

Note from Nick



14 August 2018

Restructuring South Deep

Dear Colleagues

What is happening in one operation impacts all of us at Gold Fields, which is why I want to share with you the news that we have taken a difficult but important step in the journey to secure the sustainable success of South Deep.

Today we began consultations as part of the Section 189 Retrenchment Process of the South African Labour Relations Act. It is envisaged that approximately 1 100 permanent employees and approximately 460 contractors could be potentially impacted by the proposed restructuring.

South Deep is a complex and unique mine, that has been faced with persistent challenges since Gold Fields acquired it in 2006. The key challenge has been the difficulty in transitioning the mine from one run with a conventional mining mindset and practices to mining with a safe, modern, bulk, mechanised mining approach.

South Deep has over a number of years embarked on a host of initiatives to improve the productivity and deliver sustainable profitability. These include optimising the mining method, extensive training and skills development, changing shift and work configurations, and outsourcing functions.

However, these interventions have not had the desired impact and the mine continues to face a number of organisational and structural challenges that directly impacts both short and consequently long term performance. Production in Q2 2018 was only marginally higher at 1,518kg (49koz) from 1,485kg (48koz) in Q1 2018. Similarly, the cash burn continued into Q2 2018 at R295m (US\$24m) compared to R361m (US\$30m) in Q1 2018. Over the past five years the mine has made losses of R4bn.

In the context of continued negative cash flow, we believe that the best course of action to address these issues includes further restructuring at the mine. The proposed restructuring at South Deep aims to consolidate mining activity to increase focus and to match the cost structure to the current level of performance.



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integrity



respect



responsibility



innovation



delivery

Once the full impact of the mine planning exercise and proposed restructuring is completed, we will provide guidance to the market for 2019 and beyond. Today we issued a trading statement (attached) notifying the market that South Deep has been further impaired by R4.8bn (US\$359m) (net of tax) to a carrying value of R20.7bn (US\$1.5bn).

As I'm sure you will appreciate, this is an incredibly difficult time for our colleagues at South Deep. I call on all Gold Fields people to extend their support to Martin Preece and his team – their success and sustainability impacts all of us in the Gold Fields family.

Yours in safety

Nick



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