

financial review



Charl Keyter Chief Financial Officer

INTRODUCTION

During 2013, following the unbundling by Gold Fields to its shareholders of its entire shareholding in Sibanye – previously GFI Mining South Africa Proprietary Limited (GFIMSA) – a wholly owned subsidiary of Gold Fields, Sibanye began operating as a fully independent, publicly traded company with a new Board of Directors, management and strategy.

On 11 February 2013 Sibanye listed on the JSE at a listing price of R13.05 per share, giving it an initial market capitalisation of approximately R9.5 billion (US\$1.1 billion). Sibanye's secondary listing on the NYSE also commenced on 11 February 2013. The entire ordinary share capital of Sibanye was unbundled by Gold Fields to its existing shareholders on 18 February 2013 in a ratio of 1:1 with the listed Gold Fields shares and resulted in Gold Fields' shareholders

holding two separate shares; a Sibanye share as well as their original Gold Fields share.

The operating and financial results for the 2013 financial year are pleasing. They support management's belief that Sibanye's principal operations – Driefontein, Kloof and Beatrix – despite having been in operation for many decades, are still some of the best gold mines in the world and should continue to be so for many years to come.

Sibanye has delivered strong operating results, underpinned by the continued focus on the new operating strategy and organisational structures, which have delivered significant production and cost benefits. Cost containment and margin improvement will remain challenging, and an increased focus will be necessary to limit cost

increases, especially in light of the pressures in the South African labour and electricity environment and the continued volatile macro-economic environment.

The solid operational performance and robust cash generation during the year and the positive outlook for 2014, underpins the declared full-year dividend of 112 cents per share (R825 million), or 35% of 2013 normalised earnings, which is at the upper end of the range defined by Sibanye's dividend policy.

The following financial review provides stakeholders with greater insight into the financial performance and position of the Group. Our primary financial focuses are to reduce costs, increase cash generation to provide a return on equity and to reward shareholders with sustainable dividends. Stakeholders are advised to read this review in conjunction with the consolidated financial statements presented on pages 92 to 149.

FACTORS AFFECTING OUR PERFORMANCE

Gold price

Sibanye's revenues are primarily derived from the sale of the gold that it produces. Sibanye does not generally enter into forward sales, commodity derivatives or other hedging arrangements in order to establish a price in advance of the sale of its gold production. As a result it is fully exposed to changes in the gold price. Gold hedging could however be considered in the future under one or more of the following circumstances: to protect cash flows at times of significant capital expenditures; financing projects; or to safeguard the viability of higher cost operations.

The market price of gold has historically been volatile and is affected by numerous factors over which Sibanye has no control, such as general supply and demand, speculative trading activity and

global economic drivers. Should the gold price decline below Sibanye's production costs the Group may experience losses and, should this situation remain for an extended period, Sibanye may be forced to curtail or suspend some or all of its projects, operations and/or reduce operational capital expenditure. Sibanye might not be able to recover any losses incurred during, or after, such events. A sustained period of significant gold price volatility may also adversely affect Sibanye's ability to evaluate the feasibility of undertaking new capital projects or continuing existing operations or to make other long-term strategic decisions.

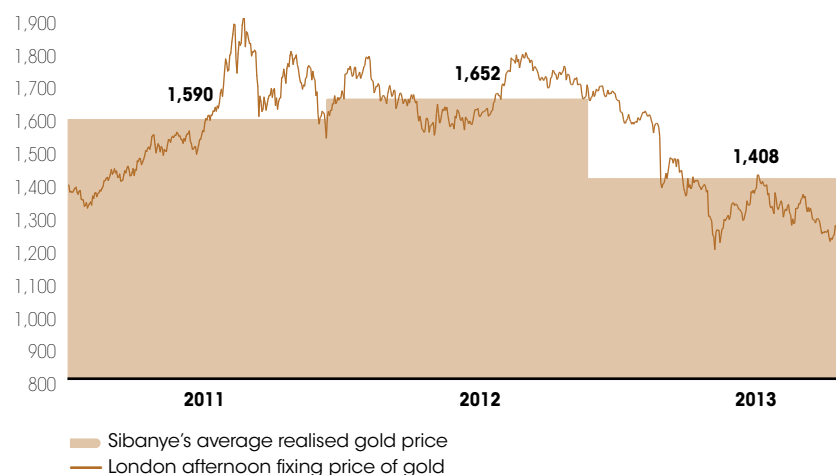
The volatility of the price of gold is illustrated in the gold price graph on this page.

