Sibanye Stillwater
we are one

The impact of the Eskom 2018/19 RCA application

NERSA public hearing presentation

February 2020

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The important factors that could cause Sibanye-Stillwater’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, our future business prospects; financial positions; debt position and our ability to reduce debt leverage; business, political and social conditions in the United Kingdom, South Africa, Zimbabwe and elsewhere; plans and objectives of management for future operations; our ability to obtain the benefits of any streaming arrangements or pipeline financing; our ability to service our bond Instruments (High Yield Bonds and Convertible Bonds); changes in assumptions underlying Sibanye-Stillwater’s estimation of their current mineral reserves and resources; the ability to achieve anticipated efficiencies and other cost savings in connection with past, ongoing and future acquisitions, as well as at existing operations; our ability to achieve steady state production at the Blitz project; the success of Sibanye-Stillwater’s business strategy; exploration and development activities; the ability of Sibanye-Stillwater to comply with requirements that they operate in a sustainable manner; changes in the market price of gold, PGMs and/or uranium; the occurrence of hazards associated with underground and surface gold, PGMs and uranium mining; the occurrence of labour disruptions and industrial action; the availability, terms and deployment of capital or credit; changes in relevant government regulations, particularly environmental, tax, health and safety regulations and new legislation affecting water, mining, mineral rights and business ownership, including any interpretations thereof which may be subject to dispute; the outcome and consequence of any potential or pending litigation or regulatory proceedings or other environmental, health and safety issues; power disruptions, constraints and cost increases; supply chain shortages and increases in the price of production inputs; fluctuations in exchange rates, currency devaluations, inflation and other macro-economic monetary policies; the occurrence of temporary stoppages of mines for safety incidents and unplanned maintenance; the ability to hire and retain senior management or sufficient technically skilled employees, as well as their ability to achieve sufficient representation of historically disadvantaged South Africans’ in management positions; failure of information technology and communications systems; the adequacy of insurance coverage; any social unrest, sickness or natural or man-made disaster at informal settlements in the vicinity of some of Sibanye-Stillwater’s operations; and the impact of HIV, tuberculosis and other contagious diseases.

These forward-looking statements speak only as of the date of the content. Sibanye-Stillwater expressly disclaims any obligation or undertaking to update or revise any forward-looking statement (except to the extent legally required).

Introduction

- This presentation examines the impact of **Eskom's 2018/19 Regulatory Clearing Account (RCA) application for R27bn**, which could equate to a once-off increase of ~12.6% on top of the approved MYPD4 increases[1].

- We propose that this specific application perpetuates years of above-inflation electricity price increases which have stifled the SA economy, but has done little to solve Eskom's financial woes. We contend that this application **needs to be considered in the context of the broader state of the economy and the mining industry**.

- Whilst the South African gold and platinum mining industries have only recently experienced some financial relief due to the recent sharp increase in precious metals prices, a large number of our operations are still marginal and thus **cannot afford further electricity tariff increases above inflation without risking further restructuring**. The SA PGM and gold mining industries have for many years had to adapt with a decline in stay-in-business (SIB) capital, with investment capital in projects requiring a stable electricity price environment and security of supply.

- This presentation **aims to highlight the impact of the 2018/2019 RCA application, in combination with previously granted above-inflation tariffs, on the sustainability of our operations and on our employees and other stakeholders which benefit from and rely on our mining operations**. The approval of this application could result in early mine closures with associated job losses and impact on possible capital investment into growth and SIB projects.

- Sibanye-Stillwater has presented to NERSA on numerous occasions regarding the potential impact of **above-inflation electricity increases on the sustainability of the mining industry. Electricity inflation has become one of the most significant contributors to mining cost inflation, and threatens the sustainability of mining in SA**. In the last seven years, these cost pressures have contributed to the closure of 8 Sibanye-Stillwater mines **with over 13,500 associated jobs losses in the last 7 years**.

