

PERSPECTIVE FROM THE CHAIR

There is an old Latin saying, *ex Africa semper aliquid novi*, that roughly translates as ‘out of Africa, there is always something new’. This is what it has felt like as we have undergone the dynamic changes that are core to Sibanye’s activities.

In just two years, the Group and its mature gold assets, which were spun out of Gold Fields, have developed more deeply into gold and organically into uranium. During the latter part of 2015, Sibanye positioned itself to naturally leverage its regional advantages and extend its tabular, hard-rock mining skills into the platinum sector. The developments have been imaginative, well-considered and founded firmly on the precepts of extending the lives of our operations and growing the business in support of our vision to create superior value for all the Group’s stakeholders.

As with the gold operations we acquired in 2014, on conclusion of the transactions, the smooth integration of the platinum assets into the Group will be the primary focus of the executive management team with the aim of realising synergies between the platinum assets and Sibanye’s existing assets. To manage this complex process while retaining our operational focus, the Group has been restructured into focused operating divisions that are serviced by a central CEO’s office and central shared services. Although management at the gold and uranium division will remain largely the same, we will be appointing people to critical positions in the platinum division and, in anticipation of these corporate developments, we have been building capacity at senior management level. I am confident that Sibanye’s diverse and technically competent team, headed by Neal Froneman, is one on which Sibanye stakeholders can depend for the continued delivery of value.

In my role as Chairman, I continue to have the benefit of a Board with a vast assortment of skills and experience, not only in mining but also in such areas of expertise as finance, human resources, corporate governance and general business management. This balance of skills and experience means that the Board can effectively and robustly interrogate the strategic and operating plans of the executive management team, and has the capacity to deal competently with risk, which proved to be particularly effective during the year as we considered the strategic basis for, and probed the opportunities and risks of, entering the platinum sector.

The Board has also adopted a considered approach to the prospect of obtaining a more secure electricity supply with independent power producers (IPPs) to support the low-risk strategy of developing a solar power plant at Driefontein and Kloof.

As was the case in 2014, we continued to maintain a conservative approach to our financing, ensuring at all times that, whatever debt we carry on our balance sheet, can be managed with little stress no matter what direction metal prices take. We shall not deviate from this strategy, which will be co-ordinated with our commitment to paying industry-leading dividends.

The macro-economic environment in which we operate remained increasingly challenging. Globally, sluggish economic growth, in China in particular, the resultant decline in demand for commodities and the impending increase in interest rates in the US have played havoc with the currencies of emerging and resource-based economies such as South Africa’s. Not even increased geopolitical uncertainty has helped boost the dollar price of gold. The dollar gold price continued to decline, falling by 14% between January and December while, at the same time, our operations were exposed to cost pressures well in excess of inflation. It is only the weakening of the local currency, the rand, against the dollar, which provided some relief with the average rand gold price increasing 8% to R475,508/kg in 2015 compared with 2014.

In South Africa, these challenges are not limited to the macro-economic environment. The global financial crisis and downturn in commodity prices has resulted in the mining sector and the economy as a whole contracting. Growth rates continue to be revised downwards and unemployment levels are increasing as the mining sector restructures and cuts back so as to limit and contain cost increases. This has resulted in various socio-economic challenges, particularly in the vicinity of mining operations with knock-on effects that could potentially have a significant impact on the future of the South African mining industry.



Sello Moloko – Chairman



Although the material risks and opportunities of specific relevance to Sibanye are covered in the material issues section on page 28 in this report, I will touch briefly on some of them.

The labour environment in South Africa remains challenging and, while we continue to engage directly with our unions and employees so as to maintain harmonious relations, we experienced relatively limited disruptions during 2015. Aside from the clashes between two prominent unions, the Association of Mineworkers and Construction Union (AMCU) and the NUM, at Beatrix early in the year, the biggest disappointment was our inability to achieve a broad-reaching economic and social agreement with labour as part of a three-year wage agreement with all unions. Nevertheless, we continue to engage proactively with our employees, having implemented the final three-year wage agreement reached with three of the unions across all our operations. We will continue to do whatever we can to maintain harmonious labour relations and to limit disruptions in the workplace.

A primary concern is, and will remain, the health and safety of our employees and members of our communities with the aim of zero fatalities on our mines and diminishing accident rates so it was pleasing to note a further improvement in our safety performance.

Regrettably, there were seven fatalities during the year and it is with a heavy heart that I extend the condolences of the Sibanye Board to the families, colleagues and associates of those who were fatally injured in the workplace during the year. These employees (David Matsie, Bonno Keiditswe, Thomas Ndzimande, Sikoko Vuyosile, Sejakgomo Mokhali, Kagiso Rabola and Alberto Constantino) were our colleagues and we will take cognisance of the events that led to their deaths, and work harder to prevent their recurrence in future. Nevertheless, the fatal injury frequency rate (FIFR) continued to fall during the year, declining by 50% in 2015 to 0.06 fatalities per million man hours worked. This is comparable with average fatality rates in the US mining industry of 2014, and is a credible performance considering the depth at which our mines operate and the number of employees who work daily at our operations.

A critical programme to ensure the safety of our employees, particularly as our mines become ever deeper and more complex, is the development of appropriate new technology. Our Safe Technology programme is advancing technical innovation by designing and developing machines to be deployed underground to make mining at depth safer. This machinery, to be operated remotely, will enable us to work and mine safely at greater depths and in more onerous conditions than has previously been possible. This will have longer-term benefits for our operations and for the country as a whole.

Stakeholder engagement is essential to the sustainability of our business. Beyond the mine gates, we continue to engage with our communities on issues as wide ranging as housing, the environment, and the provision of utilities and infrastructure. Our policy is to buy as much as possible from businesses in our host communities and, as far as is feasible, buy products from local businesses. On this basis we have, for example, made direct interventions to assist with the establishment of farming ventures that can sell and deliver food to the mines or to local people. Less directly, we offer programmes to improve the financial knowledge of our employees and their families to facilitate their escape from or avoidance of the traps of injudicious indebtedness. These financial-wellness programmes are long-term and open to all, and we encourage our unions to bring their members onto the programme.

And, as changes to the regulatory environment are mooted or implemented, we maintain relations with government authorities directly and indirectly (through the Chamber of Mines). We are determined that our voice is heard and clearly understood in any debate over legislative change. In particular, we have engaged on matters that include the ownership principle in the Mining Charter and the proposed carbon tax.

It would be remiss of me not to recognise the part played by Neal and his team in taking Sibanye forward. The Group is South Africa's largest producer of gold, it ranks high on the list of uranium producers, it is heavily engaged in reprocessing residue dumps, thereby helping to improve the environment, and it will soon be moving in the direction of a new commodity, platinum. This would not have been possible without the wholehearted commitment of the entire workforce with whom it is a privilege to be associated. My gratitude goes to all of my Sibanye colleagues.

Sello Moloko
Chairman
18 March 2016