

## PERSPECTIVE FROM THE CHAIR



**Sello Moloko**  
Chairman

It is again my privilege to report to all our stakeholders on the progress made by the Group during 2018. Despite the significant vicissitudes and challenges that we had to contend with during the past year, I am pleased to report that we have emerged from this difficult period in a robust state with the appropriateness of our carefully considered strategy to diversify, geographically and by commodity, already proven.

Specific challenges, which impacted on our SA gold operations, persisted at the end of the year. I am confident though that the careful and forthright management of these will result in a satisfactory and progressive outcome with our organisation poised to benefit from a constructive global climate for precious metals prices.

Elsewhere in this report, our CEO, Neal Froneman, discusses in detail the challenges that occurred and other developments that characterised our overall performance during the past year. I will, therefore, confine my review to those aspects that determined and affected our operating environment.

It is impossible to reflect on 2018 without recognising the tragic safety incidents, which occurred in the first half of 2018. The health and safety of Sibanye-Stillwater's employees is our key priority. This unparalleled sequence of tragic events, which resulted in the deaths of our colleagues, traumatised and consumed everyone at Sibanye-Stillwater. The Board and management of Sibanye-Stillwater again extend their deepest condolences to the dependants and loved ones of the deceased employees. We will continue to provide appropriate support as required.

These tragic events were inconsistent with Sibanye-Stillwater's historical safety performance and it has been heartening to observe the manner in which management responded to the Group-wide crisis. As a result of swift short-term measures by management and other stakeholders, and the subsequent implementation of longer-term safe production initiatives, which are described in more detail later in this report, Sibanye-Stillwater's industry leading safety performance was re-established and improved in H2 2018.

On 1 March 2019, the Group recorded more than seven million fatality-free shifts since mid-August 2018, and on 6 March 2019, the SA gold and PGM operations combined, also achieved seven million fatality-free shifts. Both these milestones were record performances for these operations. These are commendable achievements considering the deep levels at which a significant proportion of our mining is conducted across the Group,

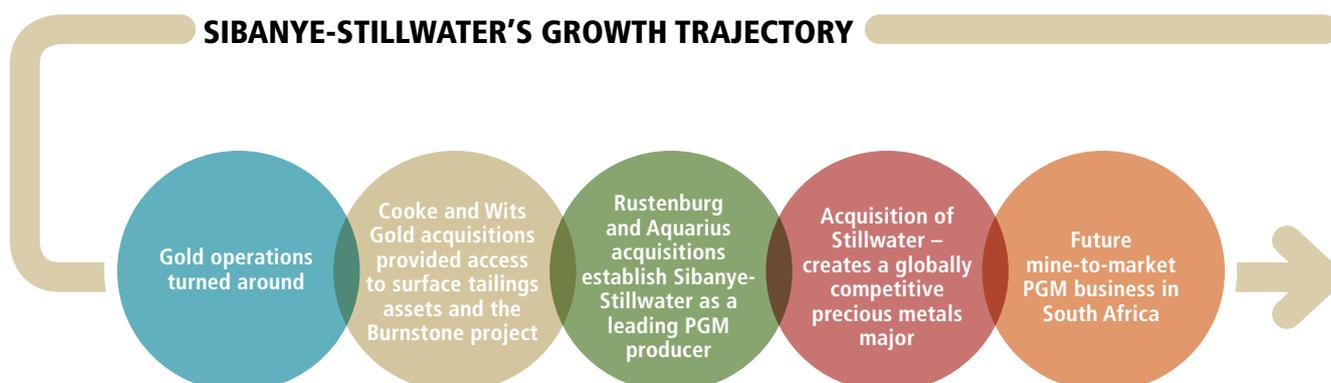
and the number of people who operate in this environment on a daily basis. These achievements are in stark contrast to what we experienced in the first half of 2018.

While this performance has restored and improved on Sibanye-Stillwater's historical industry-leading safety record, we are conscious that we operate in a dynamic environment, which can change rapidly. As such we require continual vigilance, review and innovation to ensure ongoing improvement towards our ultimate goal of zero harm in the workplace. While the reduction in injury rates since August 2018 gives us confidence that the safety enhancement programmes we have implemented are proving effective, we remain focused on maintaining our position as the benchmark safety performer in the South African gold and PGM mining industries.