1. If granted and liquidated in full in Eskom FY2021/22

A unique, diversified, global, precious metal company

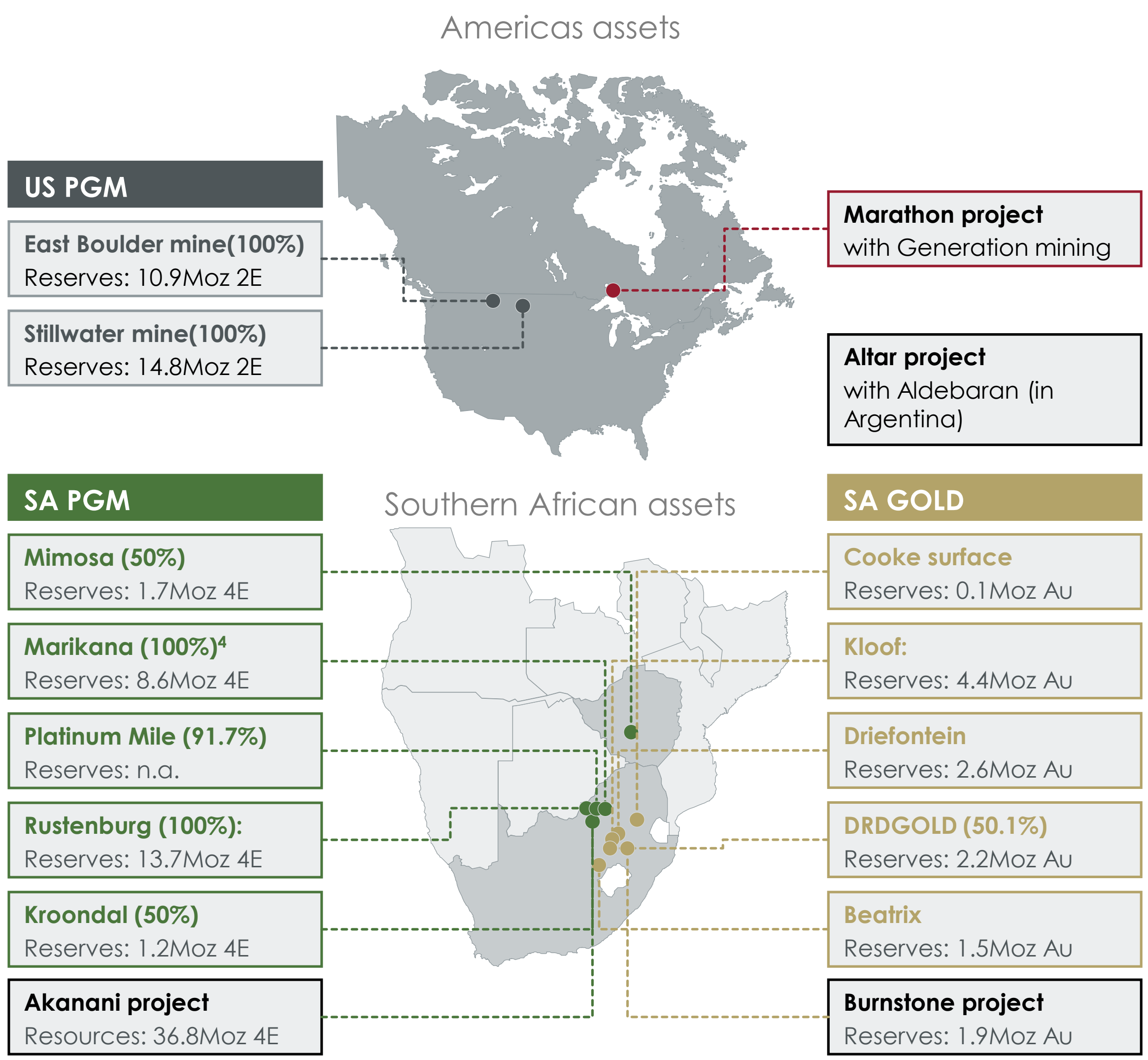
- Sibanye-Stillwater has grown from a SA gold mining company into a **global precious metal mining company**, producing a unique mix of metals that includes gold and platinum group metals (PGMs).

- **Domiciled in South Africa**, Sibanye-Stillwater owns or operates a portfolio of operations and is the largest primary platinum producer and 2nd largest palladium producer globally.

- In South Africa, **Sibanye Stillwater employs over 80,000 people** at its operations, whilst **indirectly benefiting more than 10 times that number**.

- As a price-taker, the sustainability of our business rests on our ability to **sustain production and contain costs** as far as possible.

- Electricity consumption in SA, with an average demand of **750MW**, accounts for 19% of operating costs for our SA gold operations and 10% for the SA PGM operations - **any cost increase granted will significantly impact on the profitability and sustainability of the operations**.



