chief executive's report

Neal Froneman Chief Executive Officer

INTRODUCTION

The purpose of this Integrated Report is to provide stakeholders with relevant information about Sibanye, including a review of its operational and financial performance during the period; its governance and values; its prospects and the challenges it faces; and its business strategy, which is focused on maintaining strong operational performance and value-accretive growth in order to deliver and sustain long-term, superior value creation for our shareholders in the form of dividends and appreciation in the share price.

On listing in February 2013, the primary strategic objectives contemplated for Sibanye's first year as an independent company were:

- to restore operational credibility to its mature mines;
- to unlock the value contained in the West Wits Tailings Storage Facilities;
- to secure the longer-term future of Beatrix; and
- to deliver on our strategic intent to be the benchmark dividend yield vehicle in the gold sector globally.

These objectives have substantially been achieved in 2013 and a strong platform has been laid as the basis for continuing high performance and business growth in 2014.

The operational turnaround delivered in Sibanye's first 11 months as an independent company has proven the quality and potential of its operations and largely restored its operational credibility.

We are confident that the solid operational base delivered in 2013 is sustainable and that the Group is well positioned to deliver on its strategic goals, not only in the short-term, but over a significantly longer period than envisaged in the LoM that we inherited at the beginning of 2013.

Notable highlights during the period include:

- **successfully implementing a new operating model** and flatter, more efficient operating structures. This has already had a positive impact on costs and production at the operations. As we anticipated at the beginning of the year, I can confidently say that we have arrested the declining-production and increasing-cost trends that have plagued these assets for many years.
- **strong free cash flow generation**, despite a declining dollar gold price and rising costs, has enabled repayment of R2.2bn of debt, which was inherited on unbundling. This allowed Sibanye to pay a robust dividend to shareholders, positioning us as a benchmark dividend yield company in the sector.
- **successfully extending the lives of our assets** through quality and disciplined mining and cost control. This is evident in our new Reserve and Resource declaration and has been incorporated into our new, longer LoM operating plans. We expect to improve the LoM profile further as we continue with our assessment of the sizeable Resources still contained in secondary reefs and other remnant areas at the operations.
- **making strategic acquisitions**, which are consistent with Sibanye's strategy to extend the operating lives of its current mines and assets and maintain higher production levels for longer in order to sustain dividend payments to shareholders.

BECOMING THE 'GO TO' GOLD EQUITY INVESTMENT

Prior to Sibanye's unbundling and listing, a number of key strategic drivers and criteria were identified, which we believed would result in Sibanye becoming the investment of choice in the global gold sector. The strategic drivers that we identified and communicated at the outset remain valid. These are:

Strategic accountable leadership

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- **ensuring leverage to the gold price** by remaining unhedged and implementing operating strategies which ensure that any increase in revenue flows through to the bottom line;
- **optimising free cash flow** (after all costs, capital expenditure and taxes) and using this as a key measure of performance;
- **maintaining capital expedience and discipline** by ensuring that capital invested generates appropriate returns and that the balance sheet is optimally geared;
- **not pursuing growth for the sake of size** but only if that growth enhances cash flow and returns per share; and, most importantly,
- **rewarding shareholders by means of regular, sustainable and meaningful dividends** and, when appropriate, returning excess cash to shareholders through the declaration of special dividends.

Sibanye's strategy considers the interests of all its stakeholders and we believe that all stakeholders will benefit from the successful delivery of our strategic goals. In this regard, we recognise that we have a meaningful presence in South Africa and its economy, and are confident that, in a supportive environment, the Group will continue to operate profitably and sustainably for the benefit of all of its stakeholders.

IMPLEMENTING OUR STRATEGY

Notwithstanding challenging market conditions in 2013, the vigorous implementation of Sibanye's operating strategy, comprising the six key elements (depicted in the diagram on this page) has already delivered results.

