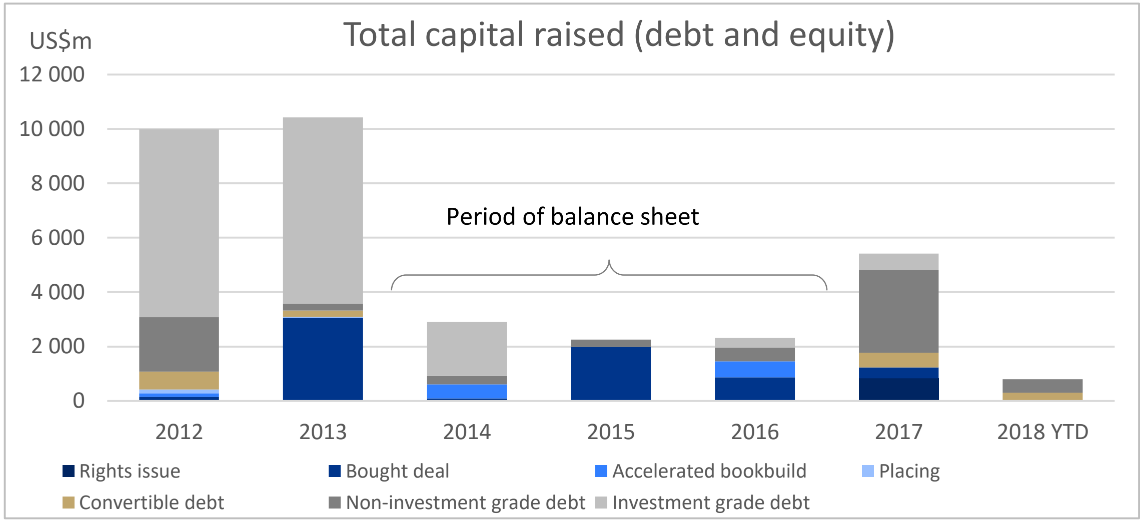


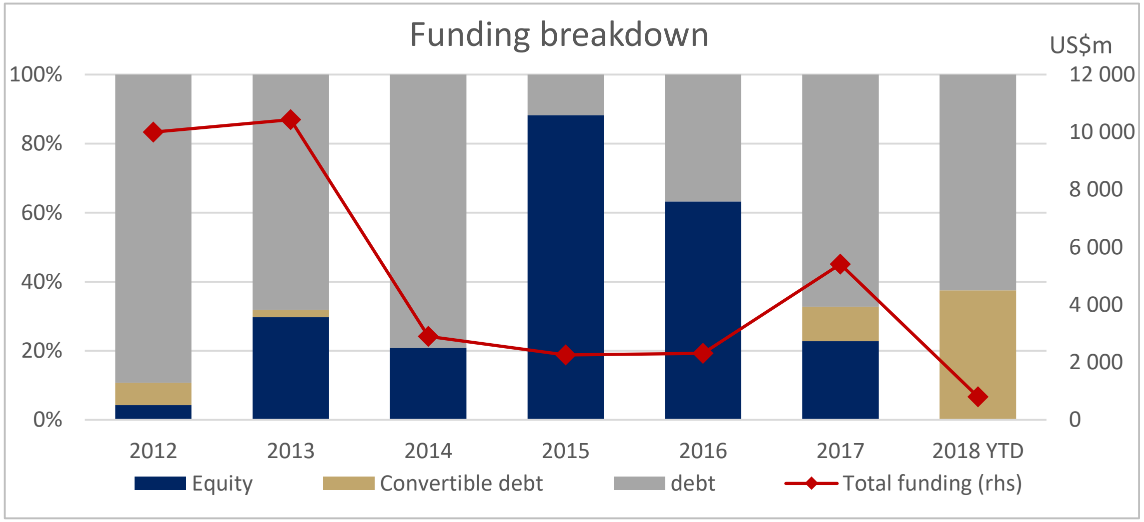
	2008				2018	
Fund Manager	**Active/Passive**	**% Ownership**		**Fund Manager**	**Active/Passive**	**% Ownership**
Fidelity Mgt. & Research Co	Active	8.2%		Van Eck Associates	Passive	8.1%
Capital World	Active	6.0%		BlackRock Inv. Mgt.	Active	6.0%
BlackRock Inv. Mgt.	Active	6.0%		The Vanguard Group	Passive	5.7%
NWQ Inv. Mgt.	Active	4.3%		BlackRock Fund Advisors	Passive	4.3%
Capital Research & Mgt. Co	Active	2.1%		First Eagle Inv. Mgt.	Active	3.9%

Source: BNY Mellon
Gold industry represented by investment in all listings of Barrick, Newmont, Goldcorp, Kinross, Newcrest, Agnico Eagle, Yamana, Eldorado, Gold Fields, AngolGold Ashanti and Randgold Resources

Has the pool of capital been impacted?

