Breaking the RESOURCE CURSE

NICK HOLLAND
CEO GOLD FIELDS
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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.

These forward looking statements speak only as of the date of this document. 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 document or to reflect the occurrence of unanticipated events.
In CONSULTATION with
Our operations and projects
WORLDWIDE

PERU
1 mine
307 koz

CHILE
1 project

GHANA
2 mines,
1 JV mine
810 koz

SOUTH AFRICA
1 mine
281 koz

AUSTRALIA
3 mines,
1 JV project
935 koz

Source: Gold Fields
Gold Fields’ operations are in **EMERGING MARKETS AND AUSTRALIA**

**RURAL POPULATION %**

**GDP/CAPITA (US$/Y)**

**HUMAN DEVELOPMENT INDEX¹**

**GOVT EFFECTIVENESS INDEX²**

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¹ UN Human Development Index: 1=Maximum human development; 0=No human development
² Government Effectiveness Index: 2=Complete government effectiveness; 1=Ineffective government

Source: World Bank, UNDP, Index Mundi
Socio-economic profile of Gold Fields’ HOST COMMUNITIES

Gold Fields workforce: 19,000  Our host communities: 435,000 people (of which 195,000 are directly impacted)

A HOST COMMUNITY IS A GROUP RESIDING IN A VILLAGE OR TOWN THAT...

- Is in the vicinity of a mine operation
- Has been directly affected by exploration, construction or operations
- Has a reasonable expectation regarding the duties and obligations of the mine operator

GHANA
- 84,000 people
  - in 20 host communities
- 2 mines – Tarkwa and Damang
- 1 JV – Asanko
- 19 villages and 1 town
- Rural, agricultural economy

SOUTH AFRICA
- 272,000 people
  - in 14 host communities
- 1 mine – South Deep
- Peri-urban
- Unemployment >30%
- 64% of employees live in host-community

AUSTRALIA
- 37,000 people
- 3 mines – Agnew, Granny Smith, St Ives
- 1 JV project - Gruyere
- 5 shires
- 13 aboriginal communities

PERU
- 80,000 people
  - in 7 host communities
- 1 mine – Cerro Corona
- Rural, agricultural economy
- 3 cities and 5 villages
- High levels of poverty
Mining’s contribution is BETTER THAN PERCEIVED

1. Benefits available at country-level and at community-level
2. The bulk of the spending stays in-country
3. The longer mining persists – the more pronounced the impact
4. Mining has positive economic and human development impacts
Mining companies make a significant contribution to our HOST NATION ECONOMIES AND COMMUNITIES

How mines MAKE AN IMPACT on a host country

Source: ICMM, Gold Fields

Mining’s SDL | Nick Holland | October 2018
The majority of value created by gold mining STAYS IN-COUNTRY.

How value from gold mining is distributed (WGC – 2013)

The majority of value created by mining **STAYS IN-COUNTRY**

How value from the top forty global mining companies is distributed (PWC 2017)

- **Community Spend**: 7 US$bn
- **Employee payments**: 96 US$bn
- **In-country supplier spend**: 366 US$bn
- **Government payments**: 54 US$bn
- **Total in-country spend**: 524 US$bn
- **Profits for shareholders**: 54 US$bn
- **Out-of-country supplier spend**: 84 US$bn

Source: ICMM (2016), PWC (2018) and authors’ calculations; approximate revenue flows from Top 40 global mining companies based on revenue allocation for a typical mine. Numbers rounded.
The contribution of mining to a country TAKES EFFECT OVER A GENERATION

The starting point is CORE MINING OPERATIONS

1 – 10 YEARS

Capital investment in mining drives liquidity, job creation and skills development

10 – 20 YEARS

Leveraging mining activities, skills and income develops secondary industries and infrastructure

20 – 30 YEARS

Secondary industries integrate with wider activity to create diverse, robust economies and maximum socioeconomic development

ONGOING IN A GENERATION

MINING’S ECONOMIC MULTIPLIER IS HIGH:

- South Africa 2.5X
- Peru 1.7X
- Ghana 3.2X

JOB MULTIPLIER IS EVEN HIGHER:

- South Africa 9X
- Peru 6X
- Ghana 10X
Gold mining is a major driver of GHANA’S ECONOMY

**MINING IN 2017 CONTRIBUTED:**

- **16%** of government revenue
- **US$ 1.23bn** local procurement spend
- **US$ 2.57bn** of income staying in country
- **70%** of mining revenue
- **43%** of export revenues

