Year-end and H2 results for the period ending 31 December 2021

Neal Froneman

Good afternoon, and good morning to all, and a very warm welcome to our results and strategic update for the year ended 31 December 2021. There are forward looking statements in this presentation, so please take note of the safe harbour statement. The agenda for today is safety and ESG first. Those are our single and most important priorities. I will be assisted in presenting that section by Jevon Martin and Grant Stuart. I will then do a strategic update which is titled positioning for positive impact. And I think you will find that very interesting. We do use our year-end results to provide strategic guidance to the market and our shareholders. I will then hand over to Dr Richard Stewart, our Chief Operating Officer, who will present the results of the operations in detail. As you can see we've called it operational excellence. We've had an outstanding year considering all the challenges of COVID and safety and so on. Richard will then hand over to our CFO, Charl Keyter, who will then conduct the financial review, which I think you will also enjoy – and outstanding year from a financial perspective as well. And then I will wrap up with a brief outlook and conclusion.

As I've said, let's start with safety. And it gives me absolutely no pleasure to talk about fatalities. We've had a very tough year where we've lost 20 of our colleagues throughout the group tragically in 15 incidents. A majority of those happened in the second half of the year and we really stepped in and took very decisive actions including in October a five day suspension of all operations across the group to audit workplaces and refresh safety focus. And then in December we actually shut down portions of our operations in the gold sector at Kloof 1 shaft, Beatrix 1 and 3 shafts, and then a partial closure at Driefontein to arrest these unacceptable incidents. We had to do the same within our South African PGM business, and one of those shafts, Thembelani, was a result of a lack of supervision due to COVID-19. And we just deemed it inappropriate to try and operate with insufficient supervision. So COVID has had a very significant impact.

At the same time we conducted an independent review. And that review I'm pleased to say confirmed the appropriateness of the group's safety strategy and its systems, and in fact confirmed that it is aligned and consistent with global industry standards and practises. So that gave us the confidence that we don't have a flawed safety approach. We did through that independent assessment identify opportunities to further operationalise and institutionalise the commitment and responsibility for safety among the line management of the organisation. And at the same time we have developed a very comprehensive fatal elimination plan which is being rolled out and I have no doubt will have a very positive impact on reducing fatalities. So we are totally focussed on our efforts to get to zero harm.

I think it's always important when you have these types of dramatic and very serious incidents to look at the underlying data. And I do get confidence from the fact that we are clearly doing many of the right things. It doesn't change the fact that we lost 20 of our employees. But if you look at the rate of increase in the left-hand graph of our workforce, you can see the rate of increase in terms of the number of employees in the group is much higher than the rate of increase in fatalities. So it does mean that we are having a positive impact on fatalities. In fact, if you go to the graph on the right-hand side, the fatality injury frequency rate, and you look at a three year average, again you can see that we are moving in the right direction, which inspires us to continue on this road to zero harm.

I think it's also important to note that we do lump all our fatalities together. But we need to remember we have a very substantial PGM division both in South Africa and in the US. And of course we have a large gold business as well. And what's very clear to us is that the gold business is challenging, being ultra-deep. But we also notice something else, and I've seen references in other CEO presentations. The industry in general, whether it's in South Africa or in the US, has also regressed in 2021. If you look at South Africa it regressed by about 22% and in the US it regressed by 25%. So there is something behind the current regression that seems to be an international issue regarding safety. Nevertheless, we remain very focussed on making a difference. And as I say, we do look for confidence and comfort in the things that we are doing along this journey.

If you look at some of the highlights, all our operations received ISO 45001 and 14001 accreditation. We have seen an improving trend in all-injury frequency measures since H1 of 2021, and of course injuries build up to fatalities, so if you can reduce injuries you are certainly moving in the right direction. We also had a number of safety milestones such as at Marikana we achieved 4 million fatality-free shifts. At Kloof Lower, one of our deepest operations, we went scratch free for six weeks. And of course the more you can duplicate this, the more you're going to impact on reducing injuries and hence reducing fatalities. And then at our surface processing business we achieved 13 million fatality-free shifts on 16th September 2021. So those give us the confidence to continue down this very challenging and tough road to zero harm.

Last year I presented our sustainability strategy as a basis for our ongoing commitment to ESG excellence, and in fact the basis of our green metals strategy is based on the sustainability strategy. And last year I presented building a green metals business and I will just recap on that briefly shortly. But today what we wanted to share with you in more detail was our road to carbon neutrality. We've made good progress since we made the commitments earlier last year to get to carbon neutrality by 2040. We certainly do believe we can do that much earlier. And then we've really made some outstanding progress on water demand and intensity. Grant Stuart will present that to you.

As I said, I wanted to just remind you of building a green metals portfolio. That is based on building a climate change resilient business. We've made again significant progress and nothing has changed in terms of our focus area. As we said last time, we spent two years doing due diligence before we entered the battery metals market. We did four transactions in 2021, Keliber, Sandouville, the Rhyolite Ridge project, and an acquisition of a stake in New Century. Just to remind you again, the battery metals together with the PGMs will provide a very significant green metals portfolio.

We do intend to complement that with other metals such as copper, maybe manganese. Uranium is a by-product of gold and we are working on our uranium strategy, but nuclear energy is now considered green and therefore the underlying metal must be considered green as well. And to complement that, we have advanced our thinking in recycling, and of course tailings retreatment is another area that is similar to recycling. But we are increasing our exposure in the circular economy. So that's the basis on which we make acquisitions and it's the basis on which we will enhance our green credentials. So at this stage I'm going to hand over to Jevon Martin to talk to you regarding our path to carbon neutrality by 2040. Thanks Jevon.

Jevon Martin
Thanks Neal. Sibanye-Stillwater believes climate change to be the most pressing threat to urn planet and global challenge of our time as recognised by the Paris Agreement and UN Sustainable Development Goals. As a force for good Sibanye-Stillwater has a role to play in the urgent global response to the threat of climate change, and as such we have aligned our governance strategy, risk management and targets across the group to align with the recommendations of the TCFD. First and foremost, we produce green metals – as Neal has indicated – that support in the reduction of greenhouse gasses and the reversal of climate change. In 2021 we committed to achieving carbon neutrality by 2040 in advance of the requirements of climate science. Over the last year we have refined our pathway in supporting interventions and have grown in confidence in our ability to deliver on this commitment.

In the graph depicted here we have forecasted our greenhouse gas emissions profile over the life of our mines based on a bottom-up analysis of their production profiles and energy requirements. In terms of business as usual we expect a short-term increase in emissions through production growth followed by a decline from 2025 through life of mine closures and decarbonisation. If we overlay a science based pathway we are able to understand the operational decarbonisation required to contribute to limiting global warming to 1.5 degrees Celsius and adhere to science based targets which we plan to update in 2022, including Marikana and Scope 3.

