



GOLD FIELDS



Speaker

Narrative

Nick Holland

Good morning everyone. I hope that you've had a chance to see the media release we put out almost an hour ago on South Deep. As you can see there are three key thrusts that we want to communicate to you today. The one is that we've had two fatalities fairly close to each other, one on the 17th May and another one on the 27th May. That has obviously had a knock-on effect on the operation, which had been fatality-free for almost 14 months prior to that.

And as you can see in the press release we've been issued by a Section 54 order by the Department of Mineral to cease all workshop-related activities underground. And the workshops of course are integral to the operating plan in terms of making fleet available, fuelling fleet etc. So in essence that has brought the operation to a standstill.

And we are working very hard to do all of the necessary work, including a full assessment of the accidents, the remedial measures, making safe, and then we will be presenting our response to the DMR hopefully within the next few days. These two fatalities essentially have significantly curtailed operations for the last 13 days up to today. So that's the situation on the fatalities.

And unrelated to that, but linked in the sense that they are both safety issues, we have been looking across the mine with the new team that has come in from Australia over the last few months. Part of their mandate in turning South Deep into a world-class operation is obviously to look at all of the work practises, everything that we do across the mine, and that would include safety.

They have highlighted the fact that we've got a backlog of ground support in the ramps and the haulages. The ground support includes the galvanized steel mesh that is on the hanging wall and on the side walls, as well as split sets and anchors that are installed.

Now, we've known that we've had a backlog in what we call secondary support, which is reinforcing the primary support over time. And we have been catching that up over the last couple of years. But in the recent review I asked specifically to see what the status of the secondary support is. I went underground last week and inspected many of the areas.

The view that we've come to, and certainly what I've come to, is that certain parts of the area, where the ground support is behind schedule or missing completely, is unsafe in my view. Unfortunately a lot of these areas are areas where people move backwards and forwards to access the workings. And there are four main ramps that are principally affected.

It's not a huge amount of support. It is about 1,000 linear metres. But it is occurring in areas that are in what I call key arterial routes between the shaft and the working areas. And so the decision that I've taken in the interests of safety, in consultation with the board and with the mine, is that we have to shut these areas down immediately. We can't continue letting people transfer through these areas until we fix them.



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Now, how long is it going to take us to fix it? We said that it's likely to be three or four months in the press release. We are tackling it as a high priority area. And we are working through each corridor, so as each corridor is fixed we can release that area back to production after it has been properly checked. Then we can resume operations there.

So the question is why has it been allowed to happen? It is a function of a couple of things. Firstly, we've got a new team in, and their mandate is to get us to world-class best practise in underground mechanised mining.

Secondly, and I have been alluding to this a number of times over the last month, we are concerned about the skills level on the mine, the mechanised mining skills. And it is clear now that that skills gap has manifested itself not only in poor production techniques but also in terms of safety practises. And maybe a lot of it is because of ignorance. So those are the main factors that have contributed to this.

So we've known that there has been a backlog of secondary support. That's not a new thing. And the mine has been catching up on it, and they're got a plan to do that. But what has come to the fore for me and for the board is that in certain areas the lack of that secondary support is at a point where I just don't deem it safe.

We now have got to have a stop and fix. You know my manta on safety, all of you. I've always said that if we can't mine safely we won't mine. This is an area where we've actually got to stop and we've got to fix. This is not the first time we've done this. Six years ago we stopped Kloof 4 shaft for seven months because we were not happy with the state of the buntons and the dividers in the shaft. It was a stop and fix. This is a stop and fix.

We've just got to get on and do it. It is a painful impact in the short term, but we're hoping to be through this in three or four months, and then we can get people back to production, safe production of course, and take it from there.

I said there were three thrusts in this release. The third thrust deals with the initial findings of the Australian team, backed by the regional management in South Africa, namely that we've got too much equipment and people. We're actually over-capitalised in terms of both, even for full production. We've probably got more people and equipment than what we will need even for full production. That is the initial finding.

