

CHIEF EXECUTIVE OFFICER'S REVIEW



Neal Froneman

Chief Executive Officer

2017 will be recognised as a landmark year in the history of the company. Over the course of the past two years, primarily in 2017, the Group has fundamentally changed, from a gold mining company with its asset base located entirely in South Africa, into a geographically diversified, international precious metals company.

This transformation has been achieved in a relatively short, three-year period since we first expressed our interest in the PGM industry. In this time, we have established Sibanye-Stillwater as one of the top three global producers of platinum and palladium, while retaining our position as a leading global gold producer.

We have conclusively diversified our commodity mix as well as diversifying the geographical concentration of our operations. This has significantly reduced risk across the Group and is already delivering tangible benefits. To reflect the fundamental change in the Group, we have rebranded as Sibanye-Stillwater, which retains the value of both the Sibanye and Stillwater brands and better reflects our larger, internationally diversified profile.

What has remained constant through this period of change is our commitment to our core purpose, vision and CARES values. Our core purpose that "Our mining improves lives" captures the essence of how we operate, uplifting our employees' and communities' quality of life and contributing positively to broader society and the economy, not only through our operating activities, but also through the products we produce. PGMs, in particular, contribute through their superior catalytic properties to a cleaner and healthier environment. Our corporate

vision of "creating superior value for all our stakeholders" and CARES values underpin our decisions and actions.

SAFETY

Safety is our principal value and we continue to focus significant effort and attention as well as resources on ensuring that our employees are able to work in a safe and conducive environment. Following a regression in our safety performance in the first half of 2016, we adopted a revised safety strategy in the SA region in the latter half of 2016 that was rolled out across all operations during 2017.

There was a significant improvement in all the main safety indicators across the region during 2017, with the SA region's serious injury frequency rate (SIFR) improving by 14% to 3.59 per million hours worked, and the lost-time injury frequency rate (LTIFR) improving by 13% to 5.76 per million hours. Safety improvements continued through the year, with the SA gold operations, in the December 2017 quarter, recording their first fatality free quarter since March 2015.

We have now restored our leading position, among both gold and South African PGM peer companies, as the benchmark on most safety indices in the gold and PGM sectors.

Despite these improvements there were regrettably 11 fatalities in the SA region during 2017. These incidents have been thoroughly investigated and preventative action taken and rolled out where appropriate. On behalf of the Board and management, I extend my deepest condolences to the families, friends and colleagues of these employees: Sphampano Machenene, Mxolisi Cekiso, Mbuze Ncobela, Seabata Khetla, Andile Nkwenkwe, Nkosinathi Marumo, Thandisile Deku Rangwaga, Puseletso Molobogeng Mashego, Geraldo Siteo, Sibongile Ganithuli and Moagisi Selaotswwe. Consistent with our practice and policies, the families of the deceased have received, and will continue to receive, appropriate support from the company.

In the US region, the total recordable injury frequency rate (TRIFR) for 2017 was a record low of 12.7 per million hours worked, an improvement on the 12.9 reported for 2016 TRIFR. The East Boulder mine was free from lost day and serious injuries for the entire year and the US region reported no contractor injuries for the entire year.

ORGANISATIONAL RESTRUCTURING FOR EFFECTIVE DELIVERY

The significant increase in size and geographic spread of the company has required us to revise and restructure the organisation to ensure strategic alignment and delivery, role clarity and a continued focus on operational excellence.

During 2017, we transformed from a commodity-focused divisional structure, to a geographically regionalised structure, with separate regionally-focused executive teams in each region, namely, the SA region and the US region. These well-defined geographic regions are led by strong executive teams, which clearly understand the specific regional social and cultural issues, and are primarily responsible for continued delivery of operational and strategic goals. Strategy, finance, new business and other non-operational functions are the responsibility of the corporate office, which ensures that the regional leadership teams are able to focus on operational integration and delivery.

In the SA region, Robert van Niekerk was appointed Executive Vice President: SA region, where he is supported by a strong and experienced team. Robert has served as an executive of the Group since 2013, and has played a key role in improving organisational effectiveness, most recently driving the successful integration of the SA PGM operations. In the US region, Chris Bateman, previously CFO of Stillwater since 2014, was appointed as Executive Vice President: US region. He is also supported in this role by a regional executive team.

