



PROJECT DEVELOPMENT AND CAPITAL ALLOCATION

KEY CRITERIA

guide corporate decisions on project funding to ensure that dividends are not compromised:

- projects must be funded primarily from cash flow, after dividends have been paid, although alternative funding options may be considered where appropriate
- strict filters are applied to organic projects, including assessment of risk, returns and the impact of financing on returns
- acquisitions must be earnings-accretive with medium-term potential to support our core dividend strategy
- valuable opportunities are pursued in other similar mining sectors as long as these opportunities are consistent with Sibanye's underlying benchmark dividend strategy



APPROACH

Projects are identified and then filtered or assessed at annual strategic and LoM planning sessions. These projects proceed through the various stages of project investigation – from concept to prefeasibility study (PFS), feasibility study (FS), approval and project execution. Sibanye's approach is to have strong owners' teams managing the projects with consultants and contractors considered for execution when external resources are required over and above internal resources. Major projects are monitored in line with the Group's projects control framework, which includes scheduled project reviews, steering committee reviews and Board updates.

Sibanye focuses primarily on brownfields opportunities that will extend its operational LoM, increase its return on invested capital (ROIC) and enhance or sustain its dividend profile. To ensure delivery on this aspect of the business and to avoid distracting core production personnel at the operations, Sibanye appointed a dedicated project team in 2014 to evaluate, rank and progress organic projects. With the Burnstone Project, the Kloof 4 and Driefontein 5 shafts below infrastructure decline projects approved in 2015 for execution in 2016, the project team will play a leading role in this process.

Both organic projects and external growth opportunities are evaluated using criteria based on strategic, technical and financial parameters, including investment hurdle rates that vary between 15% and 30% (real rates in South African rand) depending on the level of project confidence.

PERFORMANCE

KLOOF BELOW INFRASTRUCTURE DECLINE PROJECT

This project will extend Kloof's operating life from 2030 to 2033, producing 0.5Moz incremental gold in addition to the current LoM plan from 2021, when the first reef intersection and wide-raise development begins on 46 Level. Total project capital is estimated at R691 million (in 2015 terms).

In 2015, R55 million was spent to access the project site and establish excavations that will support the mechanised development fleet and project infrastructure. Mining equipment is due to be delivered into Quarter 1 and the first development metres below 45 Level are planned by the end of the second quarter. The 45 Level Decline Project FS was completed and presented to the Board with R107 million capital expenditure approved for 2016.

DRIEFONTEIN BELOW INFRASTRUCTURE DECLINE PROJECT

This project has potential to extend Driefontein's operating life from 2028 to 2042, producing an additional 2.1Moz of gold in addition to the current LoM plan following the first reef intersection and raise development from 2021. Project capital is estimated at R1,061 million (in 2015 terms).

Initial site preparation and development-equipment procurement cost R9 million in 2015. The 50 Level Decline FS was completed and presented to the Board with R124 million capital expenditure approved for 2016. The expenditure is primarily for developing the site-access excavations and supporting infrastructure on 50 Level for the two decline shafts.

The first two years of the project require conventional mining development to access the two decline-shaft positions, followed by development of the incline portions of each shaft above 50 Level, and creation of the shaft tipping, sheave wheel and winder excavations in preparation for engineering construction and equipping. The key project milestone of shaft sinking below 50 Level is planned from the first quarter of 2018.



PROJECT DEVELOPMENT AND CAPITAL ALLOCATION CONTINUED

BURNSTONE PROJECT

The Burnstone project FS was presented to the Board for approval in 2015. The project is planned with steady-state production of between 100koz and 130koz per annum with an initial 23-year LoM plan, accessing 1.8Moz of Mineral Reserves from the FS resource of 8.9Moz. The mine design and schedule in the FS were limited to the mineable reserves within a 3km radius of the shaft infrastructure. Extensive development will begin in 2016 with first gold production due in 2018 and the full production run rate achieved in 2020. Total LoM capital is estimated at R1,852 million (in 2015 terms).

In 2015, R272 million was spent on completing the mine-dewatering pumping and rock-hoisting infrastructure, and approximately 2km of development to access the ore body. The Board approved the project budget of R705 million for 2016 for the procurement of the additional mechanised mining fleet, for the development to access the ore body and additional infrastructure, as identified in the FS.