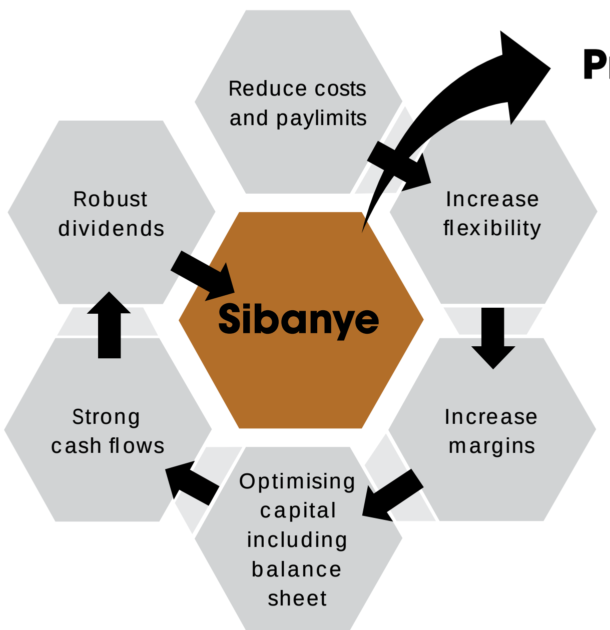
Some of the measures that have been implemented have already yielded returns while we expect further cost and productivity benefits from more recent interventions. Critical elements have included:

- **efforts to right size and restructure the company are ongoing**, although substantial progress has been made. Wages make up over 50% of operating costs and, while production had declined significantly in recent years, the labour complement had stayed relatively stable. Restructuring the business to align the labour complement with longer-term sustainable production levels resulted in a reduction in the total number of employees by 5,810 people (14% of employees), largely through voluntary separations and natural attrition. In doing this, we focused firstly on rationalising the higher levels of management, and removing two layers of operational management while introducing more effective structures and capacity, with strong operating experience.
- **the use of contractors has been significantly reduced** in order to minimise the impact of the restructuring on our own employees and contractors have been replaced by Sibanye employees where possible. Contractors now represent around 7% of the total workforce from around 9% a year ago. The corporate and regional functions, which were previously separate, have been combined and the corporate office has been established at Sibanye-owned premises at the old Libanon Mine, close to the key Driefontein and Kloof operations.

Operating margin of 38% (from 35%) and 18% based on All-in cost (from 12%)

Operating profit of R7.4 billion (US$767 million); R1.2 billion (US$132 million) of net cash generated

Avaiable cash increased to R1.5 billion (US$144 million); Net debt of R499 million (US$48 million)



Premium rating

Reduced our total cash cost by 4% to R273,281/kg (US$885/oz) and our All-in cost by 7% to R354,376kg (US$1,148/oz)

Gold production up by 17% to 44.5t (1.43Moz); tons milled up by 12%

Focused on what investors want

- **service level contracts** between the group services and our mines ensure that the functions and services provided by the Group are effective and address real needs at the operations.
- **the organisational structure has been flattened**, ensuring that there is more experience and a higher level of skill closer to the face where it is most needed. The separation of the KDC entity into Kloof and Driefontein has reduced the spans of control in order to ensure that our management was not too-thinly spread.
- **the operational focus has been intensified** by introducing multi-disciplined and empowered operating team structures. By improving the operating focus and flexibility, we increased gold production by about 17% year-on-year. A focus on quality of mining factors is reflected in lower R/t operating costs and increased grades. A detailed monthly, technical and financial operational review process has been introduced in order to measure progress on a regular and frequent basis, and immediately address any operational issues that may arise.
- **plant utilisation has been optimised** by filling excess capacity with low-grade surface rock and dump material.

OPERATING AND FINANCIAL OVERVIEW

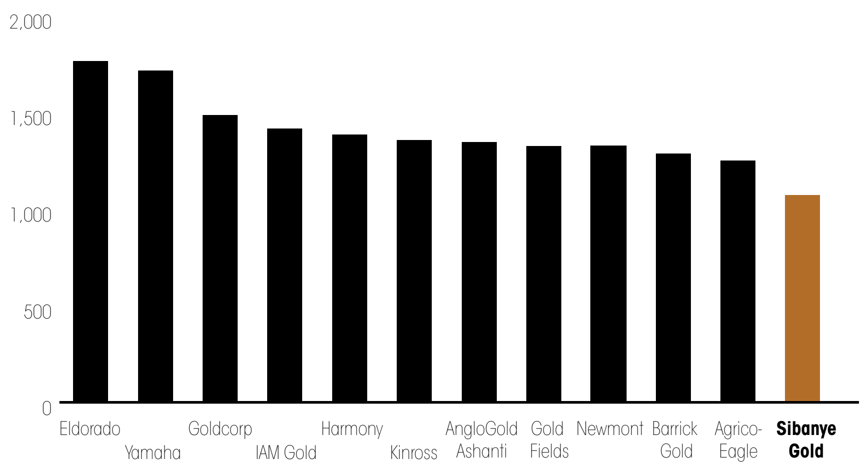
Our focus on improving productivity and reducing costs is coupled with a dedicated health, safety and wellbeing strategy. Continuous initiatives to engineer out risk, as we strive towards our goal of zero harm, delivered further safety improvements in 2013. The FIFR at the end of the year was 0.10 per million man hours worked, which is a 41% improvement over the previous year and the lowest ever rate achieved over a year at these deep level gold mines. The LTIFR was 6.13, which represents an 11% year-on-year improvement. Despite the depth and labour-intensive nature of our operations, our safety indicators are starting to approach global mining safety benchmarks, a remarkable statistic.