Exchange rates

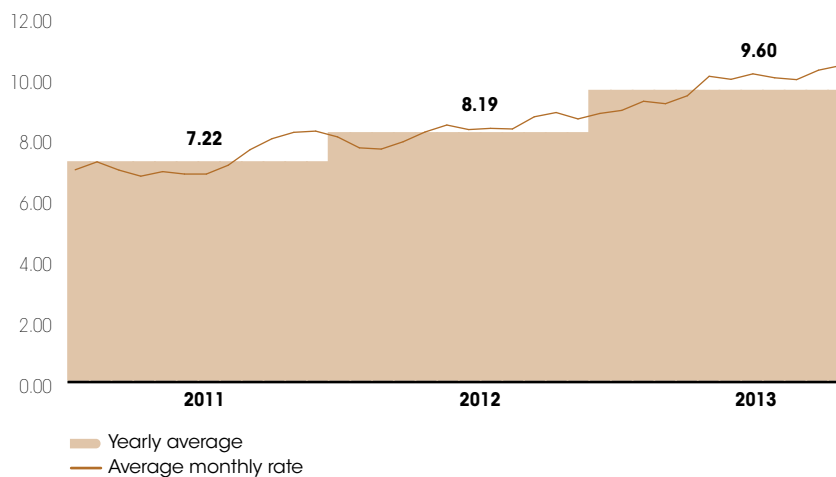
Sibanye's operations are all located in South Africa and its revenues are equally sensitive to changes in the dollar gold price and the rand/US dollar exchange rate (the exchange rate). Depreciation of the rand against the US dollar results in Sibanye's revenues and operating margins increasing. Conversely, should the rand appreciate against the US dollar, revenues and operating margins would decrease. The impact on profitability of any change in the exchange rate can be substantial. Furthermore, the exchange rates obtained when converting US dollars to rand are set by foreign exchange markets, over which Sibanye has no control. The relationship between currencies and commodities, which includes the gold price, is complex and changes in exchange rates can influence commodity prices and vice versa.

As a general rule, Sibanye does not enter into long-term currency hedging arrangements and is exposed to the spot market exchange rate. Sibanye's operating costs are primarily denominated in rands and forward cover could be considered for significant expenditures based in

Gold price (US\$/oz)



Rand/dollar exchange rate (R/US\$1)



foreign currency or those items which have long lead times to production or delivery. No foreign exchange hedging contracts were entered into during 2013.

Costs

Sibanye's operating costs (being cost of sales less amortisation and depreciation) comprise mainly labour and contractor costs, power, water and consumable stores which include, inter alia, explosives, timber, cyanide and other consumables. Sibanye expects that its operating costs, particularly the input costs

noted above, are likely to continue to increase in the near future and will be driven by inflation, general economic trends, market dynamics and other regulatory changes.

The South African inflation rate or Consumer Price Index (CPI) was unchanged year-on-year, averaging 5.7% in 2013 (2012: 5.7%). Mining inflation has historically been significantly higher than CPI, with key operating costs, in particular wages and electricity costs, increasing considerably more than CPI.

financial review continued

Sibanye reviewed all of its costs during the first half of 2013, identifying a number of areas in which costs could be significantly reduced.

The subsequent implementation of Sibanye's new operating strategy and revised organisational structures delivered significant production and cost benefits during the year. The implementation of the new operating model included:

- re-organising and rolling out flatter, team-based management structures. These place people with experience in mining management closer to the face. The focus on core mining at the operations was also tightened;
- implementing needs-focused management information systems supported by detailed monthly business unit performance reviews;
- revising the ore reserve management principles and practices and reassessing and introducing new operating plans applicable to individual business units;
- focusing on the quality of mining – improving the mine call factor by focusing on the areas that result in gold losses, and greater attention to stoping width control; and
- eliminating scattered regional support functions by centralising and rightsizing Group support services into customer focused, cost driven centralised service departments.

Sibanye's operations are labour intensive. Labour represented 51% and 54% of operating costs during 2013 and 2012 respectively.

During 2013 Sibanye negotiated a two-year wage agreement with the South African mining unions, that represented the majority of its workforce, at above-inflation wage increases effective from 1 July 2013 of between 7.5% to 8.0%, depending upon the category of employee. Increases from 1 July 2014 will be

based on the CPI plus 0.5% or 1.0%, with a minimum of 6.5% and 7.0%, again depending upon the category of employee. The next round of wage negotiations is scheduled to begin in mid-2015.

Power and water comprised 19% and 20% of operating costs in 2013 and 2012 respectively. During 2013 Eskom applied to NERSA for an average annual tariff increase of 16.0% for a five-year period as of 1 April 2013, of which an increase of 8% was approved.

The effect of the abovementioned increases, especially being above the average inflation rate, has adversely affected, and may continue to adversely affect, the profitability of Sibanye's operations. Further, all of Sibanye's costs at its operations are in rands, while revenues from gold sales are in US dollars. Generally when inflation is high the rand tends to devalue, thereby increasing rand revenues, and potentially offsetting any increase in costs. However, there can be no guarantee that any cost-saving measures or the effects of any potential devaluation will offset the effects of increased inflation and production costs.

Production

Sibanye's revenues are driven by its production levels and the price it realises from the sale of gold, as discussed above. Production can be affected by a number of factors including industrial action, safety-related work stoppages and mining grades. These factors could have an impact on production levels in the future.

In recent years, the South African mining industry has experienced greater union unrest including the entry of new unions such as the Association of Mineworkers and Construction Union (AMCU), which has become a significant rival to

the traditionally dominant National Union of Mineworkers (NUM). This has resulted in more frequent industrial disputes, including violent protests, intra-union violence and clashes with police authorities. During the second half of 2012 Sibanye's operations were affected by extended strikes which caused significant production losses. During 2013 Sibanye experienced very little disruption to production as a result of industrial action. Sibanye is continually working to improve relations with its employees and unions to hopefully prevent any future production losses.

Sibanye's operations are also subject to South African health and safety laws and regulations that impose various duties on Sibanye's mines while granting the authorities powers to, among other things, close or suspend operations at unsafe mines and order corrective action relating to health and safety matters. During 2013, Sibanye's operations experienced 45 safety stoppages (2012: 49).

Driefontein, Kloof and Beatrix are in their mature life stages and have encountered lower mining grades and yields.