So that is causing congestion in the workshops. It is causing a congestion issue underground as equipment tries to complete with each other for use of the ramps and haulages. And we need to deal with that. I think the equipment part is the easier part. We can actually take equipment out the mine. We can park it up. I guess the one silver lining in all of this is that that this will help us to defray future capital on equipment replacement.

The more challenging issue is how we deal with the people issues. And we are in discussions. We have engaged with the unions. It is obviously a



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<p>Anna Mulholland, Deutsche Bank</p> <p>Nick Holland</p>	<p>sensitive engagement and discussion, and I can't give you any feedback at this stage as to where that is. I just wanted to alert you that that engagement is taking place. And we will keep you updated as soon as we can try and find what I hope would be an agreeable solution to that issue.</p> <p>So that is where we stand. As I say, on the fatalities we are hoping to have our hearing in the next few days. I can't tell you what the response will be from the DMR. We will have to see. This will dictate any future action. We obviously want to get that behind us first and foremost, make sure that we've made all the areas safe and put all the remedial action in place.</p> <p>And then, concurrently with that, we've got teams working as we speak in dealing with this critical backlog of ground support. So with that I will open it up for any question that you might have.</p> <p>Two questions please. The first in terms of the three to four months that you think it is going to take to fix up the unsafe areas. You were talking about a deferral of about 1,500kg of production. How quickly do you think you can make that back up? You haven't moved your group guidance for production for this year. I think that you're implying that you're going to make it back up from your other mines. When do you think that comes into the South Deep run rate? And the second question is around the cost of making safe. So how much on the capital side or operating cost side do you think this is going to be?</p> <p>On the first question. We have now downgraded the guidance on South Deep effectively by another two tonnes of gold, half a ton on the impact of the fatalities and 1,500kg on the outcomes of the safety review. We're saying that this year we are not going to be able to achieve two tonnes relative to where we were. Obviously these are areas that are in the current mine. Now, in the current mine we have extensive areas that are developed and opened up like these.</p> <p>So in time we should be able to bring these back. Let's assume in three or four months we've done all this work. We won't just wait then to get back to these areas. We will get back incrementally. We will do it on a corridor by corridor basis. So if we can get the secondary support fixed in one of the higher grade corridors, say corridor three, we might be able to get back into production in that area within a matter of weeks. And then we tackle one of the other corridors, and so on.</p> <p>This is not a loss of production. If we don't get these areas mined this year we will almost certainly get them mined next year. They will either happen in the latter stages of this year and will remain in the forecast for this year, or alternatively and more likely they would fall into next year. As always these areas tend, for whatever reason, to be the higher grade areas that we tend to lose. The grades in some of these areas are higher than the average grades for the operation.</p> <p>In terms of the cost of rehabilitation I don't really have specific numbers on what it is going to cost us for all of the ground support. Paul (Schmidt, CFO),</p>