Through the introduction of demand-side energy management, renewable energy, electrification and fuel switching opportunities including hydrogen, we are able to demonstrate an active decarbonisation pathway. This pathway will be converted to internal annual carbon budgets prescribed at a group and segment level to inform our long-term incentive planning. Recognising that there will be remnant, hard to abate emissions towards the end of our carbon neutral journey, we have compiled a carbon offset strategy that will generate the required offsets to neutralise the remaining emissions. Combined these elements present a definitive pathway through to carbon neutrality supported by internal carbon budgets to drive group decarbonisation and deliver on our commitments.

Due to the infrastructure and extensive energy requirements of our South African operations combined with the carbon intensive electricity supply from Eskom, 93% of our group greenhouse gas emissions emanate from grid supplied electricity. Eskom also continues to pose risk to our business through above inflation tariff increases and unreliable electricity supply. The extensive electrification of our operations, however, presents an opportunity to mitigate these risks and accelerate decarbonisation through the deployment of renewable energy.

Relaxing of regulatory requirements and anticipated ability to trade electricity in South Africa has allowed us to grow our portfolio of renewable projects to 557 MW including solar and wind projects. We have appointed a local project developer for our SA gold 50 MW solar PV project and two local project developers for three shovel wind projects across South Africa. Steady progress is also being made in the permitting consents required for our SA PGM solar project. These projects have been structured to limit capital outlay whilst enabling significant decarbonisation and savings benefits.

The total anticipated capital for the projects is anticipated to be around R11 billion and will be funded by third parties through power purchase agreements. The projects will enable a 25% reduction in Scope 2 emissions by 2025 and delivery substantial operational benefits. We plan to also leverage these projects to promote local socioeconomic development through our Infrastructure for Impact programme. The projects will also contribute in closing the South African electricity supply deficit and bring an end to load shedding to the benefit of all South Africans and the economy. I will now hand over to Grant. Thank you.

Grant Stuart
Thanks Jev. Water stewardship is the use of water in ways that are socially equitable, environmentally sustainable and economically beneficial. We are strongly committed to comprehensive and transparent water governance, effective management of our water at site level, and collaboration to achieve responsible and sustainable water use. We've been recognised for these efforts in 2021 by the CDP. In 2021 the South African gold operations purchased 8% less potable water. Our reliance on purchased potable water at our gold operations reduced by some 1,278 million litres or 17% year on year, and 344 mega litres or 2.8% at our South African PGM operations year on year, this despite an increase of 4% and 15% in tonnes treated at the SA gold and SA PGM operations respectively.

As we move forward into 2022 we have committed to further reducing our reliance on the integrated Vaal River system, the economic muscle of Gauteng, by 15% from a 2020 base year. During 2021 we remained true to our course of water independence at our gold operations. Boreholes to supply the Cooke plant completed in Q1 of 2020 and boreholes to supply Cooke 2 and Cooke 3 shaft in Q4 of 2021 have rendered that complex entirely independent of municipal supply. Ezulwini has also been independent of Rand Water since Q1 of 2021. Although Driefontein is already 90% independent of Rand Water, an extension to Driefontein's 20 million litre treatment plant per day by an additional 5 mega litres per day will see Driefontein independent from municipal water supply by Q3 of this plant.

The Kloof water treatment plant, which forms part of phase 1 of the operation's independence drive, has reduced the reliance for Kloof by a third with full independence envisaged by Q1 of 2023. Our efforts to reduce water dependence have not only reduced our reliance on the integrated Vaal River system but have also had significant savings to the gold operations of some R85 million last year with phase 2 of Driefontein and Kloof expected to bring an additional saving of some R50 million per annum going forward.

Our US PGM operations are located in a water rich catchment and have similar challenges to the SA gold operations in respect of managing the risks associated with water pumping, treatment of the water and discharging into a pristine environment. The newly installed disk filters at the Stillwater mine and East Boulder mine have demonstrated our ability to move beyond compliance with an average of 30% removal of the total nitrogen and 45% removal of metals from those compliance levels.

At the SA gold operations following the installation of the Cooke surface treatment plant to replace the underground treatment strategy, the Cooke 1 and 2 shaft water quality has shown a 9% improvement in water quality year on year. The threat of theft, vandalism and sabotage however remain a concern. On 13th December 2021 the Department of Mineral Resources and Energy granted Rand Uranium the environmental authorisation for the rehabilitation, decommissioning and closure of our Cooke shafts – that's Cooke 1, 2 and 3 – which means we are a step closer to closing those operations and removing some R300 million care and maintenance costs from those operations. Neal, I think I will leave it there. Over to you. Thanks very much.

Neal Froneman
Thank you, Jevon, and thank you, Grant. As I indicated at the beginning of the presentation, we do use our annual results presentation to provide you with further strategic updates. I want to just start with our existing strategic focus areas or pillars as we refer to them. You've seen them in the diagram on the right-hand side. They are well known. They have been consistently applied. And being strategically managed in my mind is very important for success. And of course if you have a good strategy you should have exceptional success. And I'm very pleased to report that the strategy you see on the right-hand side has resulted in record annual adjusted EBITDA of R68.6 billion or $4.6 billion.

We've achieved 80% higher adjusted free cash flow of R37.4 billion or $2.3 billion. And that's ultimately or predominantly by focussing on safe production and operational excellence, and having made the moves that we made into commodities at a point in the cycle that was very beneficial to our shareholders. I think in addition our capital allocation model has been a good guide. And we redeemed our 2022 and 2025 bonds. We replaced that with $1.2 billion notes due in 2026 and 2029. And importantly that was done with $169 million of lower interest burden, so it was done at much better rates. You will also see from these results – and Charl will cover this in more detail – we've declared an additional dividend. But the total dividend of the year will amount to just under R14 billion or $866 million for the 2021 year. And that is a 9.8% dividend yield, so that is certainly class leading.

In addition, our capital allocation model also refers to share buybacks. And some of our shareholders do believe that share buybacks are important. We do as well. So in addition to the dividend we have also purchased 5% of our shares at a share price much lower than where it is today. That amounted to R8.5 billion or just under $600 million. So again we've applied our capital allocation framework and model which was part of our previous strategy and will remain part of the new strategy. The net result is we do have a robust balance sheet with a net cash position of R11.5 billion or just over $700 million. And of course, as I've just mentioned before I handed over to Jevon, we have enhanced our green metals strategy with four acquisitions. To me that is the result of being strategically managed, and that is why we put effort into being at the forefront of understanding the environment and developing strategies that put us in a good spot to create value.

So let me talk about the strategic refresh that we undertook late last year. We undertook this strategic refresh with a view to raising the bar and moving our strategy to a higher level. The environmental scan, which is always important in terms of strategy, really looked at the evolution around the industrial revolutions. And what was very clear to us was the industrial revolutions, the first, the second and the third were good for humanity but they were tough on humans and hard on the environment. There has been an exponential increase in urbanisation. And with an increase in urbanisation of course there are climate change issues. There are pandemic issues. And clearly we cannot continue in the same way.

Certainly the fourth industrial revolution is now rapidly being replaced with a fifth industrial revolution which is a conscious rewiring and prioritises the needs of human beings, the environment and society. And as you know from our previous visions and our business purpose, we are a company that is very focussed on people and the environment and those softer issues. So this has really been the background to the way we addressed the strategic refresh.