Sibanye's key focus is to maintain profitable operations and sustain current production levels for a longer period than had previously been envisaged through an increased focus on productivity. Furthermore, it will focus on realising the potential that still exists in its extensive Reserves and Resources.

Royalties and mining tax

South African mining operations pay a royalty tax. The formula revenue for calculating royalties takes into account the profitability of individual operations. The royalty formula is detailed in the notes to the consolidated financial statements.

Under South African tax legislation, gold mining companies and non-gold mining companies are taxed at different rates. Driefontein, Kloof and Beatrix are subject to the gold tax formula on their respective mining income. The formula calculating tax payable, which is detailed in the notes to the consolidated financial statements, is impacted by the profitability of the applicable mining operation. In addition, these operations are ring fenced, so each operation is taxed separately and, as a result, taxable losses and capital expenditure at one of the operations cannot be used to reduce taxable income from another operation. Depending on the profitability of the operations, the tax rate can vary significantly from year to year.

Capital expenditure

Sibanye will continue to invest capital in new and existing infrastructure and possible growth opportunities. Therefore, management will be required to consider, on an ongoing basis, the capital expenditure necessary to achieve its sustainable production objectives against other demands on cash.

As part of its strategy, Sibanye may investigate the potential exploitation of mineralisation below its current infrastructure limits as well as other capital-intensive projects. Sibanye's dividend policy will not, however, be affected by its capital expenditure.

During 2013 Sibanye's total capital expenditure was R2.9 billion (2012: R3.1 billion). Sibanye expects to spend approximately R3.1 billion on capital in 2014, excluding any acquisitions.

The actual amount of capital expenditure will depend on a number of factors, such as production volumes, the price of gold and general economic conditions and may differ from the amounts forecast

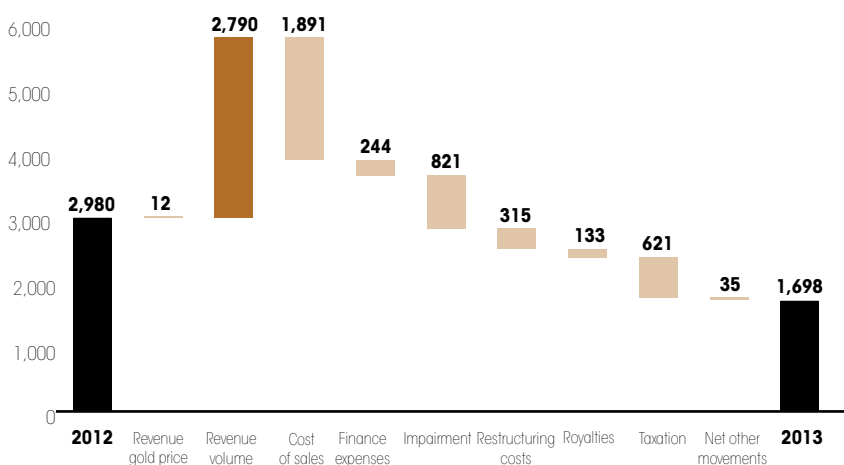
above. Some of these factors are outside of the control of Sibanye.

2013 FINANCIAL PERFORMANCE COMPARED WITH 2012

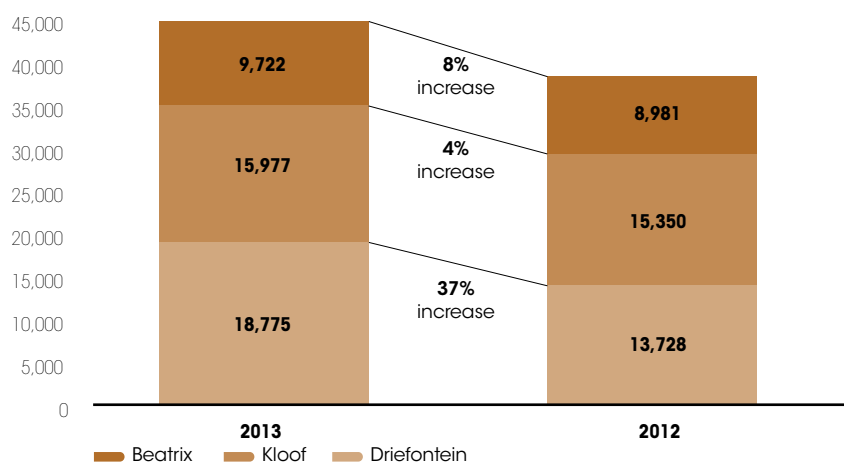
Group profit decreased from R2,980 million for 2012 to R1,698 million for 2013. The reasons for this decrease are discussed below.

The principal factors explaining the movements are set out in the table below:

Net profit movements (Rm)



Gold produced (kg)



financial review continued

Revenue

Revenue increased by 17% from R16.6 billion for 2012 to R19.3 billion for 2013. The gold price decreased by 15% in US dollar terms from an average of US\$1,652/oz in 2012 to US\$1,408/oz in 2013. However, the weaker rand against the US dollar offset this decline, resulting in an unchanged year-on-year average rand gold price of R434,663/kg (2012: R434,943/kg). The rand weakened by 17% year-on-year from an average of R8.19/US\$ to R9.60/US\$.

Gold produced for the year increased by 17% to 44,474kg (1.43Moz) from 38,059 kg (1.22Moz) in 2012. Gold production from the

operations is shown in the graph on page 25.