**TOP 3 CORPORATE TAXPAYERS** over the past years:

Source: Ghana Chamber of Mines (2017), World Bank
Gold Fields’ Ghana Foundation started in 2004

**COMMUNITY SPEND**

**EMPLOYMENT**

Current workforce of around 7,570 people (8,500 at its peak)

Supporting 70,000 to 100,000 people

Job dependency ratio of 8-15 times

**IN COUNTRY PROCUREMENT**

90% of supplier spend stays in Ghana

25% of supplier spend is now with host community suppliers

**GOVERNMENT REVENUE**

US$1.2bn in taxes paid since 1998

US$100m in shareholder payments to the government

**INFRASTRUCTURE**

Rehabilitated over 100km of public roads

Upgrading Tarkwa-Damang road for US$22m

Connected communities to the energy grid
Mining’s contribution to WELFARE AND DEVELOPMENT in resource rich countries

Very Poor Countries:
- DRC
- Mozambique
- CAR

Breaking Out:
- Ghana

Middle Income:
- South Africa
- Peru

Wealthy Countries:
- Chile
- Australia

HDI
- 0.2
- 0.3
- 0.4
- 0.5
- 0.6
- 0.7
- 0.8
- 0.9

GDP/capita
- 500
- 1000
- 2000
- 4000
- 8000
- 16k
- 32k
- 64k
- 128k

Mining’s SLO | Nick Holland | October 2018
Countries with mining activity (MDCs) are developing BETTER THAN THOSE WITHOUT

Percentage of UN Sustainable Development Goal measures that have improved (1995 – 2015)

Mining dependent countries (MDCs) (Mining rent’s contribution to GDP >10%, or mining constitutes >20% of exports)

Non-Resource dependent developing countries (Mining rent’s contribution to GDP <10%, or <20% of exports)

Affordable and clean energy | No poverty | Clean water and sanitation | Decent work and economic growth | Peace, justice and strong institutions | Quality education | Industry, innovation and infrastructure | Gender equality | Reduced inequalities | Zero hunger | Good health and wellbeing | Overall

Source: ICMM (2018)

Resource rents are the surplus profits generated (revenue above economic costs) through the extraction of resources.
If this is all so great, why do we STILL HAVE A PROBLEM?

1. Mining still has a **negative perception**
2. Conflict is **increasing**
3. Weak governance in host countries **offsets** our positive effects
Mining continues to have a NEGATIVE PERCEPTION

- Environmentally polluting
- Ignoring community needs
- Destabilising communities
- Enabling corruption
- Fuelling conflict
- Leaving clean-up to others
Mining related conflicts are RISING

Mining-related conflict incidents worldwide and global political risk

MINING-RELATED CONFLICT INCIDENTS

TOTAL CONFLICT INCIDENTS WORLDWIDE

1 - Excludes Afghanistan, Yemen, Syria, Iraq and India (recent inclusion)

Source: ICMM, ACLED (Armed Conflict and Event Location and Event Data)
CONFLICTS NEGATIVELY AFFECT miners, governments and communities

YAMANA GOLD 2002 - 2006

US$379m asset write down
US$1.33bn in projected reserves undeveloped

• Anti-mining protests by the community
• Fears sparked about water supplies

NEWMONT 2010 - 2016

US$1.5bn capex lost
US$6.5bn projected reserves undeveloped

• Community conflict directly with the mine
• Aggravated by water rights and political interests

RIO TINTO 1989 - 2016

US$24bn in projected reserves undeveloped
US$5bn restart cost

• Severe issues with tribal conflict in remote areas
• Aggravating environmental issues
• Local government overlooked
## MINING RELATED FACTORS DRIVING CONFLICTS

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## THE THINGS RESPONSIBLE MINERS DO TO MITIGATE CONFLICTS

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<td>Humanitarian support at times of crisis</td>
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Even as we work to reduce conflict, MINING OPERATIONS CAN MAKE THEM WORSE

Source: Gold Fields, International Red Cross

Even as we work to reduce conflict, MINING OPERATIONS CAN MAKE THEM WORSE

Illegal mining revenue used to fund conflicts
Mining companies working outside the spirit of the law
Environmental damage and unrehabilitated sites
Mining used as a channel for corruption
Transient workers and operations destabilising and displacing communities
Increased exchange of information
Internet availability
International groups exchanging campaign information globally