- Equity funding does not appear to be as readily accessible as it used to be
  - Despite gold equities appreciating markedly in 2016, the majority of funding used by the producers in 2017 and 2018 has been debt
- Index funds will not provide funding but will look to impact how a company is run through voting and engagement
- Where will producers source capital to fund projects?
  - Debt has been the funding source of choice for gold producers over the past 18 months but this is starting to become more costly – US interest rates have increased 1.5% over the past two years
  - Some producers have ventured into non-traditional funding sources such as streaming deals

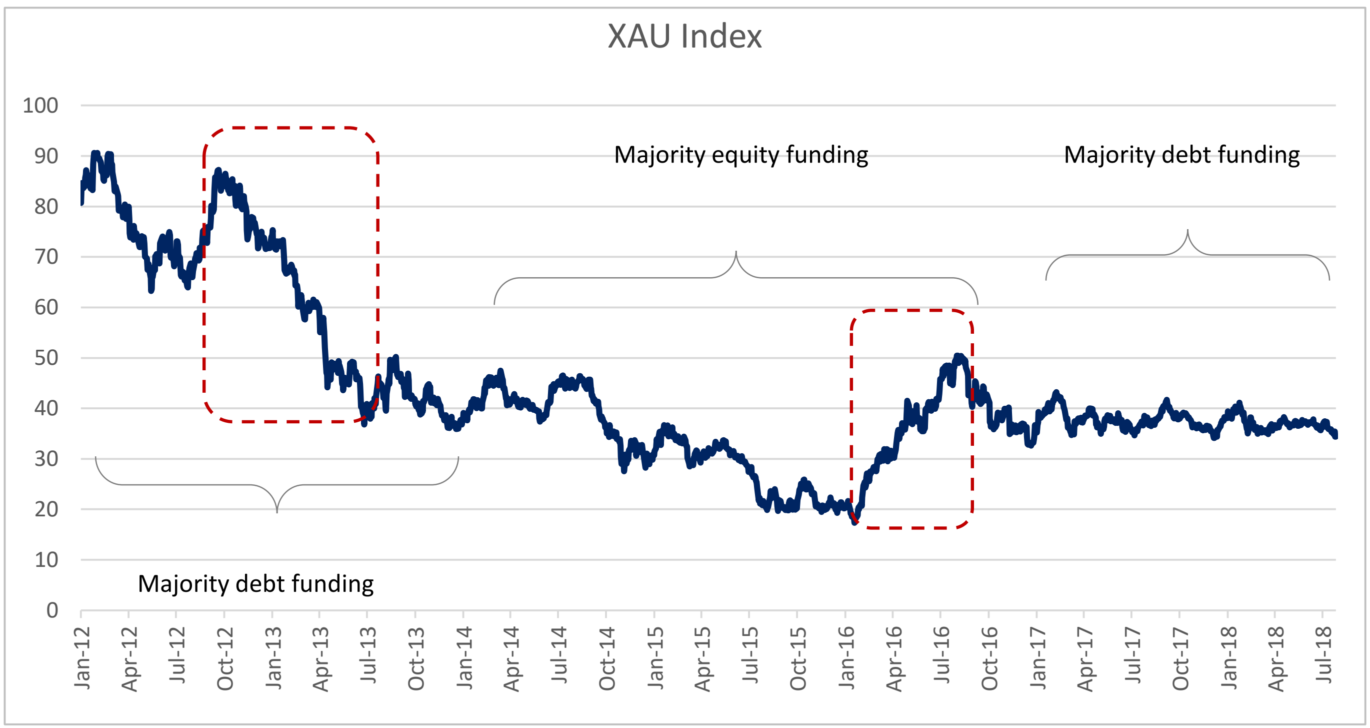




Source: Dealogic, Bank of America Merrill Lynch

Is capital available?

