



Fatality trend 'concerning', silicosis studied – Gold Fields

By: **Martin Creamer**

19th May 2011

JOHANNESBURG (miningweekly.com) – The trend in the rate of fatalities at Gold Fields is “deeply concerning”, says CEO **Nick Holland**, who adds that the company is also assessing its potential exposure to the claims of silicosis sufferers in the light of the recent Constitutional Court ruling.

The JSE- and NYSE-listed Gold Fields trebled earnings, lifted production 5% over the corresponding period and lowered net operating costs in the March quarter – but regressed in safety, losing five employees in a fatality trend that is perturbing management.

Owing to the silicosis issue being an industry work-in-progress, Gold Fields is currently unable to provide an estimate of silicosis claims.

On the five fatalities in the quarter and the company’s serious injury regression off a sharply improving trend, Holland tells *Mining Weekly*: “The recent trend in our fatality rate is deeply disturbing. What we’ve got to do is pick ourselves up, dust ourselves off, and make another step change.”

Five fatalities occurred Gold Fields’ South African mines during the quarter, against the background of the company’s telling improvement in safety in the last three years, from an appalling 40 fatalities in 2008 to 17 in 2010.

The company’s serious injury frequency rate regressed by a high 22% in the March quarter.

Gold Fields has a strict policy of ceasing to mine where it cannot mine safely and recently removed two-million ounces of high-grade pillars out of its reserves and shut down a major shaft system for seven months in the interests of safer mining.

“We’ve shown that we’re not afraid to cut production in favour of safety, and we’ll do so again if need be,” he adds.

The gold major is stepping up its safety training to include additional coaching and greater supervisory capacity, as well as further improving mine design.

Before suffering some of this quarter’s fatalities, Gold Fields achieved another million hours of fatality-free mining at the Kloof Driefontein Complex, where it has engineered out considerable risk.

“The one area that most people think that we can’t control – seismicity – is the area in which we have done best. We went for almost 20 months without any seismic fatsals,” Holland says.

Gold Fields remains ahead of the industry when it comes to injury rate, despite the regression in this area, but the concerning trend is in fatalities.

In comparison with the December quarter, the group’s fatal injury frequency rate regressed from 0,12 to 0,13. The serious injury frequency rate regressed by 22% from 1,75 to 2,13.



Silicosis Steps

Gold Fields, together with the South African gold-mining industry as a whole, is calculating the extent of potential silicosis claims.

"If we are going to be sustainable in South Africa, we clearly have to look into the entire silicosis management process in order to reduce the risk still further," says Holland.

Interventions that the company is making to combat silicosis include the 94%-complete installation of additional first-stage prefiltration systems in order to remove larger particles of dust; the 83%-complete use of foggers to trap dust particles liberated from tipping points before these enter the main airstream; the 54%-complete installation of self-closing tip doors to stop dust from entering the intake airways; and the 100%-complete dust-binding treatment of footwalls.

The company reports that 98% of the dust measurements taken in the March quarter were below the occupational exposure limit of 0,1 milligrams a cubic metre.

The Constitutional Court of South Africa has ruled as unconstitutional the South African legislation that limits employees' rights to claim compensation for the dust-induced silicosis lung disease.

Several mining leaders have strongly disputed calculations of Royal Bank of Canada analysts that the silicosis claims could be as high as \$100-billion, based on 300 000 sufferers and the first claim of R2-million from a victim, which has still to be tested by the courts.

"The potential impact is being assessed and we're reviewing our current processes to determine what additional measure can be taken to further mitigate the risks to employees of contracting silicosis," the company says.

Earnings Trebled

Gold Fields pumped cash in the first quarter of 2011, lifted production 5% over the corresponding period in 2010 and lowered net operating costs.

Net earnings for the March 2011 quarter were R1,1-billion compared with a loss of R777-million in the December 2010 quarter, and earnings of R316-million in the March 2010 quarter.

In dollar terms, net earnings for the quarter were \$158-million, compared with a loss of \$106-million in the December 2010 quarter, and earnings of \$44-million in the March 2010 quarter.

Group attributable gold production of 830 000 oz was 5% higher than in the corresponding quarter last year, but down 8% on the December quarter, as is seasonably traditional.

Total cash costs were up 4% to R168 455/kg (\$751/oz) in line with the corresponding quarter last year. Net operating costs were lowered for the third successive quarter, and corporate action to acquire minority shareholdings in Ghana has begun, with similar action in Peru concluded.

Business process re-engineering lowered net operating costs from R5-billion (\$724-million) in the December quarter to R4,8-billion (\$699 million) in the March quarter.

Total cash costs increased quarter-on-quarter by only 4% from R161 894/kg (\$728/oz) to R168 455/kg (U\$751/oz) despite lower March quarter production compared with the December quarter.



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"Our intention is to position the group to generate sustainable margins at a range of long-term gold prices," says Holland.

Growth continues at the Chucapaca project in Peru, with twelve drills currently on site.

In the Philippines, exploration at the Far South East project is increasing with five underground diamond drill rigs operating. The commissioning of three more rigs is expected in the June quarter.

The metallurgical drilling is complete at the Arctic Platinum project in Finland, where two 50 t ore samples are now available for pilot plant flotation.

An inferred resource of 740 000 gold equivalent ounces has been declared at the Yanfolila project in southern Mali, where drilling is continuing.

"We're well positioned to achieve our goal of five-million ounces a year by 2015," Holland says.