

## PERSPECTIVE FROM THE CHAIR



### Sello Moloko

Chairman

It is a privilege to once again present this integrated report on behalf of the Sibanye-Stillwater Board to all of our stakeholders.

In recent years, the Company has undergone a significant strategic evolution from a single commodity, gold mining company with its asset base entirely located in South Africa, into a geographically diversified, uniquely positioned, international precious metals company.

Change of this magnitude is never easy and is often accompanied by periods of discomfort and uncertainty, and this has indeed been the case for Sibanye-Stillwater. The rapid execution of our strategy and growth to become a leading global PGM producer has resulted in the Group having to temporarily take on levels of debt that are well above those which have historically been maintained.

This rapid acquisition growth strategy and the resultant impact on the capital structure of the Group were carefully considered by management and the Board. While uncontrollable exogenous factors, such as the recent strength in the rand, present challenges, the Board is confident that, given the inherent flexibility of the broader Sibanye-Stillwater Group, there are no immediate material risks that cannot be dealt with. We are confident that management has sufficient operational and financial levers at its disposal to weather an extended period of rand strength, and that the Group is uniquely positioned to benefit substantially under more constructive market conditions and to deliver superior and sustainable value for shareholders and all other stakeholders.

One of the challenges identified by the Board during this period of rapid growth and change is maintaining our focus on the safe delivery of operational targets and integration synergies. As a significant employer in South Africa, the safety of our employees is a priority and despite the improved safety performance across the Group in 2017, the recent spate of fatalities in 2018 is of concern. The Board has asked senior management to review the circumstances leading to these incidents and to take appropriate action. We are confident that there is proper focus on this aspect and plans are being made to mitigate future incidents.

In the CEO's review, Neal Froneman provides significant detail on the transformative nature and benefits already accruing from recent acquisitions, as well as the strategic rationale of pending transactions, which were recently announced. The Group financial and operational performance for 2017 and outlook are also covered in detail elsewhere, so I will avoid repetition and provide a higher level overview on the company and the current operating environment.

It is not only Sibanye-Stillwater that has recently undergone significant change, but also the political and economic environment in which we operate.

South Africa has experienced a marked political shift with the election in December 2017 of Cyril Ramaphosa as ANC president, in a tightly contested ANC elective and policy conference. It is still too early to ascertain what the effects will be of this change in leadership and possible political direction in the ANC on the fortunes of the country. Swift and decisive actions taken by the ANC in early 2018, most importantly resulting in the early resignation of the incumbent South African President Jacob Zuma, and apparent commitments to dealing with corruption and to stimulating investment and economic growth in South Africa, have been positively received by the market.

## PERSPECTIVE FROM THE CHAIR CONTINUED

For the South African mining industry in particular, the appointment of Gwede Mantashe as Minister of Mineral Resources in February 2018 has been broadly welcomed. The mining industry's relationship with the previous Minister was largely hostile and unproductive, and the appointment of a Minister with significant mining experience and a greater understanding of the dynamics of the industry is encouraging. The public recognition by Mr Ramaphosa of the critical importance of the mining industry to the success of the country also suggests a different approach to that which has stifled investment in the sector in recent years.

In February this year, the Chamber of Mines, on behalf of its members, agreed jointly with the Department of Mineral Resources (DMR) to postpone its court application, which was due to be heard by the High Court on 19 February 2018 in respect of the Reviewed Mining Charter that had been gazetted by the previous Minister of Mineral Resources, Mosebenzi Zwane, in June 2016. The postponement followed engagement with President Ramaphosa during which he indicated his commitment to resolving the impasse over the Mining Charter and to facilitating a process to develop a new Mining Charter that included all stakeholders and that was in the interests of the industry and the country as a whole.

Ideally, a new well-designed Mining Charter that is agreed on and supported by all parties in an inclusive process must be finalised as soon as possible. The mining industry believes that this inclusive process should involve meaningful engagement and negotiation with representation across a broad range of stakeholders, including government, business, labour and communities.

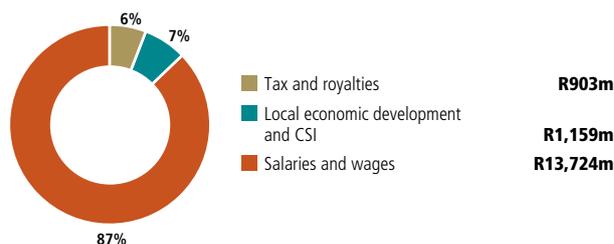
The South African mining industry, represented by the Chamber of Mines, and including our own Sibanye-Stillwater, remains ready and willing to play its part in building the South African mining industry and economy, while recommitting to further transformational progress and growth, to ensure the industry's sustainability.

Despite publicly and in a forthright manner raising our concerns on the political and socio-economic outlook for South Africa under the previous regime, Sibanye-Stillwater has remained a proudly South African company and a mining champion, even as it has begun to reposition itself to be competitive in the global industry. In the five years since Gold Fields unbundled, three mature, labour-intensive high-cost South African gold mines, which were perceived by the market as nearing the end of their operating lives, Sibanye-Stillwater has become the lowest cost producer of the major gold producers in South Africa, as well as a top three global PGM producer.