Following a thorough review of all aspects of the business in the first half of 2013, the new operating model was introduced and flatter, team-based management teams rolled out across the operations. Significant restructuring and an increased operational focus resulted in continuous delivery of productivity and cost improvements throughout the year with the second half of the year better reflecting the sustainable performance of the operations. The first half of 2013 was also disrupted by a fire at Beatrix West Section and a power outage when the main Eskom transformer supplying electricity to Driefontein was severely damaged by a fire resulting from a lightning strike. As a result, gold production of 24,061kg (773,600oz) for the six months ended 31 December 2013 was 18% higher than in the first six months. Total cash cost of R259,919/kg (US$804/oz) and All-in cost of R336,848/kg (US$1,043/oz) were both 10% lower than during the first six months, largely as a result of the cost-reduction initiatives and increase in gold production. Underground cost per ton milled declined by 12% to R1,527/t (US$152/t) from R1,737/t (US$190/t) in the first half of the year, driven by a 19% increase in underground volumes milled and strict controls on underground operating costs. Despite the increase in volumes, underground operating costs increased by less than 5% to R5,639 million (US$560 million). This was despite the annual wage increases and elevated winter electricity tariffs in the second half of the year.

Gold production for the year ended 31 December 2013 was 17% higher than that achieved in 2012 and All-in cost was 7% lower, both as a result of the severe strikes in 2012 and the re-focus on mining and cost-saving initiatives after unbundling early in 2013. Sibanye is now positioned in the lowest quartile of the global All-in cost curve and is capable of generating solid cash flow under lower gold prices than currently prevail.

Operating profit increased to R7.4 billion (US$767 million) in 2013 from R5.7 billion (US$700 million) in

All-in cash cost for 2013 (US$/oz)



Source: Barclays Capital, company data

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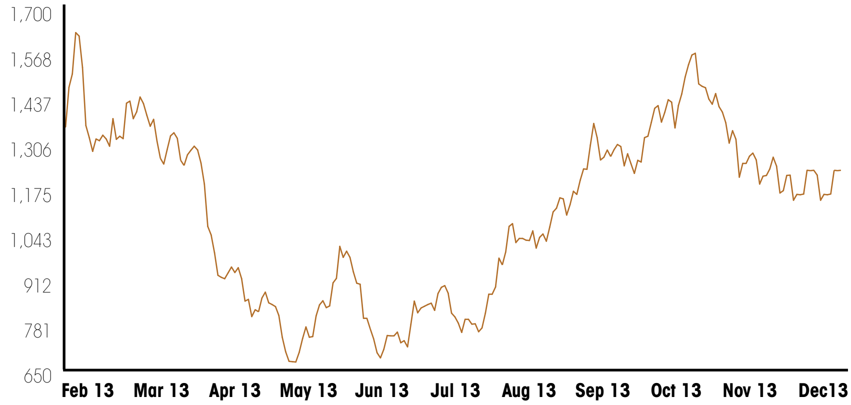
2012 due to the increased revenue, partly offset by production and inflation-related cost increases. A 15% decline in the average US dollar gold price to US$1,408/oz in 2013 was offset by depreciation of the rand against the US dollar, resulting in an unchanged year-on-year rand gold price received, which averaged R434,663/kg during 2013.