Now, we also know that we have been through incredible change in a very short period of time, plus incredible challenges related to COVID-19. And in fact we've become aware of what we call grey elephants that are going to shape the fifth industrial revolution. A grey elephant is a highly probable, high impact, yet neglected catalyst or force of change. Not only are these grey elephants a challenge but they are also catalysts for change. We certainly used the COVID-19 grey elephant to change many things for the better in our business. Important to note that COVID-19 is a grey elephant and the pandemic was a catalyst agitating and amplifying several other grey elephants. So we've identified them. I'm going to share them with you now. The bottom line is we must be prepared for these future grey elephants to recognise and take advantage of the opportunities they present. So it's not just about challenges. It's about the opportunities that these grey elephants present.

Let me just work through them. I will very briefly link them to how they have impacted on our strategy. I've already mentioned pandemics as being a grey elephant that was predicted and no one took any notice of that. We've all experienced how difficult it has been, how it has affected our own personal lives, how it has affected our business and how it has affected many people around us. Very sadly, the World Health Organisation predicts a number of pandemics in the 2020s, and it's mainly related to urbanisation. These pandemics are highly probable and can come from anywhere. The bottom line for business is if this turns out to be true we need to develop a business that is pandemic resilient. And I can certainly share with you how we do that practically and how we are positioning for that.

I think the issue of aging is another grey elephant. The world is aging fast. For the first time in history there are already more old people over the age of 60 – that's considered old – than younger people under the age of five. In fact, there is a 400% increase of people turning 100. And by 2030 older persons will outnumber children aged zero to nine. That's a classification of children. So we need as a business to recognise this and we need to cater for an older workforce. And of course we link that to becoming bionic. I will talk more about bionic a bit later. And of course bionic starts linking to also preparing yourself for being pandemic resilient.

One of the better known grey elephants, although some people still dispute the issue of climate change, is what we refer to as the angry planet. And what I am going to say is just about every one of these grey elephants leads to angry people. The climate emergency has no nationality, no race, no sexual preference, and certainly no political or religious affiliation. It's real, and the transition we are in will create completely new global tensions. Again like with most of these things it's the poorer people in the world that suffer from an angry planet. As a business we have adjusted our strategy to build a climate change resilient business and in fact to provide metals that are at the forefront of reversing climate change. And I will expand on that a bit later as well.

Inequality is growing. Africa is expected to account for nine out of ten of the poorest people in 2030. And of course we need to deal with inequality. It does again affect the poorest people. We need to recognise especially in our South African and Southern African business that this is a huge issue. And you will see from the adjustments to our capital allocation framework we are going to make a very conscious and significant effort to spend money in social upliftment.

The next grey elephant we call a big squeeze. The world is being squeezed. There is absolutely no doubt, from a shortage of fuel, microchips, which we all know impacted the PGM business last year and is still having an impact, water and food shortages, skill talent, retirement, inflation and interest rates. We are all being squeezed. If we are going to address things like pandemics and address the angry planet issues we need to position our business within like-minded ecosystems where people have similar views and therefore we can work together and we can develop pandemic resilience, we can provide metals and solutions to end users so that we avoid the big squeezes.

Another grey elephant common to all of these is angry people. The act of consuming endless processions of negative online news, social unrest globally, anger is on the rise. We have to address this by creating shared value and developing a common purpose. Angry people are either going to make us or break us, so we cannot ignore things like inequality, big squeezes where poor people are affected the most. And then multi-polarity. I think this past week or so we see globalisation unravelling. Russia is in the Ukraine testing the West's resolve. China will increase its competition directly with the US. Power and influence will shift. And again it's about positioning our business like we have in like-minded ecosystems such as building our battery metals profile in Europe and North America. That's practically how you deal with that.

Then the next grey elephant is intelligent advances. This is really about advances in robotics, artificial intelligence, machine learning. And that has ushered in a new age. We can do what we did in previous industrial revolutions. We can introduce this without due concern to people. That will be exactly the wrong way to go. We need to introduce this intelligence and technology in a way that is constructive and recognises people. And we talk about being bionic where we focus on the people aspect. You can see how these concepts have a lot of commonality and have informed our strategic thinking looking forward. So there is the complete picture. And we have revised or refreshed our strategy to take account of these grey elephants so we are very clear on what we need to adapt for.

As I said, our previous strategy has been very successful, and it does not mean we're throwing it out and have started with a new strategy. In fact, we have developed what we call a three dimensional strategy, keeping the good from our previous strategy but also developing something which is going to differentiate us in many respects. The first thing is our strategic foundation hasn't changed. Our purpose used to be improving lives through our mining. I think the purpose has been refined to safeguard global sustainability through our metals and energy solutions.

Our vision used to be creating superior value for all our stakeholders. The vision has been slightly refined to be a leader in superior shared value. We've introduce the word shared value for all stakeholders and to support climate change reversal. Those are higher level purposes. That is our higher level vision. And of course our cares values, commitment, accountability, respect, enabling and safe production remain our values. And of course ESG and shared value actually becomes even more dominant. That is our strategic foundation. That's why we exist and that is what we want to impact on. So that is very similar, but we've raised the bar. Probably most of you would have seen Larry Fink's letter to CEOs. And I must say it was an excellent letter. One of his comments is most appropriate. It has never been more appropriate for CEOs to have a consistent and a clear purpose. There you see it. There is our impact and our strategic foundation.

Just moving on to things that sit in our current strategy. We believe they have become strategic essentials. You have to ensure safety and wellbeing. You don't have to make that a strategy. You have to prosper in every region in which you operate. That doesn't have to be a strategy. That is a given. Achieving operational excellence, which was a very important part of our previous strategy, is a given. That has to continue. Optimising long-term resource value has to continue. Maintaining a profitable business and optimising capital allocation, those are administrative issues. They are not strategies in their own right. They are a given.

So what is new? Again it's a slight repositioning. Now, these are the strategic differentiators. These are the new aspects that we will focus on and have elevated some of the strategic focus areas from our previous strategy. First of all, ESG excellence. That has been refined into being recognised as a force for good. I know that many companies use this force for good, but I think based on our purpose and our vision you can see the underlying substance behind being recognised as a force for good. Building a global portfolio of green metals and energy solutions that reverse climate change is going to differentiate us. We have a unique combination of battery metals and a very substantial PGM business that will in future underpin the hydrogen economy.

Taking account of some of those grey elephants, we have to become more inclusive, we have to become more diverse and bionic. And I explained the importance of those. That really enhances our cultural change initiative. And then of course building pandemic resilient ecosystems and being part of those ecosystems is what's also going to allow us to prosper in regions such as Europe and North America but also not be disrupted by pandemics. It's going to be important to provide metals that are necessary to reverse climate change in those ecosystems. So those are our strategic differentiators.

Just in case you were wondering, have we covered all the grey elephants? This matrix shows you that every grey elephant is covered in most cases by more than two of these strategic differentiators. So I'm comfortable that the environmental scan and the refreshed strategy will certainly take account of these and will put us on the front foot. So at this stage I'm going to hand over to Richard who will go through the really good results that were achieved at an operational level. Thank you, Richard.