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<p>Paul Schmidt</p>	<p>do you want to comment.</p> <p>As Nick said in his introduction, there was a lot of secondary support backlog already in the budget. Obviously we are bringing some of this expenditure forward from the years 2015 and 2016 when it was originally budgeted. We haven't finalised the numbers yet on what it will be over and above what is already in the 2014 budget. And when we get those numbers we will update all-in sustaining cost for the Group and for South Deep.</p> <p>But we are not at the stage yet where we are able to quantify. And I don't want to come out with airy fairy numbers at the moment. Obviously you would expect some of the South Deep costs are going to come down because we won't be mining some areas. The cost of consumables and a whole lot of other things will come down. So there is a bit of an offset on that as well.</p>
<p>Nick Holland</p>	<p>About the other question you were asking, we have left the Group guidance at 2.2 million ounces. It's because we've got really good performances beyond guidance from Granny Smith, from Cerro Corona, from Tarkwa and to a lesser extent from Darlot in Australia. Those are the main areas that are helping us to plug the gap in terms of the guidance drop at South Deep.</p>
<p>Paul Schmidt</p>	<p>I think what is important to note as well is that these three mines are the highest margin mines. Yes, we've lost at South Deep, but we have pushed up the production of mines that are getting \$300 plus of free cash flow on an all-in cost basis. So a bit of an offset there on the total impact on the group financial results coming through.</p>
<p>Nick Holland</p>	<p>And it's not because the mines are being pushed and it's not because of any high-grading. The operations are actually just performing quite well. In fact, the overall grades that Gold Fields has been mining by and large have either been on or below the reserve grade. So these mines are just doing exceptionally well at the moment, and that is why we've been able to keep the number at this stage.</p>
<p>Adrian Hammond, BNP Paribas</p>	<p>I have three questions. Firstly, what were the exact causes of the accidents? The second one, it sounds like the backlog of support was known for some time. Why was this allowed to happen? And thirdly, could you give us an indication of how over-capitalised you are on the people side? Thanks.</p>
<p>Nick Holland</p>	<p>In terms of the fatalities, Adrian, the first one was a dump truck that unfortunately reversed over a contractor in a haulage coming out of a workshop. As I say, we've never had an event like this before. The second one was in a workshop, where one of these big double-boom 282 drill rigs was being lowered. They had to change a component in the boom. And they had to release some of the hydraulic pressure to drop the boom - as it dropped it also moved out. And a person was walking by at the time and got struck by the boom and unfortunately succumbed immediately to the injuries. So those are the two fatalities. These kinds of accidents we have never had before at South Deep. These are typical industrial shop floor type accidents.</p> <p>In terms of the secondary support, let me just reiterate we had a backlog of</p>



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	<p>secondary support that we were aware of. There is a programme that has been going on for the last number of years to catch that up. A lot of it has actually been caught up. What was brought to light by the new team and the change in approach by the new management is that in certain areas they were quite concerned about the extent of the ground support gaps.</p> <p>That is when I asked the guys to prepare a trip for me to go and have a look. When I saw it I realized this is much worse than all of us thought. I think we've got to stop these areas right away. From a safety perspective I can't support allowing people to traverse these areas. And so that's the decision that we've taken.</p> <p>I guess the question you're asking is shouldn't it have been stopped before. Probably. I think it comes down again to the skills issues that we've talked about many times. The skills gaps are now obviously impacting not just production, but they have impacted safe operating procedures and ground support. And so that's why we've had to pull back.</p> <p>The third question you had was on the extent of any downsizing. I can't give you an answer at this stage. We are engaging with the unions on the whole matter. It is obviously a sensitive point in the discussions. We are highlighting it because part of the turnaround plan at South Deep is to actually right-size the equipment underground and as a consequence the people that go with it.</p> <p>We are dealing with this in a very sensitive way with the unions, so we can't at this stage give you an indication as to what the outcome is going to be. We're hoping to get more information in the next weeks or so.</p>
<p>Kane Slutzkin, UBS</p>	<p>Just a follow-up on Adrian's question. Can you remind us what the split is in terms of contractor versus permanent? With a view to being over-staffed can one move some of the permanent staff over obviously from a skills perspective, rather than letting the contractors go?</p>
<p>Nick Holland</p>	<p>The permanent workforce is 4,000 and contractors at the moment are around 1,700. So we are looking at all options and avenues to determine what the right complement is. And secondly, what is the best way for us to deal with the issue? Clearly there are trade-offs between employees and contractors, but I can't really go into specifics today. We are in a process of looking at multiple options and outcomes. We will give you a better sense once we know.</p>
<p>Steve Shepherd, JP Morgan</p>	<p>I've got some awkward questions to ask I'm afraid, Nick. Are you fearing legal action against you because people have been allowed to work and travel in unsafe areas, because it is completely illegal to allow people to do that?</p>
<p>Nick Holland</p>	<p>Steve, I don't know at this stage. I don't know what the outcome could be. I think the important thing is that executive management has taken swift action as soon as this has become known to them.</p>
<p>Steve Shepherd</p>	<p>I'm sure that your managers appointed to be responsible know the law relating to this. It's totally illegal to let people work and travel in unsafe areas.</p>



