

CHIEF EXECUTIVE'S REVIEW

Our strategic vision at Sibanye is to create superior value for all of our stakeholders, and as a company, if we are to deliver value in a sustainable manner, we need to ensure delivery through all the phases of the economic and commodity cycles.

As such, our strategy needs to be sound and consistent in order to deliver in the long term, yet flexible enough to respond to sudden changes in our operating environment.

This requires optimising our operations and ensuring that we continue to deliver on the operational deliverables of safety, volume, cost and grade and by extending, as far as is profitably possible, the lives of our operations. Sibanye's foundation remains firmly rooted in its South African gold operations and we continue to explore ways to reduce costs and ensure sustainable operational delivery, including continued capital investment in organic growth projects. It is sometimes necessary to make tough decisions however, with the restructuring or closure of loss making operations necessary, to secure a more certain future for the Group. The cessation of mining at Cooke 4 in the latter half of 2016 was one such difficult decision. This had followed unsuccessful engagement with key stakeholders in an attempt to restore the mine to profitability. Subsidising loss-making production by profitable operations is value destructive for all stakeholders and will not be done at Sibanye.

We continue to see merit in industry consolidation. Significant value can be realised by removing unnecessary overhead costs and by optimising the use of infrastructure and resources. We remain confident that this will be borne out at our Platinum Division in coming years, where we anticipate realising over R800 million in annual cost and operational synergies between the Aquarius assets (Kroondal, Mimosa and Platinum Mile) acquired in April 2016 and the Rustenburg Operations, which we assumed control of in November 2016. Despite a relatively short period under Sibanye's management, the performance from both the Aquarius assets and the Rustenburg Operations have been pleasing, and in line with our expectations.

Value-accretive acquisitive growth remains strategically important and, while the South African gold and PGM sectors continue to offer opportunities, value-accretive prospects in other commodities and geographies will be considered. The proposed US\$2.2 billion cash offer for Stillwater announced in December 2016 is consistent with this strategy. Stillwater offers high grade, low cost operations and significant low cost growth potential, as well as world class processing facilities and a strategically relevant recycling business, which is the largest in the world. The acquisition would transform Sibanye, making it globally competitive, lowering its cost of capital and providing significant upside through a potential rerating in the market.

The relative attractiveness and risk associated with investing in South Africa is also an important consideration, and heightened political and regulatory uncertainty recently has added to investment risk. It is clear that a new, more co-operative approach involving all stakeholders is required if the mining industry is to continue to play its critical role in the development and transformation of the South African economy. I will explore this in a bit more detail later in this review.

SAFETY

Sibanye's commitment to its vision of "creating superior value for all stakeholders" defines and guides all aspects of the business. Employees are key stakeholders, and the health, wellbeing and safety of Sibanye's employees is of primary importance. Workplace accidents are not an inescapable factor of mining. They are preventable and can even be eliminated through coordinated action by everyone involved within Sibanye, across all occupations.

Our gold operations showed an improved safety trend in terms of the fatal injury frequency rate (FIFR) since 2012. Our performance compared favourably with that of the US mining industry's safety benchmark.



Neil Froneman – Chief Executive Officer

Sibanye's commitment to its vision of "creating superior value for all stakeholders" defines and guides all aspects of the business.

Employees are key stakeholders, and the health, wellbeing and safety of Sibanye's employees are of primary importance. Workplace accidents are not an inescapable factor of mining.

Stillwater transaction rationale

- It is value accretive on a net asset value basis and cash flow accretive as the Blitz project ramps up
- The Blitz project brings near-term, organic and low-cost growth
- Stillwater will add two low-cost, low-risk, steady state producing PGM mines to Sibanye's portfolio
- It will position the Platinum Division further down the global cost curve, with potential for further cost reductions
- It will improve access to lower-cost global financing
- It will balance the portfolio operationally and geographically with the addition of world-class assets in an attractive mining jurisdiction
- Stillwater is:
 - a high-grade (20g/t), palladium-biased (78% palladium), long-life (+25 years), low-cost (< \$500/2E oz), mechanised operation
 - a mine-to-market PGM business
 - a large, PGM-recycling business providing a steady margin and strategic insight into the market

MORE INFORMATION ON THE BLITZ PROJECT:

The Blitz project is basically an extension of the current Stillwater mine's orebody which is scheduled to start first production in early 2018. Blitz will add 270,000 – 330,000 2E ounces to the complex and aims to reach steady state production in 2021. US\$140 million of total planned capital expenditure of US\$250 million remains to be spent.

Regrettably there was a regression in the Gold Division's safety performance during the first six months of the year, when there were eight fatalities compared with four during the comparative period in 2015. Sibanye management implemented urgent action to address this regression in safety, appointing Peter Turner, who has exemplary qualifications and significant mining experience in the role of Senior Vice President: Safety, Health and Environment. Sibanye's executive management, together with senior safety specialists, completely reviewed the Group's safety principles and, following the review, rolled out an extensive safety awareness campaign, elevating safety as a core value in the Group "CARES" values.