The increase in production was largely due to two factors: Firstly, towards the end of 2012 the industry went through a period of prolonged, disruptive illegal strike action, which resulted in production losses of approximately 4,500kg (145,000oz) at Sibanye: Driefontein lost approximately 2,000kg (64,000oz), Kloof lost approximately 1,600kg (52,000oz) and Beatrix lost approximately 900kg (29,000oz). Strike action during 2013 was limited to a few days and had little, if any, effect on production levels resulting in higher production levels in 2013.

Secondly, the implementation of the new operating strategy resulted in an increase in volumes milled and an improvement in the quality of mining. This production increase was partially offset at Beatrix by a fire which started on 19 February 2013 at the Beatrix West Section resulting in approximately 366kg (12,000oz) of gold being lost.

Cost of sales

Cost of sales, which consists of operating costs and amortisation and depreciation, increased by 14% from R13,187 million in 2012 to R15,077 million in 2013.

The primary drivers of cost of sales were as follows:

	2013	2012	
	R million	R million	% change
Salaries and wages	6,156	5,791	6
Consumable stores	2,721	2,576	6
Utilities	2,315	2,115	9
Mine contracts	928	937	(1)
Other	1,736	1,533	13
ORD costs capitalised	(1,883)	(2,128)	(12)
Operating costs	11,973	10,824	11
Amortisation and depreciation	3,104	2,363	31
Total cost of sales	15,077	13,187	14

The analysis that follows provides a more detailed discussion of cost of sales, together with total cash cost and All-in cost.

Operating costs – cost of sales less amortisation and depreciation

Operating costs increased by 11% from R10,824 million in 2012 to R11,973 million in 2013. This increase was due to above-inflation wage

increases of between 7.5% and 8.0% depending upon the category of employee, increased electricity tariffs and costs associated with the increased production, such as stores and bonuses. Other costs increased by 13% from R1,533 million in 2012 to R1,736 million in 2013, but only by 7% if one excludes the increase of approximately R100 million in additional property taxes paid by

Driefontein to the local municipality. These increases were partly offset by cost-saving initiatives implemented during the year, which resulted in improved efficiencies, together with a reduction in contractor costs, and a reduction of 5,810 employees in service.

The table on page 27 presents a reconciliation from cost of sales to total cash cost.

Total cash cost reconciliation

		2013					2012				
		Group	Driefontein	Kloof	Beatrix	Corporate	Group	Driefontein	Kloof	Beatrix	Corporate
Cost of sales per income statement	Rm	15,077	6,339	5,198	3,519	21	13,187	5,290	4,625	3,254	18
Deduct: amortisation and depreciation		(3,104)	(1,458)	(1,097)	(528)	(21)	(2,363)	(987)	(726)	(632)	(18)
Operating costs	Rm	11,973	4,881	4,101	2,991	–	10,824	4,303	3,899	2,622	–
Adjusted for:											
General and admin costs		(234)	(85)	(69)	(80)	–	(227)	(97)	(80)	(50)	–
Royalties*		415	198	147	70	–	282	66	145	71	–
Total cash cost	Rm	12,154	4,994	4,179	2,981	–	10,879	4,272	3,964	2,643	–
Gold sold	kg	44,474	18,775	15,977	9,722		38,059	13,728	15,350	8,981	
	'000oz	1,430	604	514	313		1,224	441	494	289	
Total cash cost	R/kg	273,281	265,997	261,570	306,593		285,851	311,211	258,241	294,277	
	US\$/oz	885	862	847	993		1,086	1,182	981	1,118	

The average exchange rate for the year ended 31 December 2013 was R9.60/US\$ (2013: R8.19/US\$).

* Royalties are included as part of total cash costs but are reflected below operating profit in the income statement.

Total cash cost per kilogram decreased by 4% from R285,851/kg (US\$1,086/oz) in 2012 to R273,281/kg (US\$885/oz) in 2013. This decrease was as a result of the 17% increase in gold produced and sold, partly offset by the increase in royalties and operating costs described earlier.

Amortisation and depreciation

Amortisation and depreciation increased by 31%, from R2.4 billion in 2012 to R3.1 billion in 2013. Amortisation and depreciation at Driefontein increased from R987 million to R1.5 billion in line with the 37% increase in production and applying the updated Reserves declared early in 2013. Similarly, Kloof's amortisation and depreciation increased from R726 million to R1.1 billion, while amortisation and depreciation at Beatrix declined from

R632 million to R528 million due to the West Section being impaired in mid-2013, and no longer being amortised.

All-in cost

A new cost measure, All-in cost, was introduced mid-year by the World Gold Council. Sibanye has adopted the principle prescribed by the Council. This new non-GAAP measure provides more transparency in the total costs associated with gold mining.

The All-in cost metric provides relevant information to investors, governments, local communities and other stakeholders in understanding the economics of gold mining. This is especially true with reference to capital expenditure associated with developing and maintaining gold mines, which has increased

significantly in recent years and is reflected in this new metric.

Total All-in cost excludes income tax, costs associated with merger and acquisition activities, working capital, impairments, financing costs, one-time severance charges and items needed to normalise earnings.

All-in cost is made up of All-in sustaining cost, being the cost to sustain current operations, given as a sub-total in the All-in cost calculation, together with corporate and major capital expenditure growth. At this stage, with the focus on our current operations, Sibanye's All-in sustaining cost and the All-in cost are the same.