The effectiveness of this approach is evident in the successful integration of the SA PGM operations in 2017, which has exceeded expectations, and the efficient integration of the Stillwater operations, which have maintained operational consistency. Continued operational delivery and the successful integration of new acquisitions during periods of rapid growth and change, endorses the current organisational structure and operating model, which we are confident is appropriate for our current and future requirements.

2017 IN REVIEW – A YEAR OF OPPORTUNITY AND DELIVERY

Strategic review

Sibanye-Stillwater's rapid and comprehensive growth into the top ranks of the global PGM industry appears to have surprised many market observers and commentators. This corporate transformation has been swift, but has been consistent with our clearly communicated strategy to pursue growth in the sector. Moreover, we have consistently said that accomplishing this strategy involved four steps, which would result in us becoming a leading mine-to-market producer. After successfully reducing operating costs and stabilising our gold operations during 2013, our strategic focus shifted to profitably growing and sustaining the business beyond the life of our gold assets. Opportunities for meaningful, value accretive growth in the South African gold industry were limited and it was clear that alternative options

were necessary in order to ensure the sustainability of the Group in the long term.

In early 2014, after having completed detailed research on the PGM industry and the fundamental outlook for PGM supply and demand, we signalled our intent to grow in the industry. At the time, the strategic rationale was clearly communicated to the market, as summarised below:

- Low PGM prices and escalating input costs (labour and utilities) had put balance sheets under strain, creating opportunities for value-accretive acquisitions
- The industry had avoided necessary restructuring of loss-making production
- The SA PGM sector offered a number of consolidation opportunities
- The PGM industry operating environment shares many similarities with the gold industry:
 - medium depth, tabular, hard rock mining
 - labour-intensive (mainly utilising conventional mining methods)

There was a clear opportunity to leverage Sibanye-Stillwater's successful South African operating model and experience to unlock value with long-term PGM supply and demand fundamentals remaining robust.

This rationale has since been justified and endorsed, by the meaningful growth Sibanye-Stillwater has delivered in the PGM sector over the past three years, as well as by the successful integration of these acquisitions into the Group.

SA PGM operations – successful integration

The integration of the Aquarius and Rustenburg operations, acquired in 2016, has exceeded our expectations. Since acquisition, the SA PGM operations have consistently delivered improving production and financial results, with integration synergies significantly exceeding expectations. Approximately R1 billion in cost savings and operational synergies have been realised in the first 14 months of incorporation, well ahead of initial expectations of R800 million over a three- to four-year time frame.

Production from the SA PGM operations in 2017 of 1.19m4Eoz, was higher than guidance for the year, with all-in sustaining cost (AISC) of R10,399/4Eoz (US\$782/4Eoz) also better than anticipated. As a result, together with a marginally higher average 4E PGM basket price, the SA PGM operations contributed 18% or R1.6 billion (US\$120 million) to Group adjusted EBITDA in their first full year of incorporation. This is a remarkable result from assets which, before being part of Sibanye-Stillwater, had been delivering significant and sustained losses for many years.

Early in 2017, we conducted a review of the SA PGM operations with a view to potentially rationalising loss making production at the conventional shafts. Due to the strong operational performance being delivered by all the SA PGM operations, coupled with the realisation of synergies, all of the shafts were found to be contributing to group profitability and the threatened closures were averted.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

US PGM operations – clear diversification benefits

The acquisition of Stillwater which was announced in December 2016 and concluded in May 2017, is a transformative transaction and the US PGM operations are already making a noticeable financial contribution to the Group. The integration of the US PGM operations has proceeded smoothly, with the operating performance steady and the critical Blitz project being commissioned three months ahead of plan.

The transaction was also well timed, with the palladium price increasing by more than 60% from acquisition on 4 May 2017 to 31 December 2017. The palladium price increase has particularly benefited the profitability of the US PGM operations, which produce a PGM basket comprising about 78% palladium and 22% platinum.

The US PGM operations contributed R2.1 billion (US\$161 million) (24%) to Group adjusted EBITDA for the eight months since acquisition. Notably, given the recent strength in the rand, which has impacted margins of all of our South African operations, this has provided welcome diversification and supports the timing of the acquisition at what we believe to be a low point in the palladium price cycle. At the 2018 average to date 2E PGM basket price of approximately US\$1,035/2Eoz, Stillwater is generating an AISC margin of over 35%.