Our values define the way we do business – in the interests of all stakeholders

OUR VISION

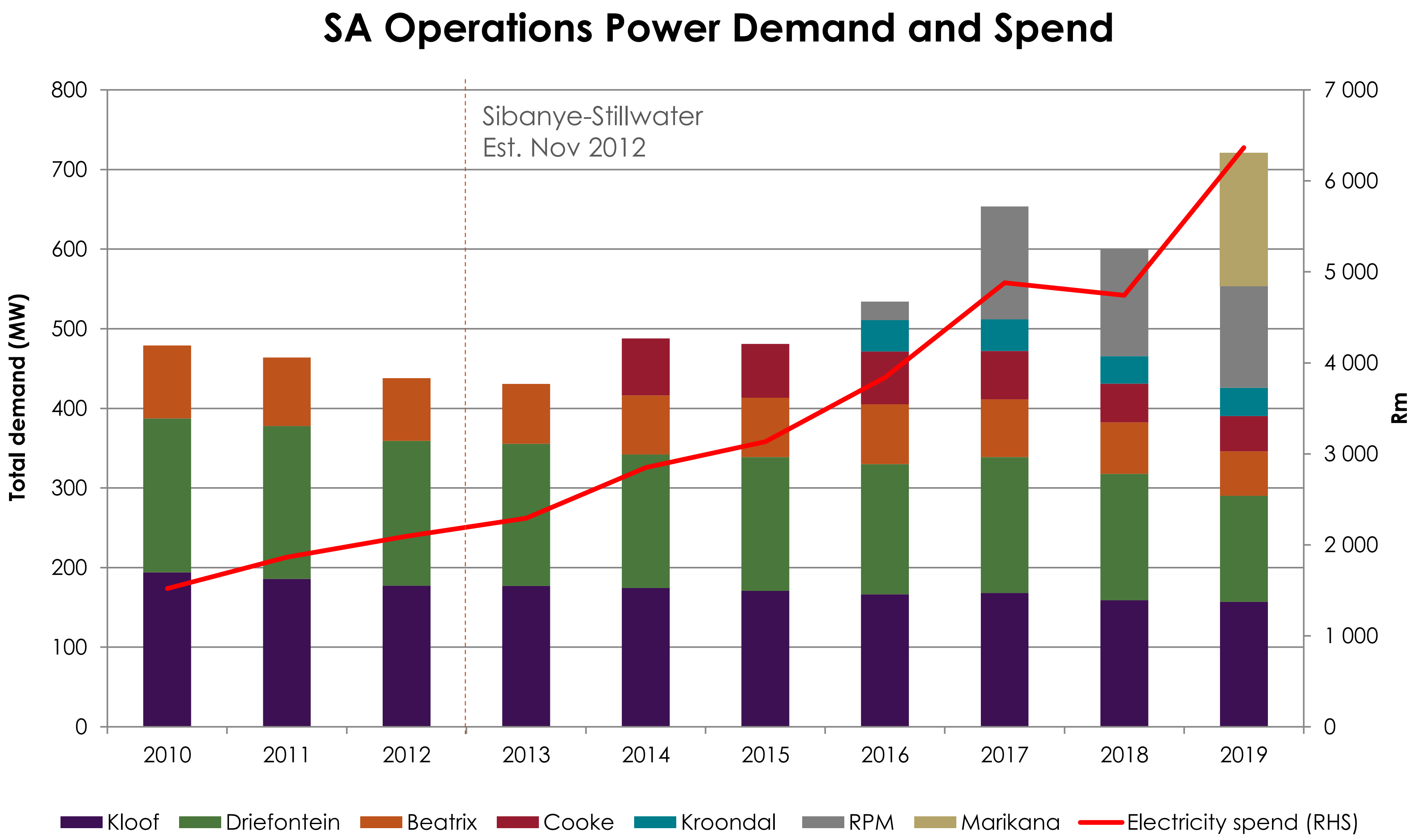
SUPERIOR VALUE CREATION
FOR ALL OUR STAKEHOLDERS
through the responsible mining of our mineral resources

PURPOSE

Our mining improves lives

- Recognised the importance of all stakeholders to the success and sustainability of our business from the start – **superior value creation for all of our stakeholders**
- **26 August 2019: 181 CEO's of the Business Round table in the United States released a statement on "the Purpose of a Corporation" which moves away from shareholder primacy and includes a commitment to lead companies for the benefit of all stakeholders**

Cost pressures and load curtailment are forcing an electricity consumption decline