Community engagement
Expectation setting
Community employment
Development investment
Humanitarian support at times of crisis
Mediation between parties
Co-operation with governments and multilateral organisations
Industry standards (Conflict-free gold standard, LBMA gold refinery standard)
Industry collaboration (ICMM)
Contribution to conflict resolution initiatives

Source: Gold Fields, International Red Cross
WEAK GOVERNANCE is seen in many resource-rich countries

Resource governance index results for mining resource dependent countries (2016)

<table>
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<th>Country</th>
<th>Index Score</th>
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<td>Chile</td>
<td>81</td>
</tr>
<tr>
<td>Australia</td>
<td>71</td>
</tr>
<tr>
<td>Peru</td>
<td>62</td>
</tr>
<tr>
<td>Botswana</td>
<td>61</td>
</tr>
<tr>
<td>South Africa</td>
<td>57</td>
</tr>
<tr>
<td>Ghana</td>
<td>56</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>56</td>
</tr>
<tr>
<td>Niger</td>
<td>54</td>
</tr>
<tr>
<td>Bolivia</td>
<td>54</td>
</tr>
<tr>
<td>Zambia</td>
<td>50</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>47</td>
</tr>
<tr>
<td>Congo</td>
<td>39</td>
</tr>
<tr>
<td>Guinea</td>
<td>38</td>
</tr>
<tr>
<td>Mauritania</td>
<td>29</td>
</tr>
</tbody>
</table>

More able to look after their populations: Chile, Australia, Peru, Botswana, South Africa, Ghana, Kazakhstan, Niger, Bolivia, Zambia.

Less able to look after their populations: Papua New Guinea, Congo, Guinea, Mauritania.
Our host countries’ GOVERNANCE VARIATES GREATLY ACROSS LEVELS OF GOVERNMENT

**Peru**
- **Central government**: Highly under-resourced
- **Regional government**: Moderately functional, but easily influenced
- **Local government**: Good capability, gaps in execution

**Ghana**
- **Central government**: Rising capacity, but mixed transparency
- **Regional government**: Weak, co-ordinating functions only
- **Local government**: Fragmented, under-resourced

**South Africa**
- **Central government**: High aspiration, mixed capacity
- **Regional government**: Moderately functional, limited resources
- **Local government**: Largely unstable

**Australia**
- **Central government**: Highly functional
- **Regional government**: Highly functional
- **Local government**: Highly functional

Source: Gold Fields’ experience, IMF analysis
How can we change this?

1. Engage with central governments over the mining lifecycle
2. Build governance capacity in central governments
3. Collaborate with local governments and communities
4. Create community value

Source: Gold Fields
WE MATCH OUR ENGAGEMENT to the level of development and governance

Early resource dependence

- Lower capability
- Suspicious, zero sum negotiations

Established resource economy

- Capability rising
- More sophisticated tactics and contracts
- Periodic instability

Diversified economy

- Formal engagements
- Advanced incentives
- Still open to capture

Central government

- Lower capability
- Suspicious, zero sum negotiations

Local government and community position

- Host communities fear change
- Local government absent or ineffective

- Communities engaged
- Some social benefits
- Local government can be slow to catch up

- Communities develop beyond the mine
- Mining “just another corporate activity”

Gold Fields’ engagement strategies

- Promote government capacity
- Transparent reporting
- Build trust with all stakeholders
- Infrastructure investment

- Work within social framework
- Strong governance
- Strong community, government engagement
- Fill local service, infrastructure gaps

- Support royalty, tax transfers
- Support skills, SME development
- Focus on sound closure

Source: Blavatnik School of Government, Natural Resource Governance Institute, ICMM, Gold Fields experience

Mining’s SLO | Nick Holland | October 2018
Host governments can create an **ENABLING ENVIRONMENT** matched to the mining life cycle.