The table on page 28 presents a reconciliation from operating costs to total All-in cost.

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		2013					2012				
		Group	Driefontein	Kloof	Beatrix	Corporate	Group	Driefontein	Kloof	Beatrix	Corporate
Operating costs	Rm	11,973	4,881	4,101	2,991	–	10,824	4,303	3,899	2,622	–
Plus:											
Community costs		24	9	8	7	–	20	4	10	6	–
Share-based payments ¹		306	61	47	42	156	264	72	44	42	106
Royalties		415	199	147	69	–	282	66	145	71	–
Rehabilitation		165	84	54	27	–	91	31	37	23	–
Ore Reserve deposits		1,883	703	844	336	–	2 128	849	831	448	–
Sustaining capital expenditure		1,018	319	460	201	38	979	241	505	211	22
Less:											
By-product credit		(23)	(10)	(7)	(6)	–	(23)	(8)	(7)	(8)	–
Total All-in sustaining costs	Rm	15,761	6,246	5,654	3,667	194	14,565	5,558	5,464	3,415	128
Plus:											
Other corporate costs		–	–	–	–	–	–	–	–	–	–
Major growth projects		–	–	–	–	–	–	–	–	–	–
Total All-in cost	Rm	15,761	6,246	5,654	3,667	194	14,565	5,558	5,464	3,415	128
Gold sold	kg	44,474	18,775	15,977	9,722		38,059	13,728	15,350	8,981	
	'000oz	1,430	604	514	313		1,224	441	494	289	
Total All-in cost	R/kg	354,376	332,660	353,884	377,206		382,687	404,881	355,915	380,258	
	US\$/oz	1,148	1,078	1,147	1,222		1,453	1,538	1,352	1,444	

The average exchange rate for the year ended 31 December 2013 was R9.60/US\$ (2013: R8.19/US\$).

¹ Share-based payments are calculated based on the fair value at initial recognition and do not include the fair-value adjustment of the cash-settled share-based payment liability to the reporting fair value.

All-in cost decreased by 7% from R382,687/kg (US\$1,453/oz) in 2012 to R354,376/kg (US\$1,148/oz) in 2013 as a result of the increased production and slightly lower capital expenditure, partly offset by the higher operating costs, royalties and share based payments expensed in 2013.

Net operating profit

As a result of the factors discussed above, net operating profit increased by 26% from R3,367 million in 2012 to R4,254 million in 2013.

Investment income

Income from investments increased by 52% from R106 million in 2012 to R160 million in 2013.

Interest on cash balances increased from R35 million in 2012 to R63 million in 2013, due to higher cash balances in 2013 particular, during the wage negotiation period, where cash was

retained until the wage negotiations were finalised. In 2012 Sibanye was part of the Gold Fields group and as a result Sibanye's excess cash was applied to other projects within the Gold Fields group.

Interest on funds invested in various interest bearing investments for the environmental rehabilitation obligations of the group increased from R70 million in 2012 to R85 million in 2013, due to higher balance of the fund when compared to 2012.

The 2013 total investment income includes R12 million, relating to the unwinding of the financial guarantee asset (2012: Rnil).

Finance expenses

Finance expenses increased from R177 million in 2012 to R420 million in 2013.

Interest on borrowings increased from R114 million in 2012 to R319 million in 2013, mainly due to the increase in the average indebtedness year-on-year. During the first half of 2012 Sibanye had debt of R975 million, which increased during the second half of the year to R4,220 million mainly due to the Ya Rona fire and the illegal industrial actions. Sibanye's debt outstanding during the first half of 2013 was approximately R4,000 million. It was only during the second half of the year that Sibanye was able to reduce its debt levels to R2,500 million. The interest margin under the Bridge Loan Facilities was also higher than that of the Gold Fields group facilities.

The environmental rehabilitation liability accretion expense increased from R58 million in 2012 to R93 million

in 2013 mainly due to an increase in the estimates accounted for in 2012.

Share-based payments

In terms of the previously existing Gold Fields Share Plans, all Gold Fields shares vested pro rata (no-fault termination rules applied) to Gold Fields employees who remained with Sibanye following the unbundling of Sibanye. The proportionate values of unvested options under the Gold Fields Share Plans on date of unbundling were replaced with Sibanye share instruments to the equivalent value, under the Sibanye 2013 Share Plan (SGL Share Plan).

Sibanye's Remuneration Committee has limited the issuance of share options for the 2013 allocation under the SGL 2013 Share Plan to certain senior management only. The balance of senior management and middle management, who previously participated in the equity-settled share option scheme, now participate in a cash-settled share scheme, the Sibanye 2013 Phantom Share Scheme (SGL Phantom Scheme). The same rules will apply to the cash-settled share scheme as would have applied to the equity-settled share options under the SGL Share Plan, other than the issue of new shares to participants.

The share-based payment expense of R306 million in 2013 (2012: R264 million) consists of R213 million (2012: R264 million) relating to equity-settled share options granted under the SGL Share Plan, Gold Fields Limited 2012 Share Plan and Gold Fields Limited 2005 Share Plan, and R92 million (2012: Rnil) relating to instruments granted under the SGL Phantom Scheme. Share-based payments expensed for 2012 related to the share options issued under the various Gold Fields Share Plans.

The cash-settled share instruments are valued at each reporting period based on the fair value of the instrument at that reporting date. The difference between the reporting

date fair value and the initial recognition fair value of these cash-settled share options is included in (loss)/gain on financial instruments in the income statement.