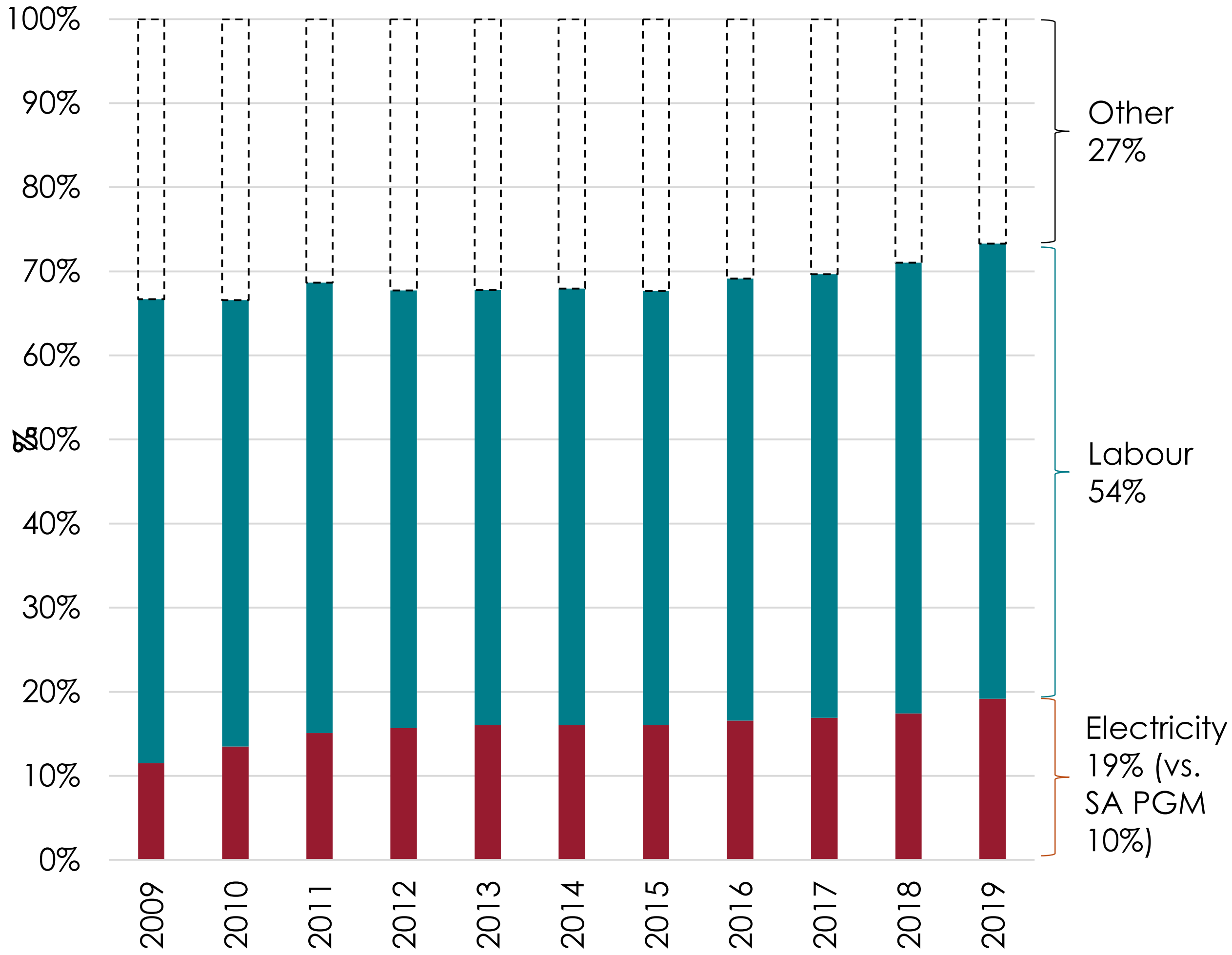


- Whilst Group demand has grown through acquisition, consumption at the specific operations has consistently declined year-on-year.
- Currently, the South African operations demand **750MW** on average with an annualised spend of ~**R6.5bn**[1], representing approximately 3.6% of Eskom's annual sales.
- Further tariff increases above inflation will increase cost pressures, reducing demand and exacerbate Eskom's death spiral.

1. 2019 consumption was lower than planned due to the SA Gold strike 2. Marikana electricity consumption and spend account for full 2019.