- **MINING ACTIVITY**
  - Exploration: 1-10 years or more
  - Site design and construction: 1-5 years
  - Operation: 2-100 years
  - Final closure and decommissioning: 1-5 years
  - Post-closure: A decade to perpetuity

- **GOVERNMENT REVENUES**
  - Progressive rehabilitation

- **COMMODITY PRICE CYCLE**

**Government exploration incentives to promote investment**
**Further incentives and support during construction**
**Tax and royalty payments matched to the mining cycle – flexible participation**
**Reduced payments – conversion to environmental and social management**
**Controlling long-term environmental and social effects**

Source: ICMM

Mining’s SLO | Nick Holland | October 2018
Central government engagement is a story of CAPABILITY AND PARTNERSHIP

<table>
<thead>
<tr>
<th>GOVERNMENT CAPACITY NEEDS TO BE BUILT</th>
<th>PARTNERSHIPS ARE POSSIBLE IN CERTAIN AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMPANIES NEED:</strong></td>
<td><strong>IN AREAS OUTSIDE CONFLICTS OF INTEREST:</strong></td>
</tr>
<tr>
<td>• A <strong>reliable</strong> negotiating and contracting <strong>partner</strong></td>
<td>• Wider <strong>national development priorities</strong>: health, employment, skills and overall growth</td>
</tr>
<tr>
<td>• <strong>Predictability</strong> regarding decision-making and legislative processes</td>
<td>• <strong>Infrastructure</strong> provision: roads, rail, power and water</td>
</tr>
<tr>
<td>• Capability in <strong>economic analysis and legal structuring</strong></td>
<td>• Trade policy and export <strong>promotion</strong></td>
</tr>
<tr>
<td>• Collaborative development between <strong>central government, local government and communities</strong></td>
<td>• Value chain <strong>upgrade and local manufacturing</strong></td>
</tr>
</tbody>
</table>

**THIRD PARTIES CAN PLAY A VITAL SUPPORTING ROLE**

- Training government officers
- Sharing best practice policies
- Translating positions
- Identifying projects
- Convening engagements
- Structuring co-operation

Source: Blavatnik School of Government, Natural Resource Governance Institute, ICMM, Gold Fields experience
OUR LICENSE TO OPERATE rests on combined central and local support

**CENTRAL GOVERNMENT**

Sets the operating framework:
- With reasonable capability
- Political support
- A development agenda

But is remote:
- Far from the affected people
- With far wider interests and priorities
- Has acute national finance issues

**LOCAL GOVERNMENT**

The community counts:
- Knows what it needs
- Understands what works
- Controls access to the area and even the mine
- Limited resources

Has difficulty governing:
- Limited capability
- Staff shortages
- Acute local development needs
- Unstable populations

Royalty payments do not always get back to the host community
starting to enable more transparent revenue flows to host communities

IMPLEMENTATION STATUS
- Yet to be assessed against the 2016 Standard
- Satisfactory progress
- Meaningful progress
- Inadequate progress/suspended

LEVERS TO ENABLE GOOD ROYALTY FLOWS
- Consistent tax, royalty payment reporting by companies
- Matching government and company reported funding
- Systems to ensure revenue flows from centre to regions
- Systems to ensure distribution of funds to community projects

BUT:
- Revenue flow from the centre to regions is mixed
- Regions, cities have poor track record of distribution
- Not enough countries are signed up
- Transparency is not yet high enough

Source: EITI
Focus on VALUE CREATION IN HOST COMMUNITIES

Host community procurement creates community jobs and supply opportunities

- Support areas where community suppliers can participate
- Identify community suppliers with ability to supply the mine
- Provide skills development to close capability gaps

Host community employment maximises local opportunities

- Build skills base in community workforce through education, bursaries, etc
- Make community the first option for hiring staff
- Encourage contractors/suppliers to employ from the community

Community investment drives integrated development

- Balanced across services (health, education), enterprise development and infrastructure
- Matched to capacity and development needs of communities
- Shared Value projects benefit both communities and our mines

Source: International Growth Centre, Blavatnik School of Government, ICMM, Gold Fields experience
GOLD FIELDS’ TOTAL VALUE CREATION (Q1-Q3 2018 ANNUALISED)

- Host community spend: US$647m = 23% of total value creation, 27% of total in-country value creation

1) 43% of workforce excluding corporate office; 2) 88% of procurement is from in-country suppliers; 3) 28% of in-country suppliers are from host communities
SUMMARY TAKEAWAYS

Mining companies are already enabling development in our host countries and host communities. More needs to be done.

Breaking out of the resource trap to create diversified economies depends on good, sound governance at all government levels.

Managing our tax, royalty revenues from central governments through to local spending builds capability, trust and stability at all levels.

We need to work with host communities to close some big gaps in funding, economic wellbeing service delivery and quality of life.

Getting this chain right enables communities and countries to develop and secures our mining and social licenses to operate during and beyond the mine life.
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