



ILLEGAL MINING MOVING TOWARDS 'ZERO ZAMA'

December 2017

In South Africa, there is a misconception that illegal mining, which can be defined as undertaking mining activities without a mining right and/or legal and regulatory approvals, is an economic solution for those who are impoverished and without employment.

There are, however, far-reaching negative consequences associated with illegal mining activities, not least of which is that it threatens the viability of operating mines. This is largely because illegal mining is, erroneously considered to be a harmless activity, playing out on ownerless, abandoned or derelict mines, and to have no victims.

Illegal miners are usually referred to as “zama zamas” in the mining industry, a colloquial term which stems from the Zulu language, meaning “to try again” or “take a chance”.

In January 2017 we launched the **ZeroZama@Sibanye-Stillwater** campaign, which aims focus on significantly reducing and eliminating illegal mining in our mines. The first phase of this campaign led to the arrest of 1,383 illegal miners (zama zamas) at our SA gold operations in 2017 – a significant achievement when compared to 443 arrests in 2016. Although a giant leap has been made in combating illegal mining, a small group of more resilient illegal miners currently remains underground and are armed and dangerous.



Summary of illegal mining incidents and arrests over the last five years:

| Year | Number of reported incidents of illegal mining to which the company responded | Number of illegal miners arrested | Number of employees (including contractors) charged with aiding and abetting illegal miners |
|--------------|---|-----------------------------------|---|
| 2013 | 143 | 321 | 89 |
| 2014 | 129 | 257 | 62 |
| 2015 | 144 | 282 | 45 |
| 2016 | 390 | 542 | 460 |
| 2017 | 509 | 1,383 | 443 |
| Total | 1,315 incidents | 2,785 arrests | 1,099 employees |

To improve access control and security at our mines, Sibanye-Stillwater invested R300 million which included biometric controls at the entrances to our mines. A similar amount is to be spent on security and to combat illegal mining in 2018.

ONGOING MONITORING AND MULTI-STAKEHOLDER APPROACH

Governed by our security policy, available on the corporate website at <https://www.sibanyestillwater.com/about-us/corporate-governance>, Sibanye-Stillwater also conducts internal and external audits to evaluate security measures and controls aimed at safeguarding its product. Sibanye-Stillwater Protection Services is structured and resourced to provide asset protection, as well as specialised investigative services, in order to create a safe operating environment. An anonymous reporting platform, managed externally and independently by Deloitte & Touche, is also available to Sibanye-Stillwater as a means to facilitate anonymous tip-offs and whistleblowing. Comprehensive screening, at pre-employment level and internally, to better manage high-risk employee engagement and placement are conducted.

In addition, our multi-stakeholder approach to combat the illegal mining syndicates involves local police and mine security, as well as the Chamber of Mines, South African Police Service (SAPS), the National Co-ordinating Strategic Management Team and the Department of Mineral Resources. International agencies, such as the United Nations (UN) Inter-regional Crime and Justice Research Institute, various European police forces, Interpol and international embassies, are also involved.

THE IMPACT OF ILLEGAL MINING

Illegal mining is a major impediment to our achieving planned safe production volumes, particularly where illegal miners enter equipped mining areas, disconnect blasts and tamper with explosives, damage mining equipment, interrupt water reticulation and disrupt the supply of potable water underground. More importantly, their activities compromise the safety and health of those who are legally employed by undermine underground safety by removing support and eroding safety pillars and redirecting ventilation.

Illegal mining supports a syndicated and organised criminal market for gold stolen from legitimate mining operations. The Chamber of Mines estimates that government and the mining industry lose more than R20 billion in potential sales, taxes and royalties due to illegal mining every year. The country's crime rate has also increased with illegal mining, resulting in increased trespassing, bribery and corruption, human trafficking, assault, murder and robbery, as well as other offences related to firearms, drugs and immigration.

Illegal mining activities also cause damage to the environment, such as high volume soil erosion, unsafe tunnelling and holings, and, through the use of poisonous and toxic chemicals, contaminate run-off water to dams and reservoirs as well as underground water. Community infrastructure is also negatively impacted by illegal mining activity, especially when explosives are used underground close to buildings, or where underground tunnelling and holings compromise ground stability. Man-made water reticulation systems are also damaged by illegal miners who divert water to their illegal mining operations.

While illegal miners may have initially targeted old, worked out areas and the underground environment of mines that had already closed down, that they are becoming increasingly active in operating mines, where they are supported by criminal syndicates and dishonest and corrupt mine employees.



EMPLOYEE AND CONTRACTOR COLLUSION

Employee and contractor collusion contributes significantly to illegal mining. Employees facilitate illegal mining by providing sustenance (food, beverages, cigarettes, equipment, medication and other provisions) to illegal miners who are then able to stay underground for extended periods of time. Over the last five years, a total of 1,099 employees were charged for aiding and abetting illegal activities. This includes 443 employees charged in 2017. Corrupt employees and contractors also assist illegal miners with communication and the movement of stolen product from shafts. Mine security was also found to be complicit in aiding access to the underground working via the shafts. Reasons for collusion by employees include greed, intimidation, and apathy related to increased dissatisfaction on equality in South Africa (see Community Development).

STRIKE RELATING TO ILLEGAL MINING IN 2017 AT THE COOKE OPERATIONS

Following an announcement, agreed with the majority union, that food could not be taken underground at the Cooke operations, an unprotected strike began there on 6 June 2017. The prohibition on having food underground aimed to stop employees from feeding illegal miners, for which they were paid handsomely. By the time the strike concluded on 30 June, 472 illegal miners had surfaced and were arrested. Approximately 300kg of planned gold production, equivalent to about R160 million in revenue, was lost during the strike.

Given the continuing losses incurred at the Cooke operations, which were largely attributable to illegal mining activity, they were placed on care and maintenance in October 2017. It is likely that illegal miners usually “deployed” at Cooke might turn their attention to Driefontein and Kloof, where illegal surface mining occurs mainly at tailings dams and rock dumps.

CORRUPTION IN 2017

A total of 638 incidents (2016: 520) relating to dishonesty were reported by Sibanye-Stillwater's Gold operations and led to 537 (2016: 387) employees, including contractors, being charged and disciplined in terms of our Code of Ethics in 2017.

Many of the incidents reported involved monetary theft or dishonesty and assisting illegal miners. The increase in incidents and arrests reported followed several initiatives aimed at combatting illegal mining.

At Sibanye-Stillwater's PGM operations in South Africa, 71 such incidents were reported with 44 employees who had been implicated being prosecuted in terms of our Code of Ethics.

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