Electricity is a significant portion of our operating cost

SA Gold operations - Cost structure

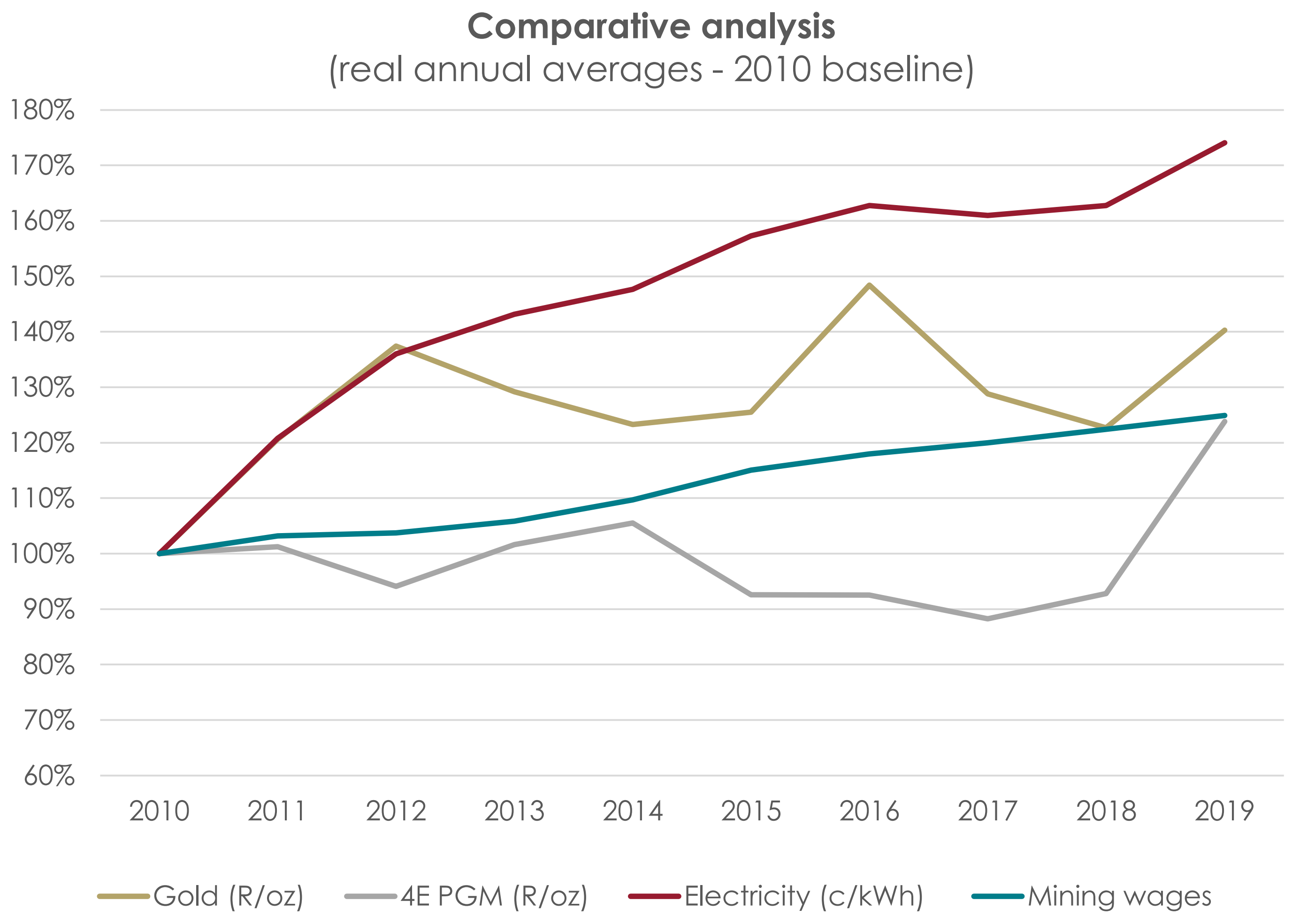


- Electricity is a significant and growing portion of our operating cost and has contributed to increased cost pressures.
- As a result of the inability to influence commodity prices and exchange rates, enhanced profitability is generally achieved through increased productivity and/or cost management. Productivity improvements are incremental and as a result management of costs is generally achieved by restructuring, typically resulting in job losses due to the fact that wages account for over 50% of costs in SA mines.
- The current electricity price increases requested by Eskom far exceeds the rate at which we can improve productivity, and as a result the sustainability of our operations is likely to be affected and operational closure and job losses are a likely outcome.

Our gold operations are at the highest risk as margins remain thin despite an improved price environment

SOURCE: Internal analysis.

A price reprieve has not offset margin erosion by above-inflation cost increases

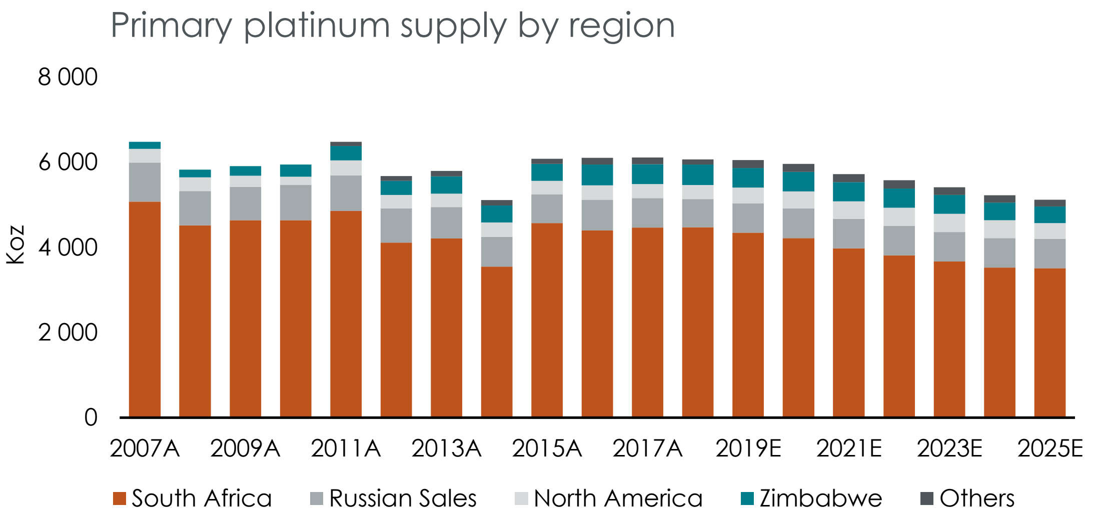


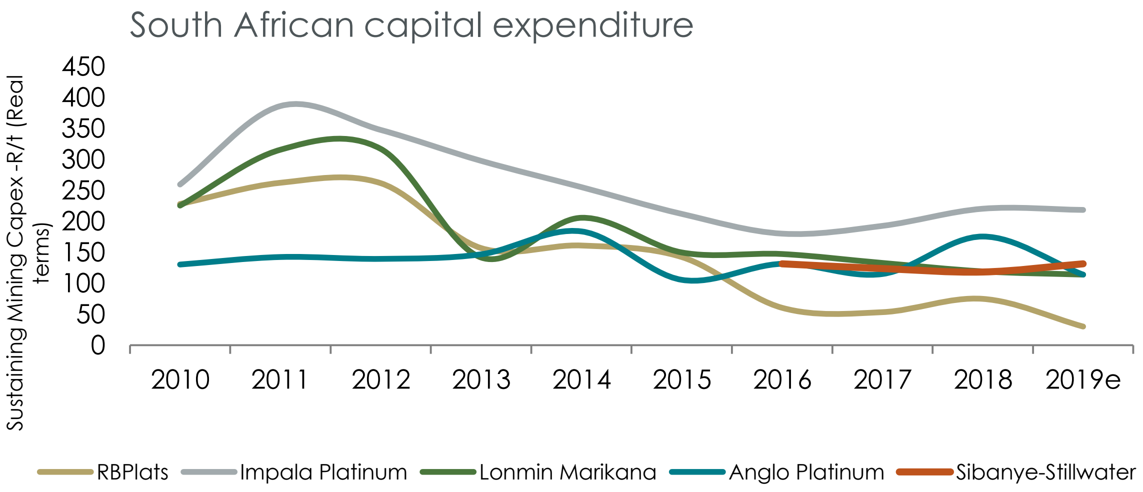
- Despite a recent rally in precious metal prices, above-inflation electricity and wage increases have historically resulted in above-inflation cost increases, contributing to the industry being loss making over an extended period and leading to significant restructuring and job losses.
- These cost pressures have historically led to the closure of 8 Sibanye-Stillwater shafts with over 13,500 associated job losses in the last 7 years.