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	<p>I'm sure you know that. But every cloud may have a silver lining. The last time you spoke about the backlog of ore passes - is this an opportunity for you to maybe catch up on development of the ore passes that you need?</p>
Nick Holland	<p>We are doing that anyway, Steve. The other thing I would mention is that even if there is a production hit here, which clearly we have said there is going to be, this will have no impact on the capital projects. The crushers, the silos and the new mine development, the ore passes going down to 100 level and 105, all of that continues.</p>
Steve Shepherd	<p>Could it be speeded up because you don't have the pressure of production going on at the same time?</p>
Nick Holland	<p>Yes. We will look at those opportunities to speed up for sure.</p>
Steve Shepherd	<p>The next question, I'm just wondering what you're going to do with the workforce while they've got nothing to do. Is there an opportunity for some intensive training for your shift bosses, mine overseers, operators and that sort of thing while this is going on?</p>
Nick Holland	<p>In fact all of that has already happened. The mine is already using this opportunity to get the workforce at large out of the mine into the training centres. We are stepping up the training. That is the area that the Australian team thinks is the biggest opportunity for us to turn around the mine. So absolutely we are grabbing this opportunity wholeheartedly.</p>
Steve Shepherd	<p>Are you concerned about any linkage between the new management team and the fact that you broke 14 months of fatality-free track records on their watch, on the new management team's watch?</p>
Nick Holland	<p>In fact it is counter-intuitive, Steve, because one of the key mandates of the new team is to make sure that we have best practises on every aspect of the mine, which includes safety, which, as you would know, is integral to the daily operations anyway. So it is counter-intuitive to what we would have expected.</p>
Steve Shepherd	<p>Well that's why I'm asking you the question. It's a serious concern for me that this has happened at the time it has happened.</p>
Nick Holland	<p>Yes. For sure. It is very strange that we've had these kinds of accidents now when we haven't had them before. We have been maintaining fleets in the workshops. In fact, if anything the state of the workshops is better than what they were before the Australian team came in there. They decongested them. They've cleaned up the workshops. They have created a much better environment. So if anything the environment in the workshops is better and less prone to accidents than what it was before. It is not what we would have expected.</p>
Steve Shepherd	<p>Finally, and I'm sure I know what the answer to this question is, but I'm going to ask it anyway: Are you still sure that Gold Fields and South Deep are compatible with one another?</p>



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Nick Holland	Well absolutely. The ore body is a world-class ore body. The infrastructure we have built is world-class. And in fact by stopping and fixing these things now I think we are sending a very clear message to everyone involved. If this is going to be a successful, sustainable mine then it has got to be a safe mine. That's the message we are sending to everyone. It's a short-term hit, but I think we're going to set this up for the future.
Chris Nicholson, RMB Morgan Stanley	I've got two questions. The first one, is the mine going to be 100% closed? If you're losing 1.5 tonnes, I mean last year it was running at about 2.5 tonnes a quarter. So for a three to four month period is that a 100% closure or will there still be some areas producing?
Nick Holland	<p>No, that impact is over the whole year, the balance of the year. So no, there will be areas still working. We've obviously got to get through the investigation with the DMR first. But assuming we get through that in the next few days then we will be working on sections of the mine.</p> <p>But areas that are affected by the ramps where the support is poor will obviously not be worked because people can't get in and out safely. And we will bring those areas back incrementally. We will do one corridor at a time. There are four ramps that are affected. So as we do each ramp we will bring the fleet back and we will start the work in those areas. So there won't be a complete standstill. Right now it is at a standstill because of the Section 54, but once we've been through the 11(5), we will bring the areas back that we can and then incrementally bring all the other areas back.</p>
Chris Nicholson	A second question. We did talk about skills earlier. Just in terms of the ground support issue in the haulages. I mean are these people not doing the job as they have been trained to do it, executing it safely, or is it that they are doing it in a poor manner? Could you just touch on the Australian team's findings in this regard?
Nick Holland	<p>I think it is a combination of poor working practises, not in compliance with standard, and a lack of skills. There probably hasn't been enough on-the-job training. We've got very good theoretical training on surface, but sometimes it is the on the job training, the mentoring, the coaching, observing the job people are doing and helping them along the way, I think that is lacking. And that is one of the issues that we are going to address as part of the training. We've got to have more on the job, practical training as well.</p> <p>We will be coming up with a specific work stream on how we can improve the overall skills of the workforce. We're not talking thousands and thousands of people. The trackless section is really what we're talking about - it is the key area that we need to address. I don't think we have similar concerns on the engineering staff, the shaft maintenance and service people, the plant people. IT is the trackless section, which makes up around 1,800 people or so. And as we said earlier, we've got too much gear in that area and we have too many people for what we need even at full production. So part of the rationale of considering a restructuring is that it's going to be easier and more effective to try and re-skill a smaller group of people. So that is part of the thinking. I hope that gives you an idea of what we're thinking about.</p>