Following the unbundling by Gold Fields and establishment of the organisation as an independently listed entity on 11 February 2013, the management of Sibanye-Stillwater was successful in the turnaround of the mature gold assets we inherited in 2013 into strongly cash-generative operations, with significantly extended operating lives. This facilitated the transition of the Group into a multi-commodity, precious-metals mining company. This was initially achieved through the acquisitions of the Aquarius and Rustenburg platinum operations in 2016 and, subsequently, the acquisition of the high-quality US-domiciled Stillwater Mining Company (Stillwater) in 2017. Sibanye-Stillwater became a globally diversified precious-metals producer with a unique commodity mix and truly international geographic footprint.

The transformative Stillwater acquisition not only secured exposure to low-cost primary palladium-rich assets and significant production growth from the Blitz project at an attractive stage in the PGM price cycle but also included a world-class precious-metals processing and recycling business, giving it direct access to PGM end-user markets, which is of strategic significance.

## PERSPECTIVE FROM THE CHAIR CONTINUED



Our continued belief and commitment to our long-term future in South Africa was underscored by the announcement, in December 2017, of our intention to acquire Lonmin. The integration of Lonmin into our existing SA PGM business, is expected to unlock additional value for stakeholders, including through the realisation of attractive synergies, and overhead and processing synergies with Lonmin's PGM processing smelting and refining operations. This would complement and strengthen our existing SA PGM mine-to-market strategy, which was also recently achieved through the transition of the processing arrangement for our Rustenburg operations' PGM concentrate with Anglo American platinum, from a Purchase of Concentrate (PoC) arrangement to a toll processing arrangement from 1 January 2019. These are key components in delivering the fifth element of our planned growth trajectory illustrated above.

While the operating environment in South Africa remains challenging, with the uncertain outlook for the unstable state utility Eskom posing the greatest risk to industry sustainability, the transition in leadership of the ANC, and subsequently the South African government, in late 2017 and early 2018 respectively, has ushered in a renewed sense of optimism in the outlook for the South African economy and the industry.

Indeed, the initial signs following this transition have been generally positive. The government has a renewed commitment to economic growth with President Ramaphosa actively pursuing a target of US\$100 billion in new investment. There also seems to be a greater commitment to addressing regulatory shortcomings and tackling under-delivery of services and mismanagement at state-owned enterprises.

Unfolding revelations of deep-rooted and widespread corruption have threatened to cloud these positive signs as political manoeuvring by radical and vocal elements within the ANC and the opposition parties, feeds ongoing uncertainty. However, the commitment expressed

by the government to root out corruption, and the transparent manner in which the various commissions of enquiry have been allowed to progress, is extremely positive. It may be too early to firmly say that South Africa is back on the path of progress it embarked upon in 1994 but, for the first time in a decade, the outlook for South Africa seems more positive.

For the South African mining industry, specifically the appointment of Gwede Mantashe, a mining veteran who understands the complexities of the industry, as Minister of Mineral Resources in early 2018, has improved relations between the industry and the regulators across the board. Among the first initiatives undertaken by Minister Mantashe was the redrafting of the punitive Mining Charter gazetted by the previous Minister in mid-2016, which had largely undermined the confidence needed to encourage new investment and reinvestment in the country's mines. The more inclusive and consultative approach has delivered a revision of the Mining Charter, which, while not perfect, is much-improved.

The general improvement in relations between the South African mining industry and its regulatory authorities is welcome. The continuation of this more co-operative and collaborative policy and regulatory environment suggests a more constructive outlook for future investment and growth in the local mining industry.

Sadly, though relations with organised labour and communities remain strained. The triple developmental challenges of unemployment, inequality and poverty in South Africa, which have been compounded by a slowdown in growth and poor service delivery, pose a significant threat to social stability in South Africa, and directly threaten the sustainability of the mining industry. The mining industry's ability to continue to shoulder an ever-increasing responsibility to deliver services and infrastructure to communities is limited and uncompetitive, and needs to be addressed with some urgency.