Impairment

An underground fire during February 2013 at Beatrix West Section affected approximately 38% of the planned production area, impacting on the commercial viability of the Beatrix West Section. As a result a decision was taken during the year to impair Beatrix West's mining assets by R821 million.

Loss on loss of control of subsidiary

Living Gold Proprietary Limited's (Living Gold) management acquired a 30% interest in Living Gold from Sibanye in 2013 (2012: 10%) and had an option to acquire a further 10% in 2014, which it exercised subsequent to year end. Sibanye has assessed and concluded that the management of Living Gold substantively controls the entity in terms of IFRS 10. As a result of the loss of control, Living Gold was de-recognised as a subsidiary, and accounted for as an equity-accounted investment.

Restructuring costs

Restructuring costs increased from R124 million in 2012 to R439 million in 2013. The cost in 2013 included R403 million on voluntary separation packages and retrenchment costs, and R36 million on business process re-engineering costs, while costs in 2012 included R25 million on voluntary separation packages and R99 million on business process re-engineering costs.

Royalties

Royalties increased from R282 million in 2012 to R415 million in 2013. The increased royalty in 2013 is mainly due to the increase in gold sold.

The rate of royalty tax payable as a percentage of revenue was:

(%)	2013	2012
Driefontein	2.4	1.1
Kloof	2.1	2.2
Beatrix	1.6	1.8
Average for Group	2.1	1.7

Mining and income taxation

Mining and income taxation increased from a net credit of R365 million in 2012 to an expense of R256 million in 2013. The table below indicates Sibanye's effective tax expense rate in 2013 and 2012.

	2013	2012
Mining and income tax (Rm)	256	(365)
Effective taxation rate (%)	13.1	(14.0)

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In 2013, the tax expense rate of 13% was lower than the maximum South African mining statutory tax rate of 34% mainly due to the tax effect of the following:

- R330 million reduction related to the mining tax formula rate adjustment;
- R214 million deferred tax released on reduction of the long-term expected tax rate at the operations; and
- R1 million of net non-deductible expenditure and non-taxable income.

The above were offset by the following tax-affected charges:

- R64 million adjustment reflected the actual realised company tax rates; and
- R73 million non-deductible charges related to share-based payments.

In 2012 the effective tax expense rate of negative 14% was lower than the maximum South African mining statutory tax rate of 34% mainly due to the tax effect of the following:

- R17 million adjustment reflected the actual realised tax rates;
- R282 million reduction related to the mining tax formula rate adjustment;
- R1,004 million deferred tax released on reduction of the long-term expected tax rate at the operations as a result of the change in the statutory tax rate; and
- R41 million of net non-deductible expenditure and non-taxable income.

The above were offset by the following tax-affected charges:

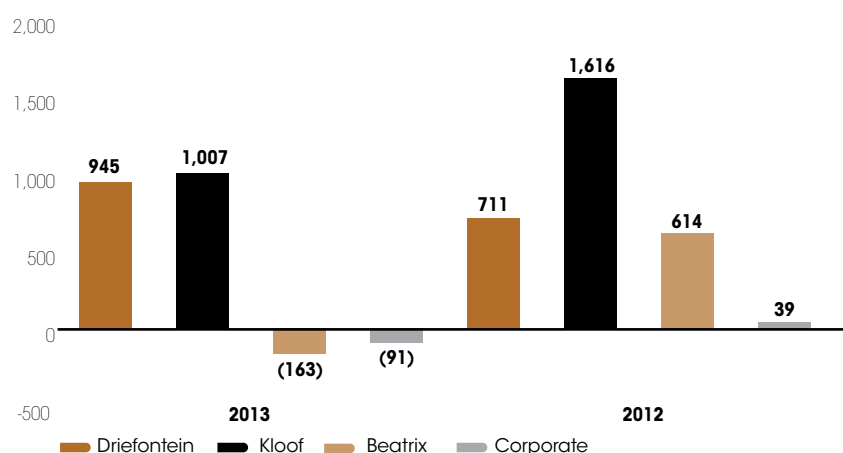
- R90 million non-deductible charges related to share-based payments.

Profit for the year

As a result of the factors discussed above, the Group posted a profit for the year of R1,698 million in 2013, compared with R2,980 million in 2012. Of this, R1,692 million (2012: R2,980 million) is attributable to the owners of Sibanye.

The following graph depicts contributions from the various segments to the profit attributable to the owners of Sibanye:

Contributions (Rm)



LIQUIDITY AND CAPITAL RESOURCES

Cash flow analysis

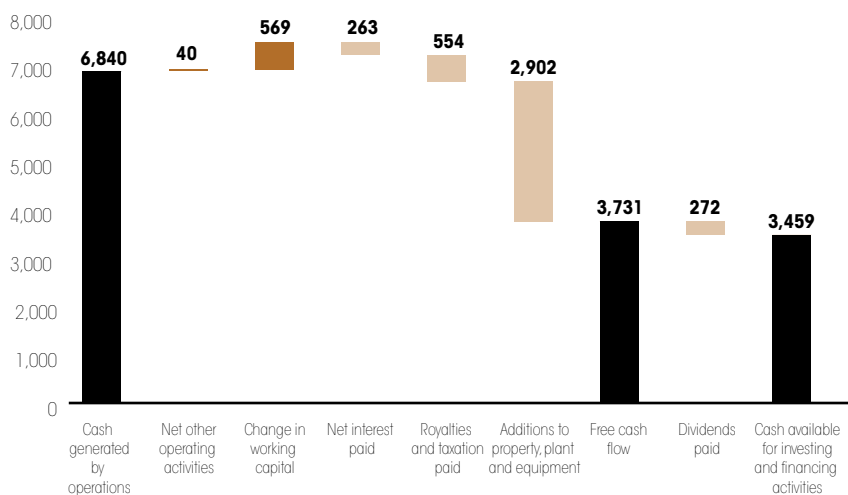
One of the most important drivers to sustain and increase shareholder value is free cash flow generation as that determines the cash available for dividends and other investing activities. Sibanye defines free cash flow as cash from operating activities before dividends, less additions to property, plant and equipment.

