Brief from Martin and Benford

14 August 2018.

Restructuring at South Deep

Dear Colleagues

Sharing difficult news with our people is never a pleasant task, but we have always believed in the value of transparency and it is important that we share, firsthand, with you the news South Deep is considering undergoing a restructuring process in accordance with the provisions of Section 189 of the Labour Relations Act. The number of people who may be affected by these proposed retrenchments will be subject to the outcome of the consultation process that we cover later in this letter. However, it is possible that around 1 102 full time employees in the A to CU Paterson Band across all departments may be impacted by retrenchments. In addition approximately 460 contractors could also be impacted.

All employees at South Deep will know that the mine has been operating at a loss. These losses have risen in recent years and, since Gold Fields acquired South Deep, shareholders have invested more than R32 billion rand in the mine (including the R22 billion acquisition price), with no returns.

These losses persist in spite of the fact that we have put in place the Re-base plan, and entered into various agreements with organised labour aimed at getting the mine on track. Over the years we have also implemented many interventions to drive success and sustainability at South Deep. They include changing mining methods, introducing different shift arrangements, and deploying various specialists to help us. Employees have been part of this process and have been exposed to a range of training programmes to move South Deep from a conventional mining operation to a sustainable mechanised one.

With all this effort and investment, South Deep should be operating as a highly efficient, mechanised mine, and production, costs and productivity should be better than any other gold mine in South Africa. However, we continue to operate at a loss - this year, the mine is losing on average around R100 million a month. The mine's capacity – the production it was built for – is around 330 000 tones per monthh, but following the Rebase Plan we revised the steady state production to 250 000 tones per month; neither of these targets have been met. Today the Group also revised downward its annual earnings numbers based mainly on an impairment of South Deep assets.

Clearly the current situation cannot continue. Just like no person can continue to spend more than they earn every month, so the mine cannot continue to spend more than it makes. We need to make some difficult decisions to stop these losses, and get the mine to at least break-even in the short term and profitability in the medium and long term.

The Gold Fields Board has therefore made an in-principle decision to reduce South Deep's costs base to match its current production output. To achieve this, we are considering:

- Stopping mining activities at 87 Level, as these are currently loss-making;
- Servicing the current South Shaft mining areas (90 Level along with 95 -1W) from Twin Shafts;
- Reducing South Shaft shaft operations to a single shift per day to provide services (ventilation, pumping, water and backfill reticulation); and
- Reducing the operation of mining equipment.

These proposed changes will necessarily involve reducing the number of our people, through the Section 189 we mentioned at the beginning of this Brief. This decision has not been taken lightly - it follows a number of alternative options we put in place over the last few months to avoid retrenchments. These include:

- Reducing employment costs by retrenching 46 (25%) of managerial employees;
- Approving voluntary retrenchments for additional 261 employees in the A, B, and C bands;
- Not awarding increases to employees in the D and E Paterson Bands;
- Reducing the number of contractors resulting in a drastic reduction of contractor expenditure;
- Reducing consultancy costs;
- Reducing consumable spend;;
- Reducing expenditure such as training, IT, utilities;
- Improving the management of overtime, stopping Fulco allowances for employees not working Fulco shifts, and controlling the allocation of mid-shift meals; and
- Introducing a 4x4 shift arrangement.

Union leadership has been advised of the proposed Section 189 process. Statutory notices related to the process will soon be issued and this will followed by extensive consultations. The Company will be approaching the CCMA to facilitate these consultations over a 60-day period, in line with the Labour Relations Act.

The company is fully committed to this consultation process and will work with unions and employees to explore alternatives to retrenchments. We urge all people to participate openly in this process, and to suggest any alternatives that may be viable to reduce retrenchments.

We know this will be a difficult and uncertain time. Support structures have been put in place for affected employees, and they can contact our EAP service provider Asknelson on 0861 835 766 or Speed dial 6677. I would also like to encourage you to contact your line manager and/or HRBP should you have any queries or questions relating to the process.

We also urge employees to act responsibly. Any disruptions to operations will place the company in an even worse position than it is now, and could have the impact of increasing the number of employees that could potentially be affected.

We give you our personal assurances that the Company will treat all affected employees with dignity, care and respect, which is aligned to our Values and comply with every aspect of the law. Over and above this, we want to reiterate that we are am fully committed to keeping you informed on a regular basis as we progress with this process.

Your co-operation and assistance in this regard will be appreciated.

Yours in safety

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