SOURCE: Internal, StatsSA, Minerals Council - SEIFSA Labour Index

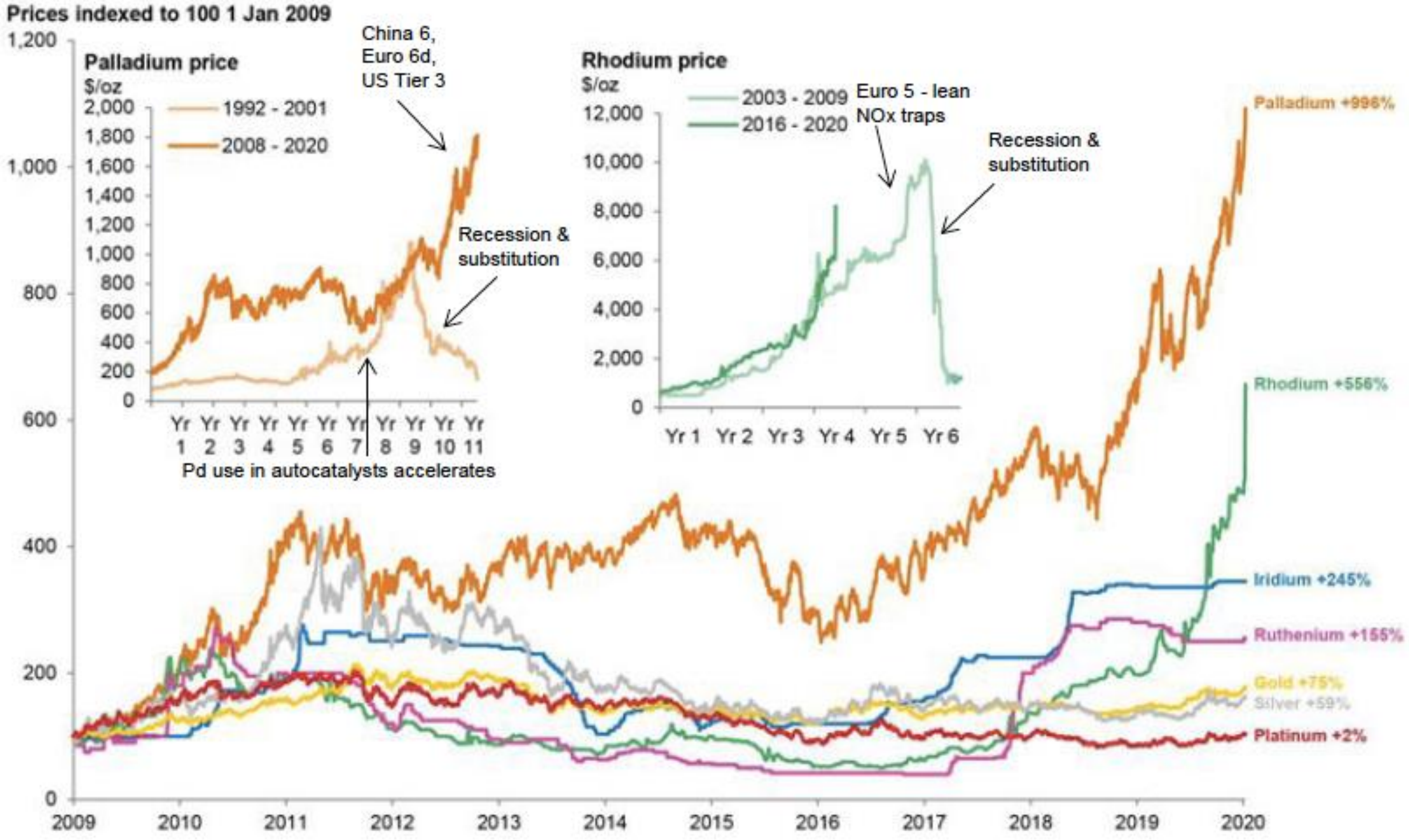
Protracted price and cost pressures have reduced SA exports and investment

- At a national level, protracted price and cost pressures have resulted in mine closures, significant job losses, reduced national precious metal exports and reduced project capital expenditure over the last decade.
- Further cost pressures will deter foreign and local investment into mining projects; shortening the life span of the operations and mining's contribution to the SA economy.





History has taught us that global events can rapidly change metal prices



- The fundamentals for precious metal prices remains positive in our opinion, based on a benign to positive global macro-economic outlook. History has however shown us that global economic events can rapidly change this picture.
- Uncertainty around US-China trade wars, the Corona virus and Brexit, to name a few events, could swiftly impact metal demand and prices.