Net cash generated in 2013 amounted to R1,201 million compared with R71 million utilised in 2012.

The principal factors explaining the changes in net cash flow for the year are set out in the table below:

	2013 R million	2012 R million	% change
Cash flows from operating activities	6,360	2,621	143
Additions to property, plant and equipment	(2,902)	(3,107)	(7)
Increase/(decrease) in borrowings	(2,220)	4,220	(153)
Free cash flow	3,731	246	1,417

Free cash flow analysis (Rm)

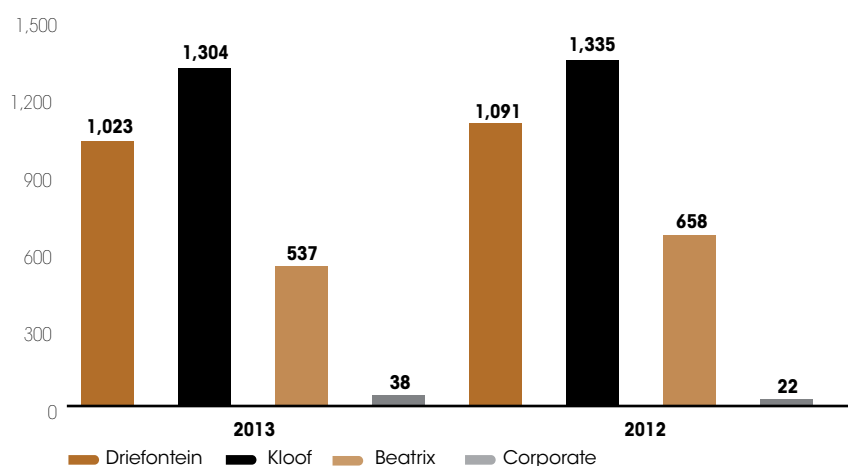


Cash flows from operating activities

Cash inflows from operating activities increased from R2,621 million in 2012 to R6,360 million in 2013. The items contributing to the year-on-year increase of R3,739 million were due to the factors in the table below:

	R million
Increase in cash generated by operations mainly due to increase in gold production	1,363
Increase in release from working capital	1,217
Increase in interest paid	(209)
Decrease in royalties paid	165
Decrease in taxes paid	676
Decrease in dividends paid	459
Other	68
Increase in cash flows from operating activities	3,739

Capital expenditure (Rm)



Cash flows from investing activities

Cash outflows from investing activities decreased from R3,126 million in 2012 to R3,072 million in 2013 due to the reduction in capital expenditure.

Capital expenditure decreased by 7% from R3,107 million in 2012 to R2,902 million in 2013. Capital expenditure at the individual mines is shown in the graph below:

Cash flows from financing activities

Cash flows from financing activities resulted in an outflow of R2,088 million in 2013 as discussed below.

On 1 February 2013, Gold Fields subscribed for a further 731,647,614 shares in Sibanye (in addition to the 1,000 shares it held) at a subscription price of R17,246 million. Sibanye used R17,108 million of the proceeds to repay the GFL Mining Services Limited (GFLMS, a subsidiary of Gold Fields) loan.

On 18 February 2013, the date of unbundling from Gold Fields, Sibanye refinanced its R3,500 million (2012: R3,000 million) long-term credit facilities and R900 million (2012: R1,220 million) short-term credit facilities, which were Gold Fields group debt facilities, by drawing down R4,570 million under the Bridge Loan Facilities.

Sibanye repaid R2,570 million of the Bridge Loan Facilities during the year and on 13 December 2013, Sibanye repaid the balance of the Bridge Loan Facilities by drawing down R2,000 million under the new R4.5 billion Facilities.

Cash flows from financing activities in 2012 resulted in an inflow of R434 million. Debt increased by R4,220 million during the year to fund working capital mainly as a result of the Ya Rona fire and the illegal industrial actions. The net decrease in related-party loans with Gold Fields group entities was R3,786 million.

financial review continued

Net increase/(decrease) in cash and cash equivalents

As a result of the above, net cash generated in 2013 amounted to R1,201 million compared with R71 million utilised in 2012.

Total Group cash and cash equivalents amounted to R1,492 million at 31 December 2013, compared with R292 million at 31 December 2012.

STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

The balance of property, plant and equipment reduced from R16,376 million at 31 December 2012 to R15,151 million at 31 December 2013. The primary contributors to this reduction are the depreciation charge being R202 million more than additions during the year, the Beatrix West Section impairment of R821 million and the negative adjustment of R161 million to the rehabilitation assets.