Approximately 4,500m of primary off-reef development is planned in 2016 to access the various mining blocks as well as 1,200m on-reef development in preparation for the first raise lines in 2017.

The three existing mechanised development fleets were refurbished in 2015 and an additional three fleets will be procured and delivered in 2016. A mechanised development fleet comprises one twin boom drill rig, one roof bolter, one LHD (load, haul, dump) machine, one or two dump trucks and a dedicated emulsion explosive charge-up utility vehicle.

WEST RAND TAILINGS RETREATMENT PROJECT

The WRTRP will process up to 715Mt of the historic Driefontein, Kloof and Cooke TSFs for gold and uranium. The definitive feasibility study (DFS) for this project has been completed, and the project has an estimated gold and uranium Mineral Reserve of 6.5Moz and 99.1Mlb respectively.

Key to the successful execution of this project is the permitting and construction of a high-volume central processing plant (CPP) for economical extraction of gold, uranium and sulphur from the TSFs, and redeposition of the residues onto a single large regional TSF in accordance with modern, sustainable deposition practices in order to reduce future environmental liabilities.

The WRTRP DFS was completed in December 2015. The scope of the integrated DFS includes the design and construction of a CPP to treat 1Mt per month from the Driefontein 3 and 5 TSFs, and concurrently treat 400,000tpm from the Cooke dump. The resultant tailings will be deposited onto the new regional TSF.

Steady state production of 110koz of gold, 2.2Mlb of uranium and 250,000t of sulphuric acid per annum is planned during the first phase, allowing for the recovery of 1.32Moz of saleable gold and 33.4Mlb of saleable uranium over the first 18 years of the project, at an operating cost of approximately R80/t (in 2015 terms).

The WRTRP will also improve the management of currently affected sensitive dolomitic aquifers and water resources. The direct result of commissioning a sulphuric acid plant will be a reduction in residual sulphide sulphur concentrations from the existing historic TSFs, thereby averting the risk of acid mine drainage (AMD) and mobilisation of harmful, toxic heavy metals into the environment. Sibanye is currently considering alternative ways to finance the project in order to reduce upfront capital requirements and improve the project's return on capital for the Group.

FUTURE FOCUS

For 2016, R75 million has been approved for the WRTRP to fund the detailed engineering design work as well as completion of the design, construction and operation of a pilot plant while the environmental permitting processes continue. Approximately 60% of the R75 million budget planned for 2016 will be spent on an external party review and the detailed engineering design with the balance on funding the pilot plant and permitting. A positive record of decision is expected from the regulators in mid-2016 when an execution budget will be taken to the Board for consideration and approval.



URANIUM BY-PRODUCTS

Sibanye has produced approximately 290,000lb of uranium since production began in 2014 and expects to produce another 250,000lb in 2016.

Sibanye's uranium production is being stored as ready-to-go inventory in anticipation of securing more attractive term arrangements as opposed to selling at spot into the market. Sibanye's uranium strategy is based on an improvement in the price of uranium – dictated in the longer term by a well-understood supply-and-demand relationship.

The Beisa Project at Beatrix West is now included in the Mineral Reserves with gold Reserves of 0.5Moz and uranium Reserves of 11.7Mlb. The PFS for this project was enhanced through cut-off grades and leveraging synergies with the current Beatrix West Operation. Further study work will be conducted during 2016.

Mineral Resources and Mineral Reserves at the WRTRP remain largely unchanged year-on-year although the life will now extend well beyond 2050, based on the DFS production profile and planned treatment capacity.

The gold Mineral Reserves for the De Bron Merriespruit Project are based on the original FS previously conducted by Wits Gold in 2013. However, the production design and schedule was modified during 2015 in line with geological and estimation models, which were restated following the acquisition of Wits Gold in 2014. The Mineral Reserves for this project remain at 2.1Moz.

The Bloemhoek Project, which is adjacent to Beatrix North Operation, has Mineral Resources of 4.3Moz. A study to access a portion of this area with a decline system from Beatrix North has begun and is due for completion in 2016. Concurrently, an exploration-drilling programme designed to improve geological confidence in the immediate vicinity of the planned decline system will also be completed.