In this time, we have significantly extended the operating lives of our gold assets and newly-integrated PGM assets, thus maintaining sustainable, valuable employment. In addition, we have invested over R15 billion (increasing potentially to R20 billion should the Lonmin transaction be approved) in growing our gold and PGM portfolio in the Southern Africa

region and, in 2016, we committed in excess of about R3.5 billion towards capital to growth projects. This is in addition to the significant contribution of about R16 billion made in 2017 to the local economy in salaries and wages paid, local economic development expenditure, local procurement and the payment of state taxes and royalties. This is 37% more than we spent in 2016.

### SA region: spend on employees, communities and government



The Group currently employs more than 65,000 people in South Africa and should the Lonmin transaction be approved, will employ more than 85,000 people in South Africa, it would make Sibanye-Stillwater one of the largest employers in the country. As highlighted elsewhere in this report, given the multiplier effect that each job has in the economy, more than 1.4 million South Africans are beneficiaries (direct and indirect) of the jobs provided by Sibanye-Stillwater. Moreover, Sibanye-Stillwater is one of the state-owned utility Eskom's largest consumers of electricity and therefore is critical to the ongoing viability of that financially troubled entity.

Sibanye-Stillwater's fortunes are therefore inextricably linked to those of South Africa. Recent political events, which are generally perceived as positive for the South African mining industry, should have positive consequences for the Group. At this stage, these potential benefits are unquantifiable and have not yet been positively reflected in the relative ratings of South African mining companies. The positivity and euphoria following the recent political changes have, however, resulted in significant appreciation in the rand, which, assisted by US dollar weakness, appreciated by 10%, from an average of R13.3/US\$ for 2017 to current levels of approximately R11.90/US\$.

This recent relative strength in the currency is negatively impacting revenues and margins across the South African mining industry. While certain commodity prices have rebounded strongly in 2018, in some cases totally offsetting the stronger rand, precious metal prices in general have been less fortunate, with the dollar price of gold currently flat year-on-year. Despite the exceptional price gains for palladium and rhodium, the average South African basket price has only increased marginally owing to continued weakness in the platinum price.

The outlook for gold remains relatively muted, with expectations of the US Federal Reserve raising rates in the US, capping upside in 2018. Gold demand remains relatively firm, however, and the spectre of rising global inflation is likely to provide ongoing

support below US\$1,300/oz in our view. The outlook for PGMs is more positive. Supply deficits in palladium are expected to be sustained for some time while rhodium should benefit from higher loadings on catalysts, which will offset the negative impact that declining diesel vehicle sales are having. Platinum is expected to remain in surplus in 2018, albeit lower than in 2017, which should help to maintain current price levels in 2018. Thereafter, the platinum market is expected to return to deficit as supply from South Africa continues to decline with positive consequences for the price.

The recent rand strength, if sustained, and its impact on operating margins and cash flows in the SA region in 2018, will be offset partly by the already tangible diversification benefits being delivered by the US PGM operations. These are generating substantial operating cash flows, which will be further boosted by the Blitz project as this ramps up to full production in 2021.

As previously mentioned, management has at its disposal, and has already begun to apply, various operational and financial levers to weather and manage an extended period of rand strength. These include a full review of non-essential capital expenditure as well as of the operations, assessing innovative ways to significantly reduce debt and management's forgoing salary increases in the short term. This review, once completed and acted on, will help to better position Sibanye-Stillwater to continue delivering value to all stakeholders. The Board is confident that the current environment, while challenging, does not pose a material risk to the sustainability of our business.

Sibanye-Stillwater has embraced the outcomes-based philosophy of King IV and begun the process of aligning our corporate

governance structures and practices with the principles of King IV. While this process is still underway, we have nevertheless substantially adopted the disclosure requirements recommended by King IV to the extent possible in this integrated report. We are cognisant of our responsibilities, particularly given our Sibanye-Stillwater CARES values, to be ethical and to act responsibly in all that we do and in delivering on our strategy.

## RECOGNITION

I would like to extend my thanks to those directors who resigned from the Board during the year, Messrs Christopher Chadwick, Robert Chan and Jiyu Yuan. Their support and contributions to Board deliberations were useful and insightful. I take this opportunity too, to welcome Mrs Savannah Danson, who joined our Board in May 2017.

Following what has been a highly successful 2017, we embark on 2018 full of confidence in the sustainability of our operations. I am personally grateful for the unstinting efforts of all our people to make ours the great company that it is. In particular, I extend my thanks to our CEO, Neal Froneman, and his team for leading the transformation of the company. Their strategic inputs have been invaluable in developing and transforming Sibanye-Stillwater to enable us to continue contributing to the welfare of all our stakeholders.

**Sello Moloko**  
Chairman

29 March 2018