It was therefore pleasing to note the significant improvement in safety from August 2016, in particular at the Gold Division, which recorded a significantly improved safety performance for the second half of 2016: the FIFR improved by 50% to 0.07 per million hours worked; the SIFR by 27% to 3.72 per million hours worked; and the LTIFR by 19% to 6.25 per million hours worked. The Platinum Division ended the year as follows: FIFR 0.09, SIFR 2.88 and LTIFR 4.84.

Nonetheless, any loss of life is extremely distressing and my deepest condolences and those of Sibanye's management team go to the families, friends and colleagues of employees who passed away in 2016. Sibanye will continue to strive to achieve our goal of Zero Harm in the workplace and we have a structured, workable plan to achieve this. Further detail on the safety performance and strategy is provided on page 72 of this report.

OPERATING AND FINANCIAL SUMMARY

The Group operating result and financial performance was on the whole solid, with the Gold Division benefiting from the relatively high rand gold price for most of the year, and the newly incorporated Platinum Division performing well, resulting in record Group operating profit of R10.5 billion (US\$717 million), 66% higher than for the year ended 31 December 2015. Operating profit from the Gold Division of R10.2 billion (US\$692 million), was 60% higher than for the previous year, with the Platinum Division contributing R376 million (US\$26 million), reflecting a positive contribution from the Rustenburg Operations from 1 November 2016 and continued good performances at the Kroondal and Mimosa Operations.

Normalised earnings of R3.7 billion (US\$249 million) were also significantly higher than in 2015 (R1.2 billion (US\$96 million)), allowing the Board to declare a total dividend of 145 cents per share (R1.4 billion) for the year ended 31 December 2016, representing a dividend yield of 5%. Sibanye has declared a dividend with a yield of more than 5% every year since listing, which is more than double the average of our gold peers globally.

Production from Sibanye's Gold Division was 47,034/kg (1,512,200oz), marginally lower than in 2015. This was primarily due to safety stoppages in the first half of the year, which disrupted production and the cessation of underground mining operations at Cooke 4 mine in the second half of the year.

A stronger US dollar gold price, together with a weaker rand/dollar exchange rate, resulted in a 23% year-on-year increase in the average rand gold price from R475,508/kg (US\$1,160/oz) to R586,319/kg (US\$1,242/oz). Revenue from the Gold Division increased by 36% year-on-year, to R27.5 billion (US\$1.9 billion) from R22.7 billion (US\$1.8 billion).

Costs were well managed, with unit costs only increasing 4% to R862/t (US\$59/t), and all-in sustaining costs increasing 6.6% to R450,152/kg (US\$954/oz). Sibanye is by some margin the lowest cost producer among the majors in South Africa on both cost measures, reflecting the relative efficiency of its mining.

Integration of the Platinum Division proceeded according to plan, with the Aquarius operations, Kroondal and Mimosa, continuing to consistently outperform and the Rustenburg Operations delivering as expected for the first two months under Sibanye's management. The Platinum Division reported attributable production of 420,763oz (4E) at an average operating cost of R10,296/4Eoz (US\$701/4Eoz), resulting in a 10% operating margin, despite the average PGM basket price remaining subdued at R12,209/4Eoz (US\$832/4Eoz).

CHIEF EXECUTIVE'S REVIEW CONTINUED

Following the successful integration of the Aquarius Operations, the integration of the Rustenburg Operations is now underway and proceeding according to schedule. We have previously highlighted that we expect to realise operational synergies of approximately R800 million per annum from the combined Aquarius and Rustenburg operations over the next three years. The first steps in realising these synergies have begun, with approximately R400 million in synergies expected to be realised by year-end. In this regard, a restructuring of the Platinum Division was announced on 26 January 2017.

INTERNAL GROWTH PROJECTS

Expenditure on organic growth projects for the year ended 31 December 2016 was R762 million (US\$52 million), 70% of which was spent at the Burnstone project. As a result of the recent strength in the rand and its impact on operating margins for the gold industry, organic project capital expenditure at the non-essential projects has been reviewed. This includes reducing planned expenditure at the Burnstone project by R300 million and only committing enough capital to the UG2 project at the Rustenburg Operations to sustain current planned production levels. A decision on the West Rand Tailings Retreatment Project (WRTRP) has also been deferred while alternative financing options are evaluated. Committing to further investment in long lead time capital intensive projects in South Africa is complicated by continued delays to, and uncertainty around, policy and regulations in South Africa. Despite continued attempts by the mining industry to co-operate with the authorities and contribute to legislation and regulations which will benefit all stakeholders, while ensuring the sustainability of the industry, finding common ground has been difficult and the future remains uncertain.