Richard Stewart
Thank you very much, Neal, and good afternoon and good morning ladies and gentlemen. It's a real pleasure today to be able to share with you our operating results from the second half of last year. As many of you would have been aware, we recently published our updated mineral resources and reserves as at 31st December. I think just to highlight before we get into the details that we have had a change in the way we report our mineral resources and reserves. This has specifically had an impact on our South African operations where historically we reported attributable resources and reserves based on an effective financial interest, whereas now we are basing that attributable number on effective legal or equity interest, as of course the financial liabilities do change year on year. I think very important to highlight this has got absolutely no impact on the underlying resources and reserve numbers for the operations. Neither does it have an impact on the financial exposure Sibanye has to these assets. It's just the attributable portion that changes.

I think very pleasing in the numbers is that at both our South African PGM and our US PGM operations we saw a slight increase in reserve numbers, which effectively means our ongoing exploration more than replaced what we depleted during 2021. In our gold operations we saw a 700,000 ounce decrease in total reserves on 100% attributable basis, so marginally less than what we depleted during the course of last year. The 72.5 million reserve base that we have underpins a very sustainable portfolio. Our South African gold operations have lives of mines that vary from four years at Beatrix to in excess of ten years at Driefontein and Kloof. And our gold projects have lives in excess of 20 years. Our PGM operations generally have lives well in excess of 15 years, with our US operations and Rustenburg in particular having lives well beyond 30 years, so a very sustainable portfolio and underpinned by a significant mineral resource base for future replacement and growth.

I think also very exciting is for the first time we are declaring resources as a result of our entry into the green metals last year, in particular our lithium resources at our Keliber project in Europe and our Rhyolite Ridge project in Nevada, maiden resources for the first time there. And zinc as well through our exposure to New Century Resources in Australia. Our uranium resources in South Africa remain unchanged. Those are currently under economic studies. And of course we also report our copper resources in Argentina in South America at our Altar project.

Moving on to our South African PGM operations, very pleasingly they continued with a great performance during the second half of last year. Total production from these operations amounted to in excess of 940,000 ounces for the half year and 5% higher than the comparative period the year before. I think particularly pleasing was the strict control that we maintained over our costs resulted in a nominal 1% lower unit cost year on year, and for the year we came in at around R17,000 per 4E ounce. We sold just under 960,000 ounces of PGMs. That was at an average basket price of just over R40,000 per 4E ounce, marginally higher year on year.

This equated to a free cash flow out of these operations for the second half of the year of just over R8.2 billion, significantly higher than the comparative period last year and a very healthy 54% adjusted EBITDA margin despite a drop off in the PGM prices towards the back end of 2021. Our sustained and very disciplined focus on cost has meant that we have seen our operations gradually move down the cost curve and we now have a PGM portfolio of assets that sit squarely within the second and third cost quartiles, and I dare say look forward to seeing that move to the left continue in the years to come.

An important announcement at the beginning of this year was the agreement that we reached with Anglo American Platinum on the PSA asset. Essentially what this transaction is about is that we will ultimately take over the infrastructure of the PSA including the rehabilitation liabilities. And how the transaction will work is the transaction will close once we have delivered 1.35 million ounces into the PSA under the current PSA terms as well as got the required regulatory approvals from the Competition Commission and the DMRE. Important to note is that the 1.35 million ounces start accounting from January of last year, so as at the beginning of this year there was marginally under 900,000 ounces that still needed to be delivered. Once these conditions have been fulfilled we will then take over the infrastructure and the POC arrangement will convert into a toll arrangement on terms similar to the current Rustenburg toll.

This is a transaction which has created significant value for all stakeholders. In the short term and immediately it allows the PSA to consider mine planning across mine boundaries. And that of course allows us to optimise operational flexibility and efficiency through those mines plans. I think in the medium term it creates an additional 1.8 million ounces of reserves at Rustenburg. And this was effectively ground that couldn’t be accessed through Rustenburg infrastructure that will now be mined through the PSA infrastructure.

In addition, a lot of the Rustenburg reserves that were going to be mined through Rustenburg infrastructure at the back end of the life can now be extracted far earlier through the PSA. And of course for local stakeholders a key value is that we almost double the life of the Kroondal operations with the longest life shaft being extended for up to 16 years. And of course that means sustained employment and optimal return out of this infrastructure which benefits all stakeholders. For Sibanye-Stillwater we estimate that this transaction has about a R6 billion value uplift for our company.

The US PGM operations had a tough second half to the year, and this was following the very tragic fatal accident that we suffered in June. Production out of these operations was approximately 270,000 ounces for the second half of the year. It was about 11% lower than the comparative period in the year before. The lower production output combined with inflationary pressures and rising inflation in the US environment together with the need to bring in higher contractors to supplement skills shortages that we're suffering in the area all resulted in a year on year 18% increase in unit costs to just over $1,000 per ounce for the year and just under $1,040 for the second half. The operations battled with several operational constraints during the fourth quarter in particular which largely have been dealt with.

But in the medium term we will continue to suffer constraints predominantly as a result of revised operating procedures post the fatal accident. And what that has really meant is that we cannot have people in rubber tyre vehicles operating in rail ends at the same time as rail equipment. This has had a significant impact on our mining efficiencies particularly at Stillwater West. That is likely to continue into the medium term until such time as we have fully installed proximity detection systems that will allow us to operate under a new procedure in that area.

In addition, like much of the US, Montana currently has a negative unemployment rate. And as a result of that there is a dearth of skills in the region at the moment. And attracting skills and experiencing high attrition rates on our employee workforce has been a challenge during the course of the year. as a result of these constraints – and we do foresee them continuing into the medium term – we will be reassess what the optimal operational output is from the Stillwater assets over the coming months taking these constraints into account as well as our forecast for the medium-term palladium market conditions. Pleasingly was the conclusion of a three year wage agreement at East Boulder, which was a sustainable agreement. My compliments to the team and the unions for a constructive engagement during that process.

The PGM recycling continued to deliver significant value despite some real challenges during the second half of last year, particularly logistics challenges associated with COVID and moving spent autocatalysts around the country. But in addition there was also significantly reduced amount of vehicle scrappage due to less new car sales as a result of the chip shortages that we saw during the course of last year. That meant in total we fed just over 350,000 ounces during the half, but we were also able to process a significant amount of our inventory, therefore unlocking working capital of about $380 million over the period. Our recycling inventory over the period was at about 25 tonnes, which we see normalising around 200 tonnes as we build up during the course of this year. This output resulted in just over $50 million of adjusted EBITDA with an additional $9 million of interest earned from advancers to our recycling customers.

Moving on to our South African gold operations, under the circumstances of some very tough safety interventions, self-imposed many of them, our gold operations managed to sustain a steady output and produced for the half just over 550,000 ounces, which was 4% lower than the comparative period last year. the lower output and significant inflationary cost pressures, in particular from Eskom, steel and chemicals, as well as catching up capital in the form of ore reserve development and sustaining capital that was underspent in 2020 as a result of COVID resulted in a total 16% increase in unit cost to R814,000 per kilogram.