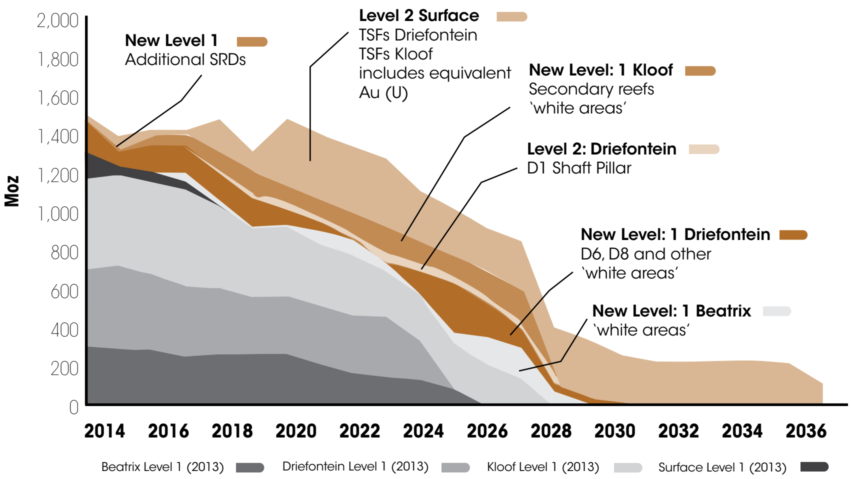
Net cash generated for the year ended 31 December 2013, before net financing activities and dividends, was R3.6 billion (US$375 million), which was equivalent to approximately 40% of Sibanye's market capitalisation as at 31 December 2013. Debt repayments during the year totalled R2.2 billion (US$231 million), reducing gross debt to R2.0 billion (US$193 million) and net debt to R499 million (US$48 million) at year end. Debt repayments were structured to accommodate the payment of the interim and final dividend, to allow funding to cover payments on acquisitions, and to provide cash flow coverage against the possibility of industrial action during the biennial gold-sector wage negotiations. The bridge loan facilities were also restructured to provide for a borrowing facility of R4.5 billion, R2 billion of which has been drawn.

Sibanye's dividend policy is to return 25% to 35% of normalised earnings to shareholders. The Group declared a total dividend of 112cps for 2013 at the upper end of the range defined in its dividend policy. This represented a 9% dividend yield at 31 December 2013.

Sibanye's share price: 11 February 2013 to 31 December 2013 (South African cents)



Sibanye LoM profile at 31 December 2013



Level 1 – Approved LoM plan with capital fully budgeted; Level 2 – Projects where provision has been made for capital and only minor technical work is required; Level 3 – Concept studies, pre-feasibility studies and feasibility studies, with no provision made for capital

SHARE PRICE PERFORMANCE

Sibanye listed at a price of R13.05 per share on 11 February 2013 and initially traded in a relatively tight price range until April 2013, when the sharp decline in the gold price led to a sell-off in gold equities globally. The FTSE/JSE Gold Mining Index declined by approximately 40% and Sibanye's share price fell to a low of R6.73 per share on 22 May 2013, about 50% below its listing price.

Evidence of improving operational performance, reported at the interim results in August 2013, a relatively short strike followed by agreement on wage increases with the unions representing the majority of the gold-industry workforce in September 2013 and the declaration of Sibanye's maiden interim dividend, resulted in Sibanye's share price recovering strongly through the second half of the year. By 31 December 2013, the share price had recovered to a closing price of R12.30 per share, 83% higher than the bottom reached in May 2013 but still 6% lower than the listing price. This is in contrast to a 54% decline in the FTSE/JSE Gold Mining Index and represented significant outperformance over the same period against the dollar gold price and rand gold price, which ended the year 27% and 14% lower respectively.

Sibanye's share price has continued to appreciate in 2014, increasing by approximately 100% to R24.73 per share on 10 March 2014, driven by strong results reported for the six months ended 31 December 2013, the declaration of a 75 cents per share final dividend for 2013, a more stable dollar gold price and a weak rand relative to the US dollar.

GROWTH

Sustaining and growing our operations

Lower overhead costs and an improvement in mining quality factors has resulted in lower paylimits being applied to LoM planning, and Reserve and Resource calculations at 31 December 2013, compared with those used in 2012. This, together with the ongoing assessment of the economic viability of mining, the large resources contained in secondary reefs and remnant areas, which had not previously been exploited, has resulted in Sibanye's gold Mineral Reserves at 31 December 2013 increasing by 46% to 19.7Moz (including 1.5Moz of Reserves depleted through mining during 2013), from 13.5Moz at 31 December 2012.

Underground gold Reserves increased by 2.4Moz (net of depletion) and surface gold Reserves, mainly in TSF, included following the completion of a pre-feasibility study, increased by 4.0Moz. Total gold Resources reduced by 9.2Moz to 65.0Moz, primarily due to re-evaluation of the pay limit.