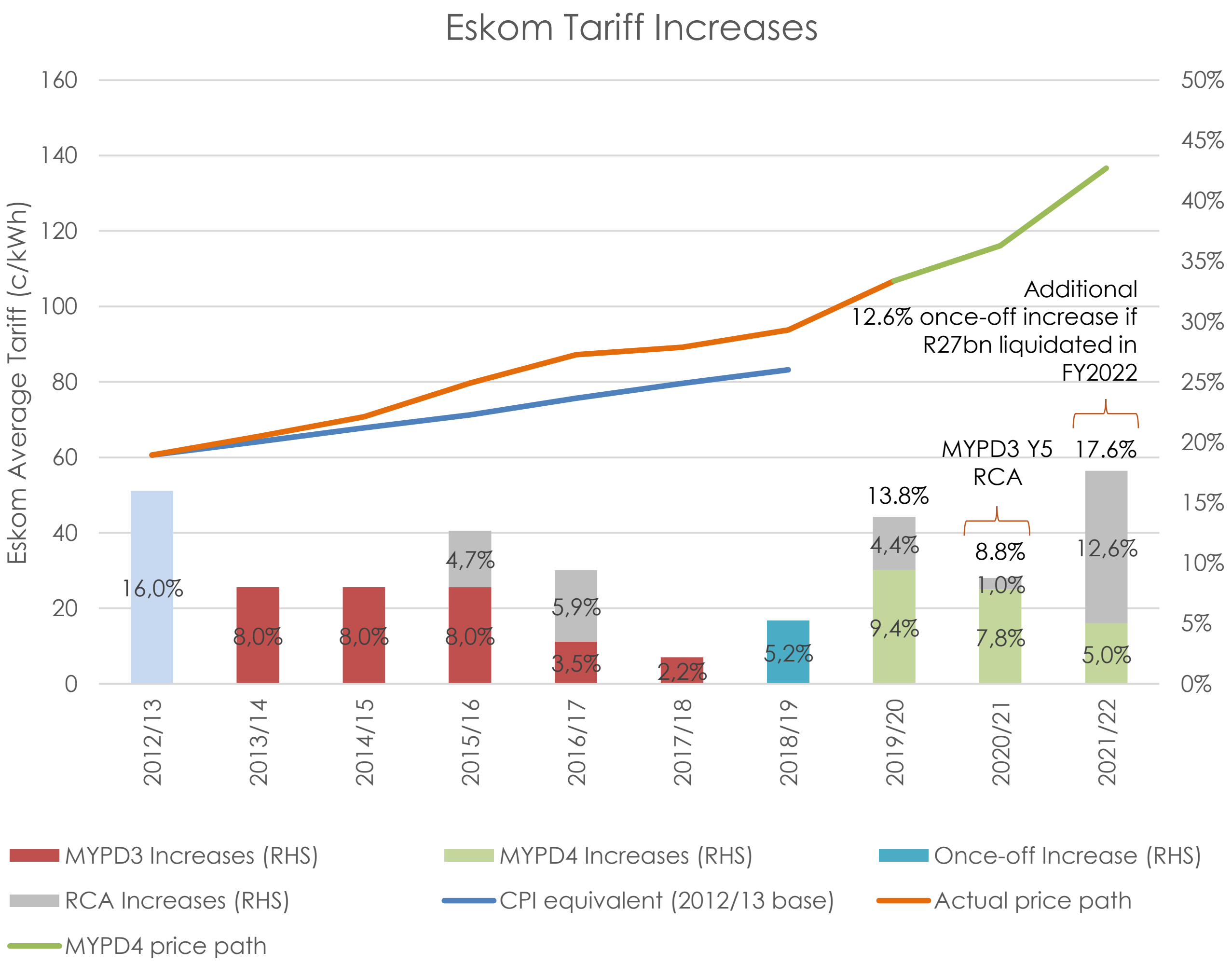
As a price taker, we cannot bank on higher prices and must position the business for sustainability in potential downswings

SOURCE: SFA (Oxford), Bloomberg. Heraeus

The current MYPD methodology does not provide price certainty

- The current MYPD methodology, including the RCA mechanism, has historically resulted in **above-inflation tariff increases and has not provided electricity price path certainty, making long term business planning difficult and deterring investment into long-term projects**.

- Sibanye-Stillwater's long-term Life of Mine plans assume CPI-linked escalations. **The current RCA application and Eskom's court bid relating to MYPD4 (R69bn) threatens our assumptions and could impact on operational sustainability, job security for employees and future electricity demand,** further exacerbating Eskom's financial difficulties in the long term.



Above-inflation increases threaten our sustainability and price-path uncertainty deters investment

The additional burden of an RCA tariff increase puts 3 shafts at risk

- **The RCA tariff increases, combined with existing tariff and RCA determinations, will detrimentally impact shaft margins**, potentially making current marginal shafts unprofitable thereby forcing drastic measures, such as potentially leading to restructuring, care and maintenance or permanent closure, with associated job losses.
- Subsidising loss making production threatens the sustainability of profitable shafts. **Continued losses without intervention could result in a domino effect, toppling the entire business**. Sibanye-Stillwater can not subsidise loss making operations.
- If granted in full, **the RCA increase, together with the previous determinations, will directly threaten the sustainability of 3 marginal shafts**.
    - Potential impact - **4,289 job losses**
- Beyond the direct mining value chain impact, the broader economy will also suffer from a **reduction in foreign income earnings and taxes and royalties paid**.

The livelihood of ~43,000 people are at risk *

SOURCE: Internal analysis. * Based on the 1:10 support ratio as published by the Minerals Council

Conclusion

- Sibanye-Stillwater presented to NERSA through 2013-2019, citing the risk of job losses as a result of cost pressures, including above-inflation electricity increases. **Since 2013, 8 shafts have been closed with over 13,500 associated employees and contractor jobs losses**.