The rationale for the transaction is further supported by a detailed, independent competent persons' report (CPR), released in November 2017, which valued the US operations at US\$2.73 billion, which is higher than the US\$2.24 billion acquisition price (including transaction fees of US\$40 million). The CPR is available on the Sibanye-Stillwater website at: www.sibanyestillwater.com/investors/documents-circulars.

Proposed Lonmin transaction – a value-accretive, logical fourth step

We have for some time, clearly signalled the importance of becoming a "mine-to-market" producer in South Africa and our intention to conclude a "fourth step" in our PGM strategy. The proposed acquisition of Lonmin, announced on 14 December 2017, will, if successful, complete that fourth strategic step. The proposed integration of Lonmin will add a commercially attractive smelting and refining business and sizeable PGM Mineral Reserves and Resources, which provide significant optionality to higher PGM prices. A detailed due diligence of Lonmin has identified R730 million in annual overhead cost savings and a further R780 million in processing synergies which could be realised in full by 2021*. The successful conclusion of this transaction will bring greater stability to Lonmin as well as to communities in the Rustenburg region.

SA gold operations

The year under review was a period in which the gold price essentially remained in a phase of consolidation, after a steep decline from Brexit related peaks in mid-2016. During 2017, gold's spot price in London averaged \$1,254/oz, which was flat year-on-year. In rand terms, the average price received of R536,378/kg was 9% lower than the average received for 2016. Adjusted EBITDA for our gold operations for the year ended

31 December 2017 declined by 46% to R5.3 billion (US\$399 million), owing to a 7% decline in production to 43,634kg (1.4Moz) and a 9% decline in the average gold price received to R536,378/kg (US\$1,254/oz). Our consistent focus has been to maintain operations that can be mined profitably and sustainably to deliver equitable benefits to all stakeholders over several years. There can, unfortunately, be no place in our strategy for supporting persistently unprofitable operations with revenues from profitable ones nor, by the same token, can we consider not mothballing unprofitable mining sections that have little prospect of being turned to profitable account. Such operations are typically those placed on care and maintenance programmes should they have the prospect of an eventual return to profitable account.

In this regard, after numerous attempts to address losses at the Cooke operations and Beatrix West mine, we entered into Section 189 consultations with relevant stakeholders, which resulted in the cessation of underground mining at the Cooke operations at the end of October 2017 and an agreement to suspend capital investment at Beatrix West. Beatrix West will continue operating its underground working and surface processing with fewer employees. Should the section return to loss in any three-month period, there will be no alternative but to place it on care and maintenance. The cessation of mining at the Cooke underground operations, while resulting in a reduction in gold production, is expected to reduce AISC for the SA gold operations in 2018 by approximately R15,000/kg (US\$36/oz) (in 2017 terms). Early decisive action taken to address these loss-making operations has resulted in the SA gold operations being better positioned for the prevailing rand environment than they were in 2017.

Proposed DRDGOLD transaction – immediate value and long-term optionality

In addition to decisively addressing costs and loss making operations, we continue to assess alternative ways in which we can realise additional value from our operations and assets. In November 2017, a proposal was announced to vend certain gold surface assets on the West Rand to DRDGOLD, a leading specialist in recovering gold from mine residues. The arrangement, which was awaiting ratification by DRDGOLD's shareholders as the year closed, will involve DRDGOLD issuing shares equivalent to 38% of its enlarged issued capital to Sibanye-Stillwater. Sibanye-Stillwater will also retain an option to increase its shareholding to a majority shareholding within a 24-month period. Through this transaction, Sibanye-Stillwater will realise immediate value from the West Rand Tailings Retreatment Project (WRTRP) (equivalent to 38% of DRDGOLD's market capitalisation) and retain optionality to the project's upside through this exposure, without the need to incur significant capital investment.

Capital management

Sibanye-Stillwater maintains a prudent approach to capital management, with preservation of long-term financial flexibility as a key priority. In order to conclude the transformative Stillwater acquisition, a conscious and deliberate decision was taken to temporarily increase Group debt.

* For further information relating to the synergies expected from the Lonmin acquisition, refer to page 17 and pages 58 – 60 for detail on the offer/ announcement dated 14 December 2017, available at www.sibanyestillwater.com/investors/transactions/lonim/documents

The US\$2.65 billion bridge loan raised for the Stillwater transaction was successfully refinanced five months after the conclusion of the transaction, via an oversubscribed US\$1 billion rights issue, the issue of US\$1.05 billion in corporate bonds and a US\$450 million convertible bond. Net debt (excluding the Burnstone Debt and including the US\$450 million convertible derivative instrument) at 31 December 2017 was R23,176 million (US\$1,875 million). There was a 7% reduction in net debt to adjusted EBITDA to 2.6x, compared to 2.7x at 30 June 2017.

