

# Brief from Martin & Benford

31 August 2018

## Update on proposed restructuring



Dear Colleagues,

The proposed restructuring announcement made on 14 August 2018 was clearly a very difficult decision to make. We want to assure you that this was done only because we exhausted almost all other efforts to put the mine on a sustainable footing. What we are doing now is to save the mine and with it 3,500 jobs and our investment in communities.

Today, we want to give you some more details of what South Deep has tried to do to stop us losing so much money. This is important, because despite all these initiatives we are still losing approximately R100 million a month – that is R3 million a day. These are significant losses, and no business in the world could carry on operating while losing so much money.

The following are details of the efforts made by Gold Fields over many years to make South Deep profitable – while some of the efforts have had some positive effect, overall the impact has not stopped the losses.

### What else has Gold Fields tried to stop South Deep facing this decision?

Some of the initiatives Gold Fields has used the last eleven years, as we worked to make South Deep profitable, include:

- Changing mining methods
  - o Introduction of a new mining method to focus on efficiency and cost.
  - o Design and implementation of the Re-base Plan in 2016 to increase production
  - o Change in destress from low profile to high profile
- Different shift arrangements
  - o Changing the duration of the shifts to improve face time and the way the shifts are organised
- Brought in experts, and trained employees
  - o Appointment of 30 Australian operators and artisans to facilitate transfer of skills
  - o Appointment of an Australian company, Byrnegut, to assist with new ways of mining and to train current operators
  - o Appointing more operators and artisans, to allow the current team to participate in up-skilling programmes.
  - o Recruitment of 100 experienced mining and engineering specialists



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- Instituted various cost-saving initiatives including
  - o Reduced the labour bill (including cutting the management team by 25%)
  - o Curbed other discretionary expenditure
  - o Eliminated Fulco allowances for employees not working Fulco shifts

### Why are we still going ahead with the proposed restructuring?

As you know, however, despite all of these interventions (and many others) over the last 12 years, we are in a situation where South Deep is still losing approximately R100 million every month. The Company cannot continue to fund these losses. The proposed restructuring exercise is an attempt to secure the long-term future of the mine. In so doing we would be able to secure 3,500 jobs and position the mine to continue making a contribution to surrounding communities and the country as a whole.

The 1,100 employees and 460 contractor positions that could be affected are estimates. The detailed numbers, how they will be arrived at and alternatives to retrenchment will be part of the Section 189 consultations that will start next week between us and your branch leadership. The CCMA will facilitate these consultations.

The implications of not turning the mine around are far-reaching and will affect a wide range of stakeholders. It is our collective responsibility to ensure that this predicament is avoided at all cost.

### If you need support

We understand that this is a very difficult and challenging time for everyone at South Deep. We appeal to everybody to participate fully in the consultation processes that are now underway. We will make sure that everyone who is affected will receive all the support that they need going forward. Support structures are in place – you can contact the Employee Assistance Programme (EAP) service provider AskNelson on 0861 835 766 or speed dial 6677.



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