SIBANYE LoM PROFILE AT 31 DECEMBER 2013

Inclusion of these additional Reserves in Sibanye's revised 2014 LoM plan has resulted in gold production from Beatrix, Driefontein and Kloof being forecast to be maintained at over 1.2Moz per annum until 2021, four years longer than in the 2013 LoM plan, which had gold production declining below 1.2Moz per annum by 2017. Importantly, in the 2014 LoM plan, gold production is forecast at approximately 1.4Moz until 2019 compared with the 2013 LoM plan, which had peak gold production of approximately 1.3Moz being maintained for only a single year. The total forecast LoM has also been extended by approximately two years to 2030 in the 2014 LoM plan. With most of the additional underground reserves being from remnant or white areas and secondary reefs, which require minimal ORD, capital expenditure to achieve this improved LoM profile is forecast to remain relatively constant in real terms at approximately R3.0 billion.

Inclusion of Sibanye's TSF reserves in the LoM plan at this stage extends production of over 1.2Moz per annum by a further three years until approximately 2024 and extends the LoM to 2035. This project will in future form part of the West Rand Tailings Treatment Project (WRTRP) once the acquisition of the Cooke assets from Gold One has been completed.

A maiden uranium Resource, comprising 419Mt and containing 68.8Mlb uranium has been declared based on 43.2Mlb uranium contained in the TSF Reserves at Driefontein and Kloof, and the maiden declaration of a 25.7Mlb uranium Resource at the underground Beisa Section at Beatrix West Section.

The strategy to extend the lives and secure the future of our existing operations and assets includes growth or life extension from value-accretive and strategic acquisitions. As a proudly South African, independent mining company, Sibanye's strong cash flows and regional presence position it competitively for growth, particularly in South Africa. With our

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benchmark yield strategy in mind, we will only pursue acquisitions that are ultimately value-enhancing on a per-share basis or provide sustainability to our yield profile.

In 2013, the following transactions were entered into:

- In August 2013, agreement was reached with Gold One to acquire its Cooke underground and surface assets for such number of shares as represent 17% of Sibanye's issued share capital, on a fully diluted basis on the closing of the transaction. This transaction is expected to be earnings and cash flow- accretive and will add average annual production of approximately 250,000oz of gold and over 500,000lb of uranium over the next five years, and unlock regional operational and infrastructural synergies. Importantly, the transaction secures the Cooke surface tailings Resources and the Cooke 4 gold and uranium plant, which are critical to unlocking the significant gold and uranium Resources contained in the surface TSF across our West Rand operations.
- The second transaction signals greater co-operation between the gold producers in South Africa in order to unlock value in the industry. In August 2013, Sibanye agreed to exchange two mining-right portions at its Beatrix Operation, which are not included in its current life of mine, for two mining-right portions at Harmony's Joel Operation. These acquired mining rights are more readily accessible from the Beatrix North and South sections. Two further mining-right portions have been exchanged with Harmony for a royalty of 3% of net revenue derived from mining these portions.
- Finally, in December 2013, Sibanye agreed to acquire the entire issued ordinary share capital of Wits Gold for a cash consideration of approximately R410 million, thereby securing substantial gold and uranium resources. The majority of these resources are adjacent to our Beatrix Operation and, through synergy with existing operations and infrastructure, will secure the long-term future of Beatrix. Wits Gold also held a binding offer to acquire Southgold Exploration Proprietary Limited (Southgold) – being the sole owner of the Burnstone gold mine. Following the successful conclusion of a detailed due diligence, a decision was taken to proceed with the option to acquire the Burnstone mine. The offer to acquire Southgold is still subject to certain conditions precedent, including amongst others, the approval of the Minister of Mineral Resources, and Wits Gold confirming that the acquisition of Southgold does not give rise to any adverse tax consequences for Wits Gold and/or Southgold. The decision to acquire South Gold was based on the already significant investment in mine development and infrastructure and the favorable terms on which this acquisition can be concluded. The acquisition of Burnstone will contribute positively to free cash flow and enhance the company's long term value, consistent with our strategy to extend the operating life of the Company in support of our dividend yield strategy.

Based on the solid progress towards restoring operational credibility in 2014 at our existing operations and the implementation of an effective operating strategy, we are well positioned to seamlessly integrate these acquisitions into Sibanye and deliver on synergies with our current operations.