Near term liquidity is not a concern, with committed unutilised debt facilities of R3,653 million (US\$296 million) at 31 December 2017. In order to manage liquidity, the Group is currently refinancing and potentially upsizing its US\$350 million revolving credit facility (RCF), which matures on 23 August 2018. This will increase available RCF facilities by about US\$250 million, providing additional balance sheet flexibility and terms and conditions are anticipated to mirror those of the current facility. The support for this refinancing is again a significant vote of confidence in the outlook for the Group by leading financial institutions.

Our balance sheet is now structured with appropriate levels of permanent capital and of long- and medium-term debt. Reducing balance sheet leverage is, however, a key strategic focus for the Group, and in addition to utilising cash generated from its operations, the Group is assessing various options at its disposal to ensure responsible management of its debt. As previously mentioned, these may include options such as entering into streaming agreements, inventory financing and utilising other low cost financial instruments.

The focus on deleveraging has, however, affected available funds for distribution as cash dividends. We remain committed to our vision of delivering superior return to all our stakeholders and, in this regard, the Board approved the issue of capitalisation shares in order to ensure delivery of ongoing value for shareholders. Two capitalisation shares for every 100 shares held were approved for the six months ended 30 June 2017 with a further four capitalisation shares for every 100 shares held approved at year end. The Board and management of Sibanye-Stillwater remains committed to its dividend policy and will resume cash dividends as soon as it is deemed prudent by the Board. In the interim, the issue of no par value capitalisation shares is intended to ensure that shareholders continue to benefit from an enhanced exposure to the Group.

2018 OUTLOOK

The political environment in South Africa has recently undergone substantial change. While structural changes are yet to be seen, general sentiment around the country's prospects for economic stability and growth is more positive. This has notably reflected in the strength of the local currency, which has appreciated by 6% against the dollar in 2018 to date and, remarkably, by 18% since the beginning of 2017. At the same time, dollar-denominated precious metal prices have increased and, while the rand will continue to impact on industry margins, overall spot prices are generally higher than at the same time in 2017. While the political and regulatory outlook appears more positive, and suggests upside for the beleaguered South African mining industry, we continue to adopt a cautious and measured approach.

Focus in 2018

Sibanye-Stillwater's development and growth has been rapid and, consequently, the strategic imperative for 2018 is one of consolidation.

Our strategic priorities for the year are to:

- reduce the Group's financial leverage as soon as possible
- maintain our focus on operational excellence in order to achieve consistent and sustainable delivery on production and costs
- drive down costs
- embedding the employee value proposition
- continue with the integration and optimisation of recently acquired operations
- address the current market discount to intrinsic value

Restructuring of our SA gold operations in 2017 and realisation of significant synergies at our SA PGM operations, together with the diversification benefits already being realised from our US PGM operations, have ensured that the Group is better positioned to withstand a sustained period of low prices, and significantly geared to any increase in commodity prices or depreciation of the rand. We are, however, cognisant of the risks posed should the economic environment deteriorate further and, in this regard, have initiated a detailed review across our operations. This review is at an advanced stage and we are confident in our ability to manage our mining assets sustainably and profitably throughout the market cycle.

As discussed in the capital management section, we have already made significant progress evaluating various financial options, which would allow us to significantly reduce debt. These options do not include raising equity capital.

Sibanye-Stillwater has undergone significant change and done so under challenging circumstances at what we believe to be a low point in the commodity price cycle. We are convinced that Sibanye-Stillwater offers fundamental value and is strategically positioned to benefit from any upside in precious metals prices.

RECOGNITION

Sibanye-Stillwater understands the importance of engaged, positive and confident leaders and the active development of a winning culture. And we believe the calibre of our employees will make possible the building of that sort of culture.

I have been fortunate to have enjoyed the unwavering support of all of my colleagues throughout the Group during a period of rapid change and development for Sibanye-Stillwater. But for them, we would not have succeeded in our efforts, and I extend my heartfelt thanks to them all. I remain confident that they will continue to contribute fully to our company's future progress.

Neal Froneman
Chief Executive Officer

29 March 2018