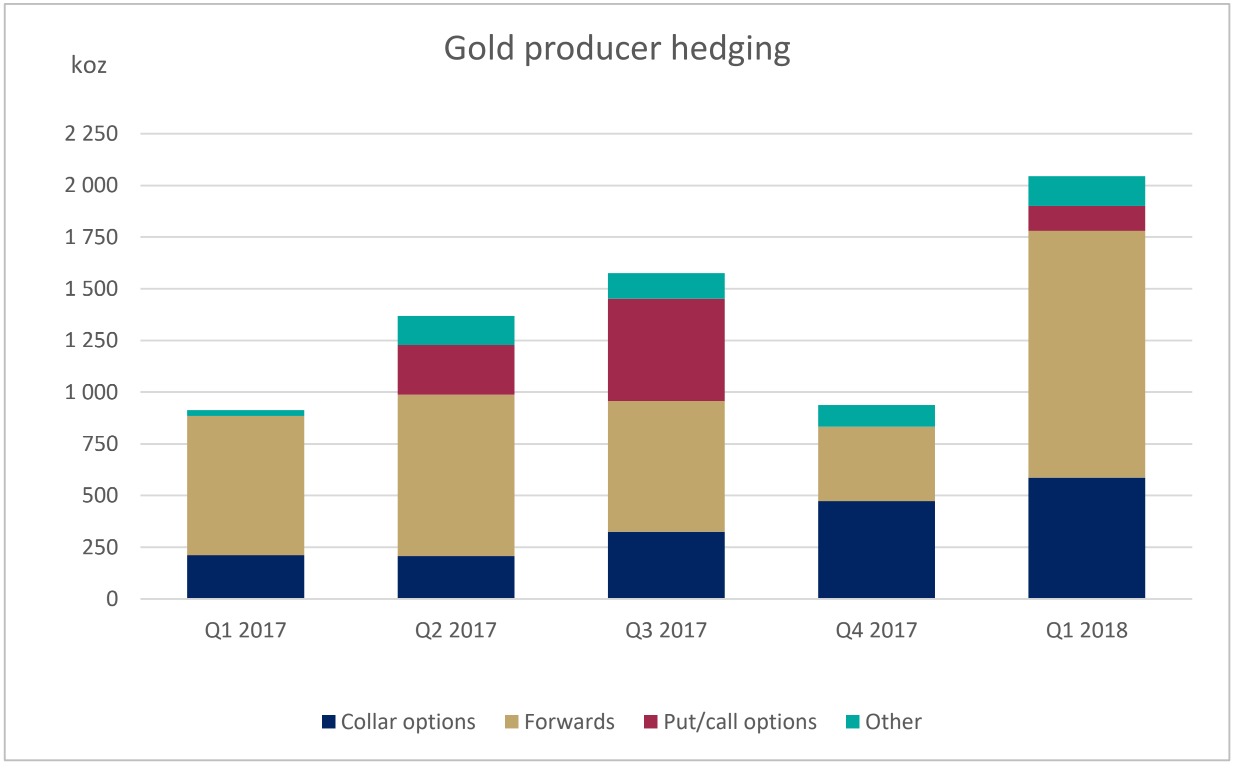
- Counterintuitively, Gold producers have tended to use equity financing after recent periods of share price depreciation, and debt financing after recent periods of share price appreciation
- Is this a sign of the changing market conditions and shareholder profiles?
- What does this mean for how producers meet funding requirements in the future?



Source: Bloomberg

Hedging to manage near term risk

- With gold price volatility and the tighter funding landscape, should judicious hedging be back on the table as a means of managing risk and enhancing risk adjusted returns?
- Given the decreasing availability of equity funding together with the reluctance to take on too much debt, producers are employing short term hedging in order to protect cash flows



Source: Metals Focus

Summary takeaways

Capital is not as easily available to gold producers as it used to be

Gold companies have had to adjust their approach to growth:
- Producers are embarking on smaller, more affordable projects that are scalable
- There has been an increase in collaboration (JVs) – this trend is set to continue

Do gold equities need to become high dividend yield stocks, do we need to change our dividend policies?
- Alternative gold investments such as ETFs continue to grow in popularity. Gold equities need to offer attractive risk-adjusted returns in order to remain a competitive investment proposition

Index funds will have an impact on how companies are managed by focusing on the ESG side of the business