- Despite a recent rally in precious metal prices, several shafts at our gold operations are marginal or loss-making. Above-inflation **tariff increases would add further cost pressure and could directly put 3 shafts at risk**, possibly affecting employment of a further 4,289 people and indirectly the livelihood of over ~43,000 people*.

- The current MYPD methodology, including the RCA mechanism, has historically **not resulted in electricity price path certainty**, **making business planning difficult and deterring investment into long-term projects**.

- Sibanye-Stillwater's long-term Life of Mine plans assume CPI-linked escalations. **Above CPI increases will likely result in job losses and further reduced electricity sales,** further exacerbating Eskom's financial difficulties.

* Based on the 1:10 support ratio as published by the Minerals Council

Recommendations

- **Careful consideration must be given to the sustainability of the mining industry – 4,289 direct jobs at risk at Sibanye-Stillwater alone**.
- **The tariff increases should be limited to CPI maximum,** as called for by the EIUG**.**
- Eskom must **improve their plant performance** in order to mitigate load curtailment, the use of expensive generation technologies (OCGTs) and the need to apply for future RCAs.
- **Recommend Eskom restructure their cost base** to be in line with the sales volumes and revenue generated to avoid extreme tariff increases. Early moves by Eskom leadership appear positive, but we need expedited action.
- Other **pricing mechanisms should be explored to protect base-load customers in order to stem the Eskom death-spiral,** including**:**
  - a review of the current framework for short-term negotiated price agreements (NPA),
  - a new framework for long-term NPAs, and,
  - a review of current tariff subsidy arrangements.
- **Government, NERSA, Eskom and industry must accelerate the electricity supply industry reform to avoid an economic recession and to enhance national competitiveness.** Sibanye-Stillwater can aid in response**.**

Questions?

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Competent persons' declaration

The Competent Persons, designated in terms of SAMREC, who take responsibility for the reporting of Mineral Resources and Mineral Reserves and the overall regulatory compliance are the respective operational (per mining unit) and project based Mineral Resource Managers. The Competent Persons have sufficient experience relative to the type and style of mineral deposit under consideration and are full-time employees of or contracted to, based on prior employment with the Group, Sibanye-Stillwater. The Competent Persons confirmation signatures are presented in the CPRs per operation.

The Competent Persons further consent is given to the disclosure of this Mineral Resource and Mineral Reserve statement.

Corporate governance on the overall compliance of the company's figures and responsibility for the generation of a Group consolidated statement has been overseen by the lead Competent Persons listed below. The lead Competent Persons have given written consent to the disclosure of the 2018 Mineral Resources and Mineral Reserves statement. They are permanent employees or contracted by Sibanye-Stillwater.

For the United States Region, the lead competent person designated in terms of the SAMREC Code, who takes responsibility for the consolidation and reporting of the Stillwater and East Boulder Mineral Resources and Mineral Reserves, and for the overall regulatory compliance of these figures, is Brent LaMoure, who gave his consent for the disclosure of the 2018 Mineral Resources and Mineral Reserves Statement. Brent [B.Sc Mining Eng] is registered with the Mining and Metallurgical Society of America (01363QP) and has 23 years' experience relative to the type and style of mineral deposit under consideration. For the US project Resource estimation, the competent person is Stanford Foy. Stan is registered with the Society for Mining, Metallurgy and Exploration Inc. (4140727RM) and has 27 years' experience relative to the type and style of mineral deposit under consideration.

For the Southern African Platinum Group Metals (PGM) operations, the lead competent person designated in terms of the SAMREC Code, who takes responsibility for the consolidation and reporting of the SA Platinum Operations Mineral Resources and Mineral Reserves, and for the overall regulatory compliance of these figures, is Andrew Brown, who gave his consent for the disclosure of the 2018 Mineral Resources and Mineral Reserves Statement. Andrew [M.Sc Mining Eng] is registered with SAIMM (705060) and has 35 years' experience relative to the type and style of mineral deposit under consideration.

For the Southern African Gold operations, the lead competent person designated in terms of the SAMREC Code, with responsibility for the consolidation and reporting of the SA Gold Operations Mineral Resources and Mineral Reserves, and for overall regulatory compliance of these figures, is Gerhard Janse van Vuuren, who gave his consent for the disclosure of the 2018 Mineral Resources and Mineral Reserves Statement. Gerhard [GDE (Mining Eng), MBA, MSCC and B. Tech (MRM)] is registered with SAIMM (706705) and has 31 years' experience relative to the type and style of mineral deposit under consideration.

The 38.05% Attributable portion of the DRDGOLD current surface tailings operations including the ERGO and FWGR operations. For this attributable portion of the DRDGOLD resources and reserves, the company was reliant on external competent persons as follows: The Mineral Resources for the ERGO surface operations is based on depletion (up to December 2018) and the Competent Person designated in terms of SAMREC is Mr M Mudau, MSc Eng, Pr. Sci. Nat., the Resource Geology Manager at the RVN Group. The Competent Person designated in terms of SAMREC who takes responsibility for the reporting of the surface Mineral Reserves, also based on depletion up to December 2018, is Mr GJ Viljoen GPr MS 0256, an independent survey contractor.