

Brief from Martin & Benford

14 September 2018

Update to staff on Section 189 consultations at the CCMA



Dear Colleagues

We want to provide you with an update on the status of the Section 189 consultations currently taking place with our trade unions, as these consultations are critical in our efforts to ensure the long-term sustainability of South Deep.

Since consultations with the trade unions started at the CCMA on 4 September, we have spent a number of days in separate discussions with NUM and UASA. These discussions focused predominantly on our explanation of why we took the decision to begin the Section 189 process, this included explaining the financial state of South Deep, and the fact that we are losing R3 million every day. Discussions also included explaining some of the factors that are contributing to these losses, which include:

1. Operating and overhead costs which are not aligned with the profile of a safe high-volume, medium-grade operation;
2. Continued failure to meet production and mining targets;
3. Overall labour productivity being below average performance, compared to conventional mines;
4. South Deep being staffed and resourced for a much higher production rate than is currently consistently being achieved;
5. Costs increasing above inflation; and
6. Being part of the South African Gold industry, which is in decline.

This week, we have continued with engagements on alternatives to minimize the number of employees likely to be affected by the Company's proposals. We have shared information with the unions on the status of contractors at South Deep, and debated which contractors play a critical role in keeping South Deep running, and carrying out activities that the mine's team cannot and to identify potential opportunities to minimize job losses.



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The next step is for the NUM to make written submissions to the Company (by 17 September), giving details of what contracts they propose can be insourced, and what work they propose be taken over by existing South Deep employees. We have committed to consider their representation and giving a formal response to these proposals by 21 September.

South Deep will be meeting separately with UASA on 18 September 2018, where they will present their proposals to potentially minimize job losses.

The Company remains committed to participating in good faith in the formal Section 189 process in the CCMA. Right now, we have 30 days of the 60-day consultation process left, and we urge all those involved to contribute constructively to proposals that will allow us to protect as many jobs as possible at South Deep.

As you are aware we have also submitted our Section 52 documents to the Department of Mineral Resources in compliance with the provisions of the MPRDA. This is a separate process from Section 189 consultations which are currently taking place.



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