DRD production was 3% lower and at 10% higher costs. And that combined with an average Rand gold price of R860,000 per kilogram, some 11% lower than last year, resulted in our EBITDA being R2.8 billion or just under half of what we achieved over the comparative period. Nevertheless, this is still an 18% adjusted EBITDA margin. As many of you will be aware, we are continuing with wage negotiations at our South African gold operations.

In December of last year modelling that was undertaken on our TSF together with ourselves and our engineers of record identified a risk due to excessive wall pressures at our Beatrix tailings facility. This modelling combined with the excessive rain that we were experiencing at the time led us to make a decision to stop deposition onto this tailings facility until rehabilitation work had been undertaken. That rehabilitation work includes the building of a buttress wall in the area recognised as higher risk on the tailings dam. We anticipate that this rehabilitation will be completed by the end of March. During this period underground production is continuing at Beatrix and that ore is being stockpiled, and we expect to be able to treat all of that stockpiled ore during the second and third quarters of this year.

In terms of annual guidance, starting off with our US PGM operations, and clearly taking into account the constraints which are currently operating under, we forecast production for this year to be between 550,000 and 580,000 ounces. As I mentioned, this is currently being assessed to determine what the optimum output should be in the medium term. All-in sustaining costs at those levels would equate to around $1,000 per 2E ounce. And capital is estimated at around $300 million, which includes $70 million of project capital.

Our US recycling is forecast to be largely flat at between 750,000 and 800,000 ounces. And similarly at our South African PGM operations we are forecasting flat production at between 1.75 million and 1.85 million ounces at a cost of between R18,500 and R19,000 per 4E ounce. Capital at our PGM operations is marginally higher at R4.7 billion, and that includes R1 billon of project capital being spent on our K4 project.

At our South African gold operations we had a self-imposed safety stoppage at Beatrix. Beatrix operations only commenced production in February of this year. As a result we are lowering guidance for our gold operations to between 25 and 27 tonnes of gold. The lower production and stoppage at Beatrix does mean that we are anticipating higher unit costs, and currently we are forecasting between R875,000 and R925,000 per kilogram. Capital is marginally lower, having caught up much of the ore reserve development and SIB capital last year from 2020. And that is forecast at about R5.2 billion and includes R1.5 billion for the Burnstone project and R350 million for the continuation of our Kloof 4 decline project. Thank you very much. I will now hand over to Charl for the financial review.

Charl Keyter
Thank you Richard. Good afternoon and good morning to all participants on the call. It once again gives me great pleasure to share the excellent financial results with you for the year ended December 2021. Starting with the income statement, revenue increased 35% from R127 billion in 2020 to R172 billion in 2021 following the continued strong performance of PGM prices. Interesting to note, compared to 2019 revenue increased by R100 billion or 136%. Cost of sales was up 33% from R76 billion in 2020 to R101 billion in 2021.

Most of the cost increases excluding the year on year above inflation increases in labour, electricity and consumables related to an increase in recycling costs of R14.8 billion which is directly linked to the increase in the recycling PGM basket price. The recycling PGM basket price increased from $2,200 per 3E ounce to about $3,500 per 3E ounce. The balance of the cost increases was due to the very profitable, albeit higher, cost of purchase of concentrate at our SA PGM operations amounting to R3.2 billion. The result of the aforementioned dis that EBITDA increased 40% year on year to R69 billion.

If we now turn our attention to the stand-out items of the year, net finance expenses were down from R2.1 billion to R1.3 billion in 2021 mainly due to lower average debt for the period and higher cash balances. For the period we recognised a loss on financial instruments which were mainly made up of the following. A R4.7 billion loss on the Rustenburg deferred payment was realised. The loss is primarily driven by the significant increase in the 2021 actual profitability, the balance being changes in the future consensus PGM input prices used to value these liabilities. Just as a reminder, this liability is calculated at 35% of distributable free cash flow generated by the Rustenburg assets over a six year period ending in December 2022. The balance of the loss on financial instruments were due to the Rustenburg and Marikana BEE share based payment obligations that increased R1.3 billion, also driven by the changes in future consensus PGM input prices.

A write-down or impairment of our SA gold assets of just over R5 billion was recognised at year end. At 31 December 2021 a number of factors including above inflation wages and electricity prices were identified that negatively impacts the ability of the Driefontein, Kloof and Beatrix operations to recover the carrying value of mining assets over their respective remaining life of mines. Additionally, an assumed long-term gold price forecast based on sell-side analyst consensus of approximately R750,000 per kilogram or $1,500 per ounce in real terms negatively affected the forecast cash flows from these operations. This led to the recognition of impairment losses at the Driefontein, Kloof and Beatrix reportable segments.

Royalties at R2.7 billion and mining and income tax of R13.7 billion increased 54% and 183% respectively. The increase in mining and income tax was due to the significant increase in profitability and the recognition of the previously unrecognised deferred tax asset at Marikana. After accounting for all of the aforementioned, profit amounted to R34 billion. Headline earnings for 2021 were approximately R37 billion compared to R29 billion in 2020. Headline earnings per share for the period were 1272 cents per share.

The debt and liquidity maturity profile highlights that we now have a deferred low-risk maturity ladder. At the year end the US Dollar $600 million and R5.5 billion RCF facilities were fully repaid and the only outstanding debt with recourse to the balance sheet was the $1.2 billion bond issued in November 2021. It is worth noting that the bonds that were issued in November were not only upsized to $1.2 billion, but will also result in an approximately $170 million of interest or coupon savings on a like for like basis compared to the 2022 and 2025 bonds that were issued in 2017. The US Dollar RCF matures in April 2023 and the Rand RCF matures in November 2024, and these will be extended or refinanced well ahead of these maturities. Liquidity headroom at the end of the year stood at R48 billion and consisted of R30 billion in cash and the balance of R18 billion in undrawn facilities.

The dividend momentum was maintained at the upper limit of our dividend policy. The final dividend for H2 2021 was 187 cents per share, bringing the full year dividend to 479 cents per share, a 30% increase year on year and a yield of over 10%. Returns to shareholders for the 2021 year amounted to R22.3 billion and was split R13.8 billion in dividends and R8.5 billion in share buybacks.

This table illustrates the clear value proposition of Sibanye-Stillwater looking through the lens of return of capital to shareholders. From a dividend yield perspective Sibanye-Stillwater came in at the number one position, closely followed by our South African PGM peers. If we include buybacks and we look at total returns to shareholders on an absolute basis, we still came in at the number three spot. However, measured in market capitalisation Sibanye-Stillwater ranks in the number six position of the gold and PGM peers presented on the slide.

Moving on to the next slide, we continue our disciplined delivery on all aspects of our capital allocation framework. Looking at the performance for 2021, we achieved our exceeded our capital allocation priorities as measured in each of the capital allocation buckets. We have further refined our capital allocation framework, and I would like to highlight two additions to the capital allocation framework. The first is the renaming of the dividend bucket to the stakeholder shared value bucket. The change here is that we have looked at various funding mechanisms for social upliftment projects, and to ensure that this is based on profitability and aligned to our other important stakeholder, being our shareholders, we have decided that at each dividend declaration we would like to set aside an amount equivalent to 1.5% of the dividend declared to fund these extremely important ESG initiatives.