Financial Guarantee

As of 18 February 2013, the Gold Fields group is no longer guaranteeing any debt of Sibanye, similarly Sibanye has been released from all of its obligations as guarantor under Gold Fields group debt, except, Sibanye remains a guarantor of the US\$1 billion 4.875% guaranteed notes (the Notes) issued by Gold Fields Orogen Holding (BVI) Limited (Orogen, a subsidiary of Gold Fields) on 30 September 2010, due to mature on 7 October 2020. Interest on these notes is due and payable semi-annually on 7 April and 7 October in arrears. The payment of all amounts due in respect of the Notes is unconditionally and irrevocably guaranteed by Gold Fields, Sibanye, Gold Fields Operations Limited and Gold Fields Holdings Company (BVI) Limited (collectively the Guarantors), on a joint and several basis. The Notes and guarantees constitute direct, unsubordinated and unsecured obligations of Orogen and the Guarantors, respectively, and rank

equally in right of payment among themselves and with all other existing and future unsubordinated and unsecured obligations of Orogen and the Guarantors, respectively.

An indemnity agreement (the Indemnity Agreement) has been entered into between the Guarantors, pursuant to which the Guarantors (other than Sibanye) hold Sibanye harmless from and against any and all liabilities and expenses which may be incurred by Sibanye under or in connection with the Notes, including any payment obligations by Sibanye to the Note holders or the trustee of the Notes pursuant to the guarantee of the Notes, all on the terms and subject to the conditions contained therein. The Indemnity Agreement will remain in place for as long as Sibanye's guarantee obligations under the Notes remain in place.

The Group initially recognised the financial guarantee liability at fair value of the guarantee in connection with the Notes. The liability is amortised over the remaining period of the bond and, should facts and circumstances change, on the ability of the Gold Fields group's ability to meet its obligation under the Notes, the liability will be re-valued accordingly. As at 31 December 2013 the balance was R207 million (2012: R196 million). The financial guarantee liability is converted at the year-end exchange rate of R10.34/US\$ (2012: R8.57/US\$). The weaker rand against the US dollar has resulted in the increase in the financial guarantee liability from 31 December 2012 to 31 December 2013.

As of 18 February 2013, Orogen is obliged to pay a semi-annual guarantee fee to Sibanye until Sibanye is released as a guarantor under the Notes. The Group has raised a financial guarantee asset for the future fee income. At 31 December 2013 the balance was R290 million of which R52 million is current.

Borrowings

Total debt (short- and long-term) decreased from R4,220 million at 31 December 2012 to R1,991 million at 31 December 2013. Net debt (total debt less cash and cash equivalents) decreased from R3,928 million at 31 December 2012 to R499 million at 31 December 2013.

At 31 December 2013, Sibanye had committed unutilised banking facilities of R2.5 billion available under the R4.5 billion facilities.

Further details in respect of the R4.5 billion facilities are contained within note 24 on page 130: Borrowings, to the 2013 consolidated financial statements.

Working capital and going-concern assessment

The Group's current liabilities exceeded its current assets by R887 million as at 31 December 2013. Current liabilities at year end include the financial guarantee liability of R207 million (as detailed above) which does not reflect the true liquidity of Sibanye per se, as Sibanye believes that Gold Fields is currently in a position to meet its obligations under the Notes.

With the Bridge Loan Facilities refinanced, Sibanye was in a position to actively manage its debt position and, as a result, repaid an additional R500 million debt in December 2013, effectively applying cash, a current asset, to reduce long-term borrowings.

The Directors believe that the cash-generated by its operations and the remaining balance of the Group's revolving credit facility will enable the Group to continue to meet its obligations as they fall due.

Off balance sheet arrangements and contractual commitments

At 31 December 2013, Sibanye had no off balance sheet items.

Further details in respect of contractual commitments are disclosed in the following notes to the consolidated financial statements:

Contractual Commitments	Note per the consolidated financial statements
Guarantees	17 – Financial guarantee
Environmental rehabilitation obligation	25 – Environmental rehabilitation obligation
Post-retirement healthcare obligation	26 – Post-retirement healthcare obligation
Commercial commitments	33 – Commitments
Contingent liabilities	34 – Contingent liabilities
Debt	
– Capital	24 – Borrowings
– interest	37 – Risk management activities

These contractual commitments for expenditure, together with other expenditure and liquidity requirements, will be met from internal cash flow and, to the extent necessary, from the existing facilities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Sibanye's significant accounting policies are fully described in the various notes to its consolidated financial statements. Some of Sibanye's accounting policies require the application of significant judgments and estimates by management that can affect the amounts reported in the consolidated financial statements. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the consolidated financial statements.

Sibanye's significant accounting policies that are subject to significant judgments, estimates and assumptions are:

- Basis of preparation
- Consolidation
- Share-based payments
- Royalties, mining and income taxation
- Property, plant and equipment

- Environmental rehabilitation obligations
- Contingent liabilities

SARBANES-OXLEY ACT

Sibanye, being a foreign private issuer as defined under the US Securities and Exchange Act of 1934 (the Exchange Act), must comply with the requirements of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). Management's compliance programme has consisted of self-assessments, focused walk-throughs and operating-effectiveness testing executed throughout the year, on a quarterly basis.

At the time of reporting, management had completed control-design and operating-effectiveness testing for the Group across all significant locations, with the exception of the processes relating to preparation of its US annual report on Form 20-F.

The results to date of said compliance programme indicate a very high level of compliance and no indication of a material breakdown in controls was noted.

Charl Keyter
Chief Financial Officer
 25 April 2014