A VISION FOR THE FUTURE

As an industry we have called for a re-evaluation of the mining industry and what, if any, changes are needed to ensure its sustainability and profitability so that benefits are realised by all stakeholders. The Mining Phakisa* called by the President of South Africa at the end of 2015 was, we believed, an honest attempt to bring all stakeholders together to define what was required to ensure the sustainability of the industry and the flow of benefits to stakeholders. While the Mining Phakisa has resulted in some very positive initiatives, commitment from stakeholders has been wanting. The lack of co-operation among different stakeholders continues to hamper efforts to progress many of the initiatives arising from the Phakisa.

Sibanye's future, and that of the entire South African mining industry, depends on all stakeholders working together to develop a new frame of mind based on mutual trust. This, I firmly believe, will need to be based on the mining industry itself recognising its past – the good and the bad legacies of its many decades of operation. It calls for honest introspection.

Our future success depends on mutually respectful relationships with our employees, our unions, our host communities, educational and research institutions, government and the state's regulatory authorities and requires a foundation of trust to be developed between the industry and its stakeholders.

This was the underlying precept of the Zambezi Protocol, which was the fruit of a meeting in April 2016 on the banks of the Zambezi River, convened by the Brenthurst Foundation and chaired by former Nigerian president Olusegun Obasanjo and devised to give direction to sustainable mining across the African continent. A suggested "roadmap" of how this could be achieved was developed, with the roles of each stakeholder defined to some extent.

- The first step is that we in the industry acknowledge our past, which is necessary to build a relationship of trust between the industry and other stakeholders and is a mandatory precondition for the next two steps
- The second step is that we need to agree a vision for the mining industry
- The third and final step in our roadmap, once we have an agreed vision for the industry, is the development of a social and economic compact that creates superior value for all stakeholders

* Refer to the glossary, available online at <http://reports.sibanyegold.co.za>, for an explanation of the Mining Phakisa

Sibanye's future, and that of the entire South African mining industry, depends on all stakeholders working together to develop a new frame of mind based on mutual trust.

“A modern mining industry will optimally extract and beneficiate the country's natural resources, causing no harm to people or the planet. It benefits both the local community as well as the national economy.

By means of example, some of the commitments required from key stakeholders would be:

Business: will be required to commit to open and transparent disclosure of information as the basis for meaningful engagement with all stakeholders. It will need to adhere to exemplary standards of environmental and social performance and governance, including, as priorities, aspiring to zero harm in respect of safety and health. The development of local economies and communities will be imperative, with the establishment of a sustainable local economy post mining critical. More importantly business will have to ensure that value flows equitably to all stakeholders according to an agreed and specific framework, including employee benefits, profit sharing, taxes, social expenditure and dividends to shareholders. We know that sustainable viable businesses attract investment, grow, create significant economic benefits and employ large numbers of people. They are also key drivers of transformation.

Unions: should focus on promoting their members' interests first and not a narrower political agenda. They should engage pro-actively around the sustainability of the industry and avoid actions which unnecessarily threaten the viability of employment.

Employees: will be required to apply themselves responsibly to safely deliver required operational performance, recognising the role that a strong and sustainable business plays in achieving their personal life ambitions. Employees should also align themselves to the fortunes of the business by securing an increasing portion of their remuneration through profit sharing arrangements, so that they benefit alongside shareholders and management from positive upticks in the economic cycles, but also contribute to the industry's survival through economic downturns.

Community organisations: should ideally represent the needs of their constituencies and understand and appreciate the implications of up- and down- cycles in the minerals economy, and the impact on the affordability of social programmes, as well as the shared responsibility of Government and business in delivering these.

Government: should provide clear policy and a regulatory guidelines that provide the level of certainty that is required for confident investment in mining projects. Increased incentives for investment in mining growth projects and a fair taxation regime will promote investment, both from industry as well as from local and foreign investors. Fair and efficient administrative processes will be in place, and adhered to, as enshrined in legislation without impeding business operations.

Our vision for the future is for a “modernised” industry run in a sustainable manner for the benefit of all stakeholders. This was well defined at the Joburg Mining Indaba in 2015 as follows:

“A modern mining industry will optimally extract and beneficiate the country's natural resources, causing no harm to people or the planet. It benefits both the local community as well as the national economy. It procures locally, it is a preferred employer of well skilled people and creates appropriate risk adjusted returns for investors. Regulations, taxation and incentives are consistent, transparent and recognise mining as a long- term driver of economic growth.”

From Sibanye's perspective, the concept of modernisation resonated with what we had already embraced, through our corporate vision, established in 2013, of creating superior value for all stakeholders. We continue to pursue this vision with passion, knowing that it is an imperative for the success and sustainability of our business.

RECOGNITION AND APPRECIATION

In conclusion, I extend my gratitude to all my colleagues throughout the company for their commitment and co-operation in developing Sibanye into a premier, global precious metals producer and to the members of the Board for their support and guidance over the past year.

Neal Froneman

Chief executive officer

30 March 2017