The second change or addition is the inclusion of a new innovation and market development, research and development fund named the BioniCCubE. This was agreed to by the board of directors, and on an annual basis we will allocate up to 1.5% of EBITDA subject to strict investment criteria. We believe that these two important factors further strengthen our disciplined capital allocation. I would now like to hand back to Neal who will take us through the outlook and the conclusion. Thank you, Neal.

Neal Froneman
Thank you, Richard, and thank you, Charl. I'm going to just complete the presentation with a brief outlook and conclusion. There are experts in PGMs. There are experts in battery electric vehicle forecasts. And I don't intend to try and portray myself as an expert. We understand the supply and demand side of these metals very clearly and I don't want to repeat what is obviously good work done by many other people. But I do want to provide you with our view at a high level, perhaps a slightly different view.

We believe PGM demand will remain well supported well into the 2030s. And it's predominantly because internal combustion engine vehicles have a substantial future, much more than what I think is being given credit to. And it's because the forecasts of the penetration rates of battery electric vehicles are in my view substantially overstated. And yes, I do know that a lot of this has been legislated. But when we are not able to provide the metals required for batteries I do suggest that governments will revisit their legislation to take account of that.

In addition there are tightening emissions regulations which will support PGM demand. And I would also say that I do believe that technology regarding internal combustion engines will also improve. The growth in heavy duty fuel cell electric vehicles will also underpin PGM demand. And then of course in the longer term the hydrogen economy will really provide that demand underpin post 2030. So the outlook for PGMs remains constructive and robust.

As I've said, on the battery metals there is a very aggressive market forecast. And those are going to be tempered by battery metal supply constraints. I think we talk generically about lithium and nickel, but there are very specific requirements for battery grade lithium hydroxide. That is already in a deficit in 2021 and that deficit is going to deepen substantially. Nickel prices and nickel sulphate is of course the requirement or battery precursor. Nickel is at all-time highs as demand clearly outstrips supply. So I do see major constraints and I do think despite nickel prices being elevated, despite lithium prices being high, these are still lows in this battery metal cycle.

So let me then conclude. You will notice the heading is 'Adapt or Die'. As I said right at the beginning, our strategies have served us very well and they have in fact delivered the results that you've seen today. So our strategic delivery, we do what we say we will do. It's not always popular, but we do what we say we will do and it has really worked to our benefit. We have delivered record annual earnings. We have a well-timed entry into the green metals sector. As I said, I believe there is a lot of upside on battery metal prices, which is also going to constrain the penetration rates of battery electric vehicles.

We're delivering on all elements of our capital allocation framework. You've seen that in terms of our dividend. You've seen that in terms of our share buyback. You've also seen refinements to our capital allocation framework. And very importantly, together with shareholders we are making commitments to invest in social upliftment to avoid angry people and be a force for good. And you've also seen us enhance our approach to market development, research and development through our BioniCCubE Fund. We've been very focussed and disciplined on M&A. If we can't grow in the battery metals space because we can't create value, we won't do it. But we will not compromise on value and achieving our hurdle rates. And I think you've seen clear evidence of that.

Our new refreshed strategy is enhanced, and it has enhanced our strategic positioning for future resilience and I believe success. It's a class leading strategy. It's a ten to 15 year strategy. We've raised the bar in just about every area that we have a strategic focus on. So I have no doubt we will be a force for good. And then just again, Larry

Fink in his letter – which you can read on the internet – said I believe the decarbonising of the global economy is going to create the greatest investment opportunity of our lifetime. It will also leave behind the companies that don't adapt, regardless of what industry they are in. And I think Larry Fink is spot on and we are certainly going to be one of those companies that prosper in this environment. So at this stage thank you for your time. I hope you found all the submissions and presentations interesting. I am going to hand over to James Wellsted to facilitate the question and answer session. Thank you, James.

James Wellsted
Thanks Neal. As usual we will start with the questions over the webcast and then we'll go to the phones once we've been through a couple of questions that come through online. The first one for you, Neal, is Wayne Cluko [?]. With the current lithium price at its all-time high, is Sibanye likely to exercise its option to increase its current investment in Keliber, and if so, when?

Neal Froneman
Thanks James and Wayne. Good question. As I said in my presentation, even though some of these commodities are getting to all-time highs, the future shortage or constraints in these commodity markets means that these are not the highs and there is very significant upside especially for the quality of these metals, in other words, if they are produced in the right form and in the right markets. So we will certainly be progressing our route or process to control of Keliber. And I would suggest that would happen as we complete the feasibility studies. And probably within the next six to nine months that should be complete.

James Wellsted
Thanks Neal. I've got a couple more questions. These two are really similar on the Appian transaction. I will ask for Tyler Broder first. Can you provide some colour on what's happened with the Appian transaction and why you decided to not complete it? And then what out clauses did you have in the sale and purchase agreement? Maybe you want to answer it first and then I'll ask the rest.

Neal Froneman
Thanks James. Tyler, simply put, most M&A transactions have a clause that if there's a material adverse change or effect post the signing of an agreement it's your right as a buyer to exit the transaction. And that's exactly what happened. There was a geotechnical event which we deemed as material. And because Serrote and Santa Rita were joined in the same transaction we exercised our right on a material adverse effect clause to exit the transaction.

James Wellsted
Then the next part of Tyler's question. Do you see this affecting your ability to transact with other companies in future? And then linked to that, now with prices running do you see more potential for M&A? And if not, do you expect excess cash to come back to shareholders?

Neal Froneman
First of all, I see absolutely no reason why this should affect our ability to do further transactions. These things do happen. And of course I think from our shareholders we will have full backing because the valuation considerations were very disciplined. In terms of pricing I think I answered that in the previous question and alluded to it in the presentation. Although commodity prices are high, there are going to be severe constraints and I think we can look forward to much higher commodity prices. That does not mean we will assume much higher commodity prices in making our decisions regarding whether something is value accretive. But the perception that we're at all-time highs and this is the peak of the market in battery metals is completely wrong. Sorry, there was a third part to that, James.

James Wellsted
I've just deleted the question. I think it was about returning excess cash to shareholders.

Neal Froneman
Look, I think we have presented our capital allocation model and we've shown that we've applied a very disciplined approach to returning cash back to shareholders and stakeholders. Now, we are not going to declare extraordinary dividends at this stage. We have a use for proceeds. But if we get to a point where we cannot find external growth opportunities, we cannot create value through organic growth within our business of course we will return it to shareholders. But we believe our current dividend yield is industry leading. We believe we are providing a fair return to shareholders. And if we have excess cash we will use it for other purposes until we hit a dead end on those processes. So no, there will be no additional returns at this stage.

James Wellsted
Thanks Neal. This is from Ahmed Hakim. He was just asking whether in view of the recent claims and statements by Appian we could provide more detail on the geotechnical event. And what is your confidence level that you are legally secure?