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Investors cite the complex and often hostile industrial relations environment in South Africa as a significant impediment to investment. The militant actions taken by some unions, which should be representing the interests of workers, are perplexing and destructive. The strike called by the Association of Mineworkers and Construction Union (AMCU) on 21 November 2018 at our SA gold operations is a clear case in point of negotiating in bad faith.

This strike interrupted the emerging recovery in the operational performance of our SA gold operations following significant disruptions in the first half of 2018. While ostensibly related to the wage negotiations, that began in July 2018, we continue to believe that this violent protest action is not in the best interests of all stakeholders, particularly the workers. The strike has continued into 2019 with the union raising legal and procedural challenges in order to maintain and extend the protected status of the strike. While management plans have been implemented across the operations in order to mitigate the impact of the strike action, our SA gold operations are affected to varying extents.

Throughout the strike, we continued to pursue all avenues to bring this unhelpful strike action to an end and ensure the well-being of our employees. On 20 March 2019, the Labour Court of South Africa held that the gold wage extension agreement concluded on 18 February 2019 with the National Union of Mineworkers (NUM), UASA and Solidarity, and extended to AMCU and other non-unionised employees, is valid and lawful in terms of Section 23(1)(d) of the Labour Relations Act 66 of 1995 (S23(1)(d)). As a result of the legally binding nature of the extension agreement, the Company proceeded with an independent verification process to confirm the various unions' level of representivity required to implement the extension agreement. The court judgement provides a clear path forward to resolving the ongoing strike in a manner that does not compromise our values or undermine our other stakeholders who have also been negatively impacted by the AMCU strike action.

Irrespective of the strike action, certain business units at the SA gold operations have experienced ongoing losses due to rising input costs and other operational factors. Restructuring has become imperative to establish a sustainably profitable operating

footprint. This led to Sibanye-Stillwater giving notice on 14 February 2019, in terms of Section 189A of the Labour Relations Act, that it would be commencing formal consultations with employees and other stakeholders regarding possible restructuring of specific business units at its SA gold operations.

Our strategic focus is unchanged, with ongoing improvements in safe production and optimisation of our operational performance at our existing operations. A critical step in achieving this key objective will be the successful integration of Lonmin following the completion of the transaction. Delivery of these operational imperatives, along with higher prevailing precious metals prices, should accelerate Group deleveraging, which is a necessary step in addressing market concerns, and facilitate a rerating in relative value.

The Group's growth in the PGM markets provided an informed view of automobile markets, specifically positioning the Group to understand and project future powertrain scenarios in relation to internal combustion engines, hybrid electric, battery electric and fuel cell-powered vehicles. The continued understanding of both automobile market forces and analysis of likely advances in battery and powertrain technologies will provide Sibanye-Stillwater with an opportunity to continue to leverage off this knowledge base in order to position Sibanye-Stillwater to play an ongoing, significant role in delivery of metals necessary for future powertrain requirements to the market.

To support the implementation of this strategic positioning and continued delivery of value to stakeholders, Sibanye-Stillwater has agreed to acquire SFA (Oxford), pending certain conditions. SFA is an established analytical consulting company that is a globally recognised authority on PGMs and has, for several years, provided in-depth market intelligence on battery materials and precious metals for industrial, automotive, and smart city technologies. The acquisition cost compares favourably to the cost of setting up a similar analytical and research group internally but significantly leapfrogs the time required to build up the intellectual knowledge.

I am convinced that Sibanye-Stillwater offers tangible fundamental value and is strategically positioned to benefit from any further upside in precious metals prices.

It is imperative that I express my gratitude to my fellow directors for their guidance and wisdom in what was a very challenging year for the Group. I welcome Harry Kenyon-Slaney to our Board. He has extensive experience in the mining sector – in South Africa and internationally – and his expertise in health and safety, as well as business transformation programmes, will be invaluable.

Finally, it would be remiss not to thank the members of the Sibanye-Stillwater management team, particularly Neal Froneman. Under his leadership, the management team has worked tirelessly and methodically to create and build a diversified and sustainable business that stands high in the ranks of its industry. They have dealt effectively, confidently and candidly with the challenges they have faced. After dealing comprehensively with unprecedented challenges during 2018, I look forward to observing the Group going from strength to strength.

### **Sello Moloko Chairman**

29 March 2019