A VOLATILE LABOUR RELATIONS ENVIRONMENT

The industry approached the biennial wage negotiations in 2013 with significant unease and uncertainty after the fractious and volatile labour environment of 2012. In anticipation of a disruptive negotiation process, we prepared ourselves for extended strikes: strike plans designed to limit production losses and minimise costs were developed, and we ensured that we had sufficient cash leading into the negotiations to sustain the Group through a prolonged strike.

We also worked very hard at winning the hearts and the minds of our employees through direct, forthright but honest communication and I believe we have much greater alignment than we have had in the past. We took a very conscious decision to communicate directly with our employees, something which has often been abdicated to the unions in our industry.

The wage settlement achieved is indicative of a greater understanding. Yes, it was possibly higher than we would have liked and we still believe that including a profit share in the increase would have better aligned the workforce with management and shareholders, but it was a reasonable settlement which – in comparison with other sectors – ensures that our employees remain among the best paid in South Africa. In the end, the process was conducted with a great deal of maturity and respect for the law, resulting in minimal disruption for the industry or the country.

The final two-year agreement was concluded with the NUM, the United Association of South Africa (UASA) and Solidarity, which collectively represented 72% of employees within this sectoral bargaining unit, and was extended to all employees, in line with past practice. It was disappointing that AMCU declined to accept the agreement and waited until 20 January 2014 before issuing strike notices at all the gold-mining operations where it is the recognised majority union (this covered our Driefontein operations, two Harmony mines and the majority of AngloGold Ashanti Limited operations).

An application for an interdict against the strike was lodged at the Labour Court by the Chamber of Mines on behalf of the gold companies, on the basis that the collective wage agreement signed by the other unions in the gold sector had legitimately been extended to AMCU members. Due to the complexity of the issues, the Court reserved judgment, and issued an interim order restraining AMCU from initiating strike action. An order was issued on 30 January 2014 declaring any potential strike action by AMCU unprotected. Unless AMCU can show cause why this order should not become final prior to 5 June 2014, the ruling will be made final.

2014 AND BEYOND

Based on the platform created in 2013 and a healthy balance sheet, Sibanye is well positioned to continue delivering strong operating and financial results in 2014.

Maintaining strong positive cash flows from current operations is the primary goal that is a pre-requisite for our business success. The most critical challenge facing the company in 2014 is to maintain its strong operational focus, while successfully integrating the new operations it is acquiring.

We anticipate further cost reductions to flow from restructuring completed late in 2013 and other initiatives which will be implemented in 2014, although these will be relatively modest in comparison to those achieved in 2013. From an operational perspective, the focus will be on improving productivity particularly looking at the potential of revising working arrangements to ensure that more time can be spent at the face. We are supportive of the Sindisa agreement, a collaborative productivity enhancement initiative between the Chamber of Mines and the NUM, UASA and Solidarity. The initiative arose out of the 2011 wage agreement and we will be seeking to involve AMCU going forward. Not only does the Sindisa initiative seek to increase the number of shifts in the yearly production calendar and enhance face time through better working arrangements but it is also likely to involve shift arrangements, which will enable employees – especially migrant employees – greater flexibility to spend more time with their families.

With continuing management focus, increases in pay mineable face length and productivity improvement initiatives, the goal is to maintain the December 2013 quarter run rate as a sustainable base level subject to potential production interruptions that may be experienced.

As such, for the year ending 31 December 2014, gold production in the normal course of business from the Beatrix, Driefontein and Kloof Operations is forecast at 44,000kg (1.4Moz). Total cash cost is forecast to be approximately R270,000/kg (US$800/oz) and All-in-cost approximately R360,000/kg (US$1,070/oz), assuming an average exchange rate of R10.50 to the US dollar during the year. Capital expenditure for the year is forecast at approximately R3.1 billion (US$295 million). Should the rand gold price remain at around current levels, cash generation will be meaningful, enabling Sibanye to reduce debt further and invest in its future, while remaining true to its dividend policy, maintaining a strong dividend yield and continuing with its strategy to deliver superior value for all stakeholders.

MY THANKS

The successes we have already achieved at Sibanye in a limited period of time have been remarkable. I must thank my executive colleagues, my fellow Board members and our operational teams at the workface. You all have a lot to be proud of as we conclude the first financial reporting period for Sibanye and have already made strides in realising a number of the strategic objectives we have set for ourselves.

Neal Froneman
Chief Executive Officer
25 April 2014