Neal Froneman
Ahmed, thanks for that question. Look, the one thing I want to state upfront is we are not going to litigate on this issue in the public domain. That's not proper. It's not appropriate. I think first of all we've got a high degree of confidence in our rights in the fact that that was material. And really that is the amount of detail that I am going to supply. So just to summarise, we have a high degree of confidence and we believe the geotechnical event was very significantly material. Thank you.

James Wellsted
Then the next question from Wade Napier. What levers do the SA gold assets have to reduce costs in the event that the mines turn free cash flow negative? And then the second part is relating to the share price having increased by 50% year to date. Does this change how management might think about funding M&A? That is, would we be willing to issue shares to fund future M&A?

Neal Froneman
I will ask Richard to answer the gold question. Let me deal with the share price increase and whether we would use that as currency in any M&A. Certainly we acknowledge the increase in our share price. It's pleasing. I would also suggest though we're still significantly undervalued. So the use of shares at this stage is highly unlikely. I think there is substantially more upside in our share price, and at perhaps higher values it may make sense. Now, I need to qualify that and say it depends also on the target. If our relative share price is trading at a higher premium than the target, then of course it makes sense to use our currency. But in general I would say we are still significantly undervalued. Rich, do you want to deal with the gold question?

Richard Stewart
Thanks very much, Neal. Wade, I guess there are a couple of triggers you can pull in these circumstances. The key ones are obviously having a stable production output is critical. And I think that is a base that we started establishing again last year after many years of disruption, strikes and COVID. That's the first critical one. Secondly, we obviously have a capital profile that is designed to support the current life of mines, which as I highlighted earlier, Beatrix is four years and Kloof and Driefontein ten years. Under a very depressed environment those life of mines would have to be looked at and of course then capital is a lever you can pull. But that is a long-term decision. I think in the short term the two key aspects we need to focus on is we have a very aggressive cost focus at the moment and we do have several programmes in place to try and reduce that. And then the final one is really managing our operating footprint. Cooke is a good example where the care and

maintenance and pumping costs of Cooke are currently costing us around R600 million a year. And that is really a regulatory process to go through to be able to close those. And managing and reducing our operating footprint can have a substantial impact on costs and therefore on sustainability of jobs as well. So certainly managing our footprint and rehabbing together with other stakeholders is a key element to keeping those costs down. Thanks.

James Wellsted
Thanks Richard. This question is from Adrian Hammond. Well, two questions really. Potential size of claim from Appian, can we provide that? And then will we need to make a provision?

Neal Froneman
Charl, you can answer the provision. Adrian, I think that's a question you must direct at Appian. We are not aware of a specific claim as of yet. We've swapped letters, but I would ask you to address that to Appian. I just wanted to come back to the gold question that Wade asked and just add on to what Richard said. We will not run our gold business and bleed to death should we have large negative cash flows. I just wanted to make that point. Charl, I believe there is a note in the financial statements, but over to you.

Charl Keyter
Thank you Neal. Adrian, no, at this point in time there is no requirement to raise a provision. There is still too much uncertainty. The only time that you do raise a provision is where you have certainty. So if this gets to a position where we have certainty on a claim or a judge makes a decision on that, at that point in time we will consider raising anything, but for now, nothing.

James Wellsted
Thanks Charl. For Richard from Adrian, the last question. Can you expand on the new strategy from Kroondal? What is the life extension and will it remain a mechanised mine?

Richard Stewart
Thanks Adrian. Yes, it will remain a mechanised mine. So certainly there is no intention to change the mining method. The infrastructure remains as is, and of course that is to support that mining method. Essentially the strategy is Kroondal is mined down to the depth extent of what that mine boundary was, and in some cases also to lateral extents. And really what we have the ability to do is now to drop those boundaries, continue down with a bit of depth as well as continue laterally into the adjacent Rustenburg ground. So the strategy is to optimise the mine plan seeing the Kroondal property or the old PSA property and the Rustenburg property as one. That is really the strategy. In terms of extending the life, without having done that transaction most of those shafts would have come to an end of their life in around 2024 or 2025 where it just wouldn't have been able to carry itself as a standalone unit. By doing that, by completing the transaction a lot of those shafts will now continue well into the latter part of this decade, 2028 or 2029 as I mentioned, with some of the shafts, Bambanani in particular, actually being able to continue for 16 years. So it is about our original strategy with putting contiguous assets together. Dropping mine boundaries allows you to optimise surface infrastructure, underground infrastructure, and therefore mine plans.

James Wellsted
Thanks Richard. I'll just ask one more question, and then we'll go to the phone lines, and then we'll come back to the online questions. Just a question from Luyolo Mkentane from Business Day. He's referring to the strike ballot report that the CCMA produced that's been distributed to the media and just asking for a response on that, Neal.

Neal Froneman
I think it's safe to say that if you look at those numbers – and I'm not familiar with exactly what's been circulated to the media – certainly as you've seen Solidarity is not in support of a strike. When I look at the numbers I don't

see UASA in support of a strike. When I look at the split across NUM, NUM at Beatrix is not in support of a strike, NUM in West Wits is in support of a strike, and of course AMCU is in support of a strike. But I must also point out that if you consider a balloting process fair when people stand in a stadium and raise their hands and the sample is somewhere around 15%, maybe 20%, I don't think that's indicative of a fair balloting process or representative of the workforce. Irrespective of the balloting process we will not be changing our offer. Our offer is final. And really this coalition needs to decide whether they're going to strike or not. We are not raising our offer, and that needs to be very clear. Thank you.

James Wellsted
Thanks Neal. Just to point out what Neal was referring to, there were 8,224 employees who voted in this ballot process. And we employ about 31,000 people at our gold operations, so it's a very small segment of that population. Maybe if we could go to the phone lines for a couple of questions.

Operator
Thank you very much, sir. The first question comes from Catherine Cunningham of JP Morgan.

Catherine Cunningham
Thanks guys. Just two questions from me. the first one is could you perhaps talk in more detail around the sources of cost inflation across the group, and maybe just elaborate on where that differs between the SA gold operations and the SA and US PGM operations? The second question is in the event of tighter sanctions explicitly impacting Russian palladium exports, how do you see the supply picture panning out in that scenario? And are you aware of any disruptions to palladium exports to date? And then I guess linked to that, to what extent if at all would you anticipate that ongoing conflict in Russia Ukraine could negatively impact global auto supply chains and therefore impact demand for metals from the OEMs?

Neal Froneman
Okay. Thanks Catherine. Rich, if you'll pick up the inflation point, I'll just start off on the issues regarding Russia and the Ukraine and sanctions. Catherine, it's a good question. And I think let me start by saying I think you're going to see a lot of volatility initially with a lot of speculation. However, I think the facts are that Russian palladium, which is really the metal we should focus on because it's significant in the western world, is mostly used in Europe. So if there are sanctions specifically imposed on Norilsk Nickel, I think the impact will really be in the short term on Europe. Having said that, I also believe that there will be alternatives to someone like Norilsk Nickel in terms of supplying metal to friendly countries, which means that you will probably see a change in market dynamics. And of course what is short in Europe will probably then flow from countries that take Norilsk's palladium that are being supplied by the western world. So I think supply will sort itself out in the shorter term.