Gold companies need to balance near term cash flow and long term sustainability

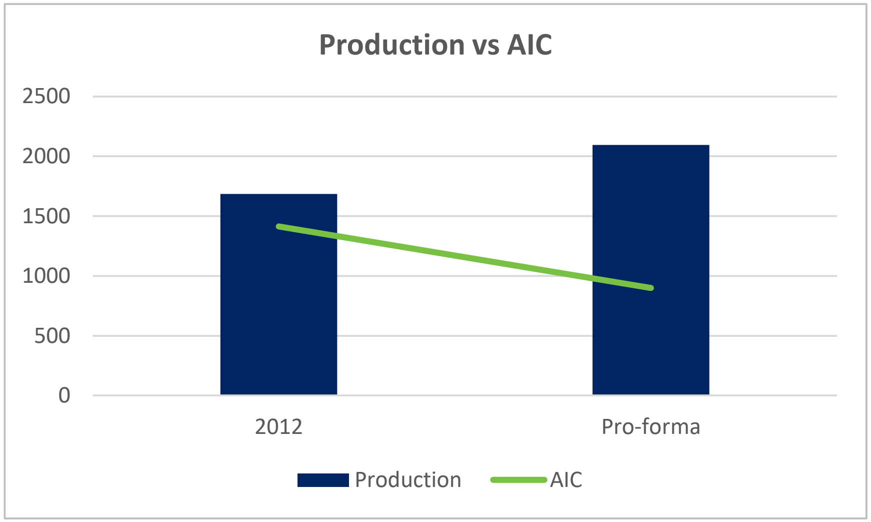
How has Gold Fields adapted

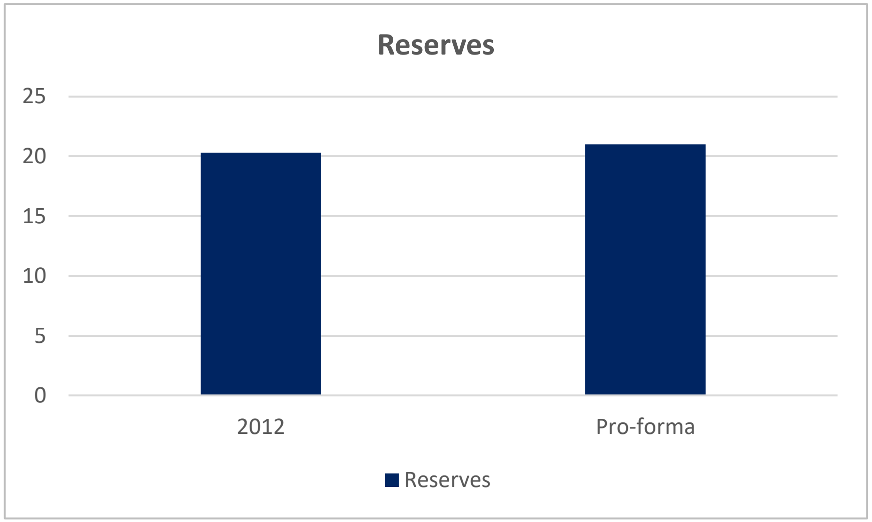
- Strategy changed to focus on cash flow in 2013
- The Group continues to spend capital to sustain operations – c.US$250/oz
- Developing 2 new mines to lower Group all-in costs and improve the quality of the portfolio
- Reaching an inflection point on FCF in H2 2019
- We honour our dividend policy of paying out 25-35% of earnings as dividends
- ESG is fully integrated into the business