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<p>Patrick Mann, Deutsche Bank</p>	<p>Just two quick questions from me. I remember at the site visit you said you were working quite closely with Atlas Copco, trying to get a faster methodology for the secondary support. Could you give us an update? Is that off the table now? Are you making any progress in that regard?</p>
<p>Nick Holland</p>	<p>We are making good progress. That's in the de-stress area. We have in fact identified something that's available. It needs a few modifications. And we are hoping to have that very soon. That would take a significant amount of time off the support time. As you remember, Patrick, I think we were saying on the mine that it takes a few minutes to drill a face, but it takes five to six hours to support it, because of the very clumsy way we have to do it. It is basically a jack that is put onto a remote operated tripod and then the individual operates it from a distance. So we can avoid all of that and get to a fully mechanised solution. And we are making very good progress. The Aussies have come up with something they're quite excited about. So we hope to give you more information on that on the mine visit in August for sure, but maybe even before that.</p>
<p>Patrick Mann</p>	<p>Can you could just help me separate these two incidents. In terms of the Section 54, that's related to the fatalities as far as I understand, and your stoppage on the support is purely a management initiative. I mean does the DMR express any concern around the support? Have you had any fall of ground incidents, near misses or anything like that? Or was this just a purely pre-emptive action ahead of any DMR stoppage?</p>
<p>Nick Holland</p>	<p>No, it is unrelated to the fatalities. It is unrelated to any DMR inspection. The DMR does inspections on all the mines in South Africa. They do regular audits. That is unrelated to anything that has come out of that. This I think is the outcome of the new team on site and the drive towards international best practise. And my philosophy is that safety comes first. If we can't mine safely we won't mine. And we've done it before, Patrick. You may not remember, but we've closed mines before for months and months. Kloof 4 shaft we closed just under six years ago because we weren't happy with the buntons in the shaft. People said to me then, how has that been allowed to happen? And my response is the same as what I've got now. It's difficult to know, but the point is when it comes to our attention we deal with it and we take action swiftly.</p>
<p>Patrick Mann</p>	<p>Sure. Have you had any near misses or any fall of ground at all?</p>
<p>Nick Holland</p>	<p>We've had one isolated, fall-of-ground incident, but that's all. The view is that the ground conditions are very competent in the areas, so it is very isolated. That doesn't circumvent the fact that you've got to comply with best practise.</p>
<p>Nick Holland</p>	<p>No, I would just like to thank everyone for dialling in. Obviously South Deep is a key part of Gold Fields' portfolio. We treat this as a very serious matter. And we intend to keep you updated as things unfold. Thank you very much everyone. Have a good day.</p>



Speaker

Narrative

END OF TRANSCRIPT