

ALTERNATIVE WORKING ARRANGEMENTS: THE OPPORTUNITY

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In accordance with the requirements imposed by the JSE, Sibanye Gold reports its reserves using the terms and definitions of the SAMREC Code (2007 edition). There are differences between the SAMREC Code and the Security and Exchange Commission's Industry Guide 7. Mineral or ore reserves, as defined under the SAMREC Code, are divided into categories of proved and probable reserves and are expressed in terms of tonnes to be processed at mill feed head grades, allowing for estimated mining dilution, recovery and other factors.

Background

- Sindisa Task Team formed according to provisions of 2011 gold sector wage agreement
 - mandate to review alternative working arrangements to improve asset (ore reserve) utilisation
 - additional shifts in production calendar and alternative shift systems
- 2013 gold sector wage agreement provided that stakeholders should consult on alternative working arrangements at mine level

Sindisa Task Team terms of reference

Co-designing Arrangements Aimed at the Effective Utilisation of the Mining Assets

Terms of Reference

1. Background

As part of the 2011 wage negotiations in the gold industry, the National Union of Mineworkers, Solidarity, UASA-the Union and the Chamber of Mines of South Africa (on behalf of AngloGold Ashanti, Gold Fields, Harmony and Rand Uranium) concluded a Framework Agreement to Co-Design Arrangements Aimed at the Effective Utilisation of the Mining Assets². This emanated from the common understanding that the main threat to the future of the gold mining industry is a result of the continuing fall in production.

South Africa has the largest gold deposits in the world, but because of falling production levels is only the fifth largest gold producing country. It is thus recognised that the parties in the industry have to develop collective ways of extracting more ore to the benefit of the industry, the employees and the country as a whole. Should it continue to be “business as usual” then in very little time there will be a much reduced gold mining industry in South Africa, with significant job losses. Asset optimisation has to be addressed with some urgency so as to prolong the life of the industry.

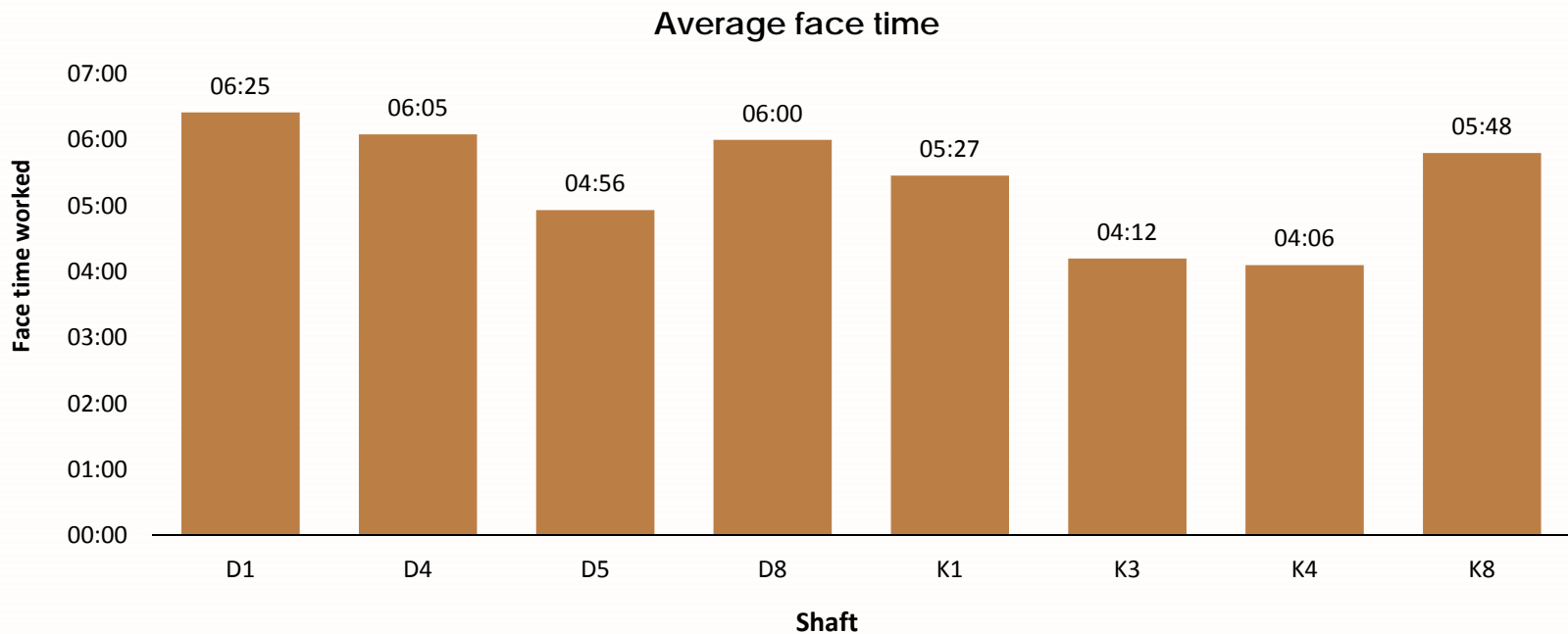
Possible shift cycle concept

- Social implications
 - employees take regular 4 day breaks
 - potential benefits for migrant worker lifestyle and fatigue management
 - opportunity of enhanced job creation - required to staff rosters
 - potential for stronger output-based incentives
- Key considerations
 - health and safety critical, including fatigue management
 - full compliance with labour legislation
 - Christmas break and significant public holidays retained

	Mon	Tues	Wed	Thu	Fri	Sat
At work						
Week 1		Rosters A, B, C, D, E			Rosters B, C, D, E, F	
Week 2		Rosters A, C, D, E, F			Rosters A, B, D, E, F	
Week 3		Rosters A, B, C, E, F			Rosters A, B, C, D, F	
Off work						
Week 1		Roster F			Roster A	
Week 2		Roster B			Roster C	
Week 3		Roster D			Roster E	

Production cycle implications

- Face worked 6 days per week – employee works 5 shift week on average
 - 16 additional production shifts per annum (282 to 298)
- Shift length and face time increased for correct overall working hours
 - potentially 50 minutes additional face time per shift



Based on selected crew observations

Projected impact on operating and financial results

Indicator	% increase
Employees in service	7
Production volume and revenue	6 - 30
Total working cost	4 - 8
Payroll	7
Stores	3 - 18
Electricity	2 - 9
Operating cost per kg	(2) – (17)
Operating profit	8 - 60

- Based on modelling at a representative shaft
- Benefit ranges depend how effectively additional face time used
 - minimum benefits based only on additional production shifts

A beneficial arrangement for all stakeholders

- Increase production and productivity at reduced unit production costs
- Reduce pay limits by increasing productivity
 - convert measured resources into reserves
 - lengthen shaft lives and sustain production for longer
 - sustainably reverse declines in gold sector employment
 - optimise value of national mineral resources
- Attempt to address social challenges
 - migrant labour
 - indebtedness
 - unemployment
 - regional development and sustainability

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QUESTIONS