Gruyere plant, TSF and stage 1 pit

Damang pit cutback

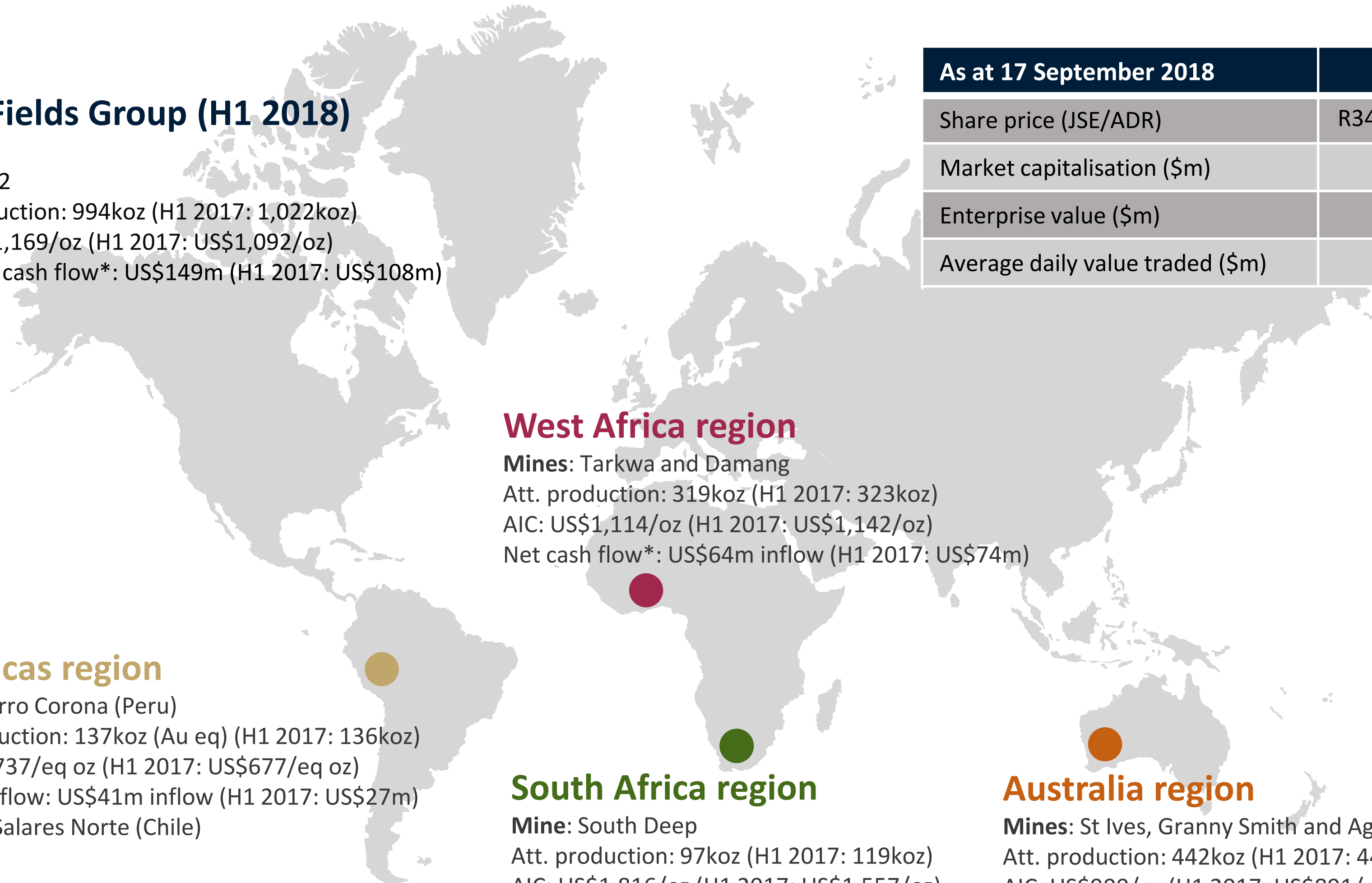
Strong international portfolio





* Pro-forma assumes Gruyere and Damang at full production and reserve at Salares Norte

Gold Fields' global Footprint



Gold Fields Group (H1 2018)

Mines: 7
Projects: 2
Att. production: 994koz (H1 2017: 1,022koz)
AIC: US$1,169/oz (H1 2017: US$1,092/oz)
Mine net cash flow*: US$149m (H1 2017: US$108m)

As at 17 September 2018	
Share price (JSE/ADR)	R34.54/$2.37
Market capitalisation ($m)	1,947
Enterprise value ($m)	3,340
Average daily value traded ($m)	12

West Africa region

Mines: Tarkwa and Damang
Att. production: 319koz (H1 2017: 323koz)
AIC: US$1,114/oz (H1 2017: US$1,142/oz)
Net cash flow*: US$64m inflow (H1 2017: US$74m)

Americas region

Mine: Cerro Corona (Peru)
Att. production: 137koz (Au eq) (H1 2017: 136koz)
AIC: US$737/eq oz (H1 2017: US$677/eq oz)
Net cash flow: US$41m inflow (H1 2017: US$27m)
Project: Salares Norte (Chile)

South Africa region

Mine: South Deep
Att. production: 97koz (H1 2017: 119koz)
AIC: US$1,816/oz (H1 2017: US$1,557/oz)
Net cash flow*: US$42m outflow (H1 2017: US$44m outflow)

Australia region

Mines: St Ives, Granny Smith and Agnew
Att. production: 442koz (H1 2017: 444koz)
AIC: US$900/oz (H1 2017: US$891/oz)
Net cash flow: US$86m inflow (H1 2017: US$60m)
Project: Gruyere

**Before Damang project capital of US$66m and South Deep project capital of US$12m*

Thank you

Questions