I think I'm much more concerned with the second part of your question which is about supply chain disruptions. We are aware that the Ukraine supplies a number of car companies with wiring harnesses. And there have been major disruptions to companies like Porsche and Volkswagen, and of course it will increase. And those are the obvious ones. Just like COVID, I think there are a lot of hidden supply chain disruptions that are unfortunately probably going to impact on demand more so than supply being constrained. But of course, as I've said, you will get speculation and volatility in the initial phases of something like this. From our point of view our heads are down. We have our customers. North America is pretty much independent. We produce North American palladium for North America. And of course our other palladium goes to our other customers around the world. Thank you. Rich, over to you.

Richard Stewart
Thank you very much, Catherine. I think generally there have been inflationary pressures across the board. But to highlight some of the bigger ones, clearly in South Africa electricity has been a big one. Steel has been quite a big

one, which impacts for example on a lot of our stores materials, our support as well as our engineering infrastructure. Labour, of course we are still operating under historic agreements. Those increases have been above inflation. Of course that is built into our forecast, but it does still result in above inflation increase, and hence the need to bring that in line with inflation. And then finally, chemicals that we use in our processing, and then fuel.

To distinguish between the gold and PGMs, the gold operations are far more exposed to power and steel in particular. Deeper level vertical shafts have a big electricity exposure. And our PGM operations in particular have a higher exposure to fuel price given that a lot of them are mechanised operations. I think it's important to note – I'm not quite sure if that was part of the question – the reason that we managed to contain costs in the SA PGMs was not so much around the fact that they were not impacted by inflationary pressures. They most certainly were. But through the realisation of synergies and through the cost cutting initiatives that we've had we were able to work out those above inflationary cost pressures. So it wasn't that the two operations were differently exposed, but more that we had more of an opportunity to cut the costs on the PGM business. Thanks Catherine.

Catherine Cunningham
Awesome. Thank you. That's clear.

Operator
Thank you. The next question comes from Leroy Mnguni of HSBC.

Leroy Mnguni
Hi. Good afternoon guys. I've got a few questions please. The first one is if I look at your reserve assumptions they've gone up about 23% for the basket price. But other than the Kroondal and Mimosa additions, your reserves haven't really gone up by much. If you could maybe unpack that. I'm wondering if it's linked to cost inflation. And then for the Brazilian acquisition that you walked away from, would you be open to settling on a lower price than what you had initially agreed if that goes down that road? And then my third question is a cheeky one, but I'll try my luck. Norilsk Nickel has underperformed quite significantly and could potentially be in your reach. It certainly has the metals that you are looking for from a battery perspective. Is that something you would consider as an acquisition?

Neal Froneman
Rich, why don't you do the reserves first?

Richard Stewart
Perfect. Thanks very much, and thanks, Leroy. On the reserve side, no, it hasn't got to do with costs. We have revised our pricing assumptions. Perhaps just to unpack or explain that a little bit, historically reporting under the SEC we were bound to report with three year trailing averages. Under the new Guide 7 that has come out we can now look at setting our own price base as long as of course that's justified and realistic. And as a result we've really looked at through cycle prices to guide our resources and reserves. The key for that is we of course want to make long-term decisions on those price decks. So really it is about trying to optimise prices through the cycle.

The reason it doesn't have a specific impact on the PGM operations is the reserve price deck that we used previously and that we're using now there's still significant margin in those operations. As you would know, the PGM assets have got a fairly constant grade, unlike gold for example where different prices allows you to mine lower grades, you can mine it selectively. In PGMs the grades are far more consistent. The fact that we still have that margin really means that it doesn't have a significant impact on your reserves. Where there was a small impact was when we get right into the tail of these operations. Then slightly higher prices might allow you to continue for a little bit longer. But it's not a material increase in reserves for that reason. Thanks Leroy. Thanks Neal.

Neal Froneman
Thanks Rich. Leroy, your second question on Appian, I just want to say again we're not going to litigate in the public domain. But I don't want to say 'no comment' all the time. But we walked away. We didn't take the decision likely. There has been a material adverse event, so we walked away. So the answer is no. Is Norilsk a target? Listen, Norilsk is a wonderful company, but it doesn't sit in a jurisdiction that is of interest to us. We have really targeted building our ecosystems or our presence in ecosystems in Europe and North America. So no, it is not a target.

Leroy Mnguni
Thanks for the responses.

Operator
Thank you. The next question comes from Nkateko Mathonsi of Investec. Nkateko, your line is open. You can ask your question.

Nkateko Mathonsi
Good afternoon. Can you hear me now?

Operator
Yes we can. Please go ahead. Thank you.

Nkateko Mathonsi
All right. Super. I have two questions. The first one is around the SA PGM operations which continue to outperform. Marikana has proven to be a great acquisition, and so has Rustenburg. But in contrast the output out of the US PGM is not anywhere close to the initial expectations. So my question is what has been your [break in audio] as far as the [break in audio] operations are concerned? When I look at some of your peers I think they're also still going through teething issues as far as international operations are concerned. And your growth and green strategy the probability is it will likely be in international grounds, as you've just highlighted, Neal. So how do you avoid this wide gap in particular on operational assets between expectation and actual reality once on the ground? The second question is around recycling. I noticed that purchased tonnes declined by 3% year on year and deferred tonnes declined by 10% year on year. I just want to know if there are capacity limitations on your side as far as recycling is concerned. And also just to get your outlook as far as global recycling is concerned. Thank you.

Neal Froneman
Thanks Nkateko. Rich, will you deal with the recycling? I couldn't quite hear your question, but the point you made was that our South African PGM acquisitions appear to have done very well and you're quite right. They were smartly structured. They were acquired at the right time. Your concern is that the US operations don't look like they've worked. Let me correct your perceptions. We have not met our plans. That is very true. There have been a couple of headwinds. But the US operations are exactly what we bought. They are no different to our initial assessment. I haven't recently done a calculation, but I do believe they've paid for themselves. And again, the acquisition was done at a point in time similar to the South African PGM businesses, and we've had a real benefit of profitability obviously based on commodity prices.

So the quality and the attributes of the US PGM business are exactly what we have expected. I think our changes to the plan are really taking account of conditions that are very different to pre-COVID conditions. Yes, there have been some technical issues in terms of flexibility and ramp-up, but there are very different issues regarding the availability of labour, which is something more recent, and the costs associated with using contractors. So we will apply a very different business model, and I have no doubt that it will be extremely profitable and it will continue returning value back to our shareholders.

Operating in the US has been an absolute pleasure. And I have no doubt that operating anywhere else in Europe, Finland and France will be an absolute pleasure. So I don't put these challenges that we're perceived to have had in Stillwater in one basket and say working internationally is hard. I can tell you it's much harder to run our operations in South Africa. Yes, they have performed well, and that's good. We remain bullish on our ability to operate in all areas around the world that we will obviously choose.

Richard Stewart
Thanks Neal. Nkateko, thanks very much for your question. If I understood it correctly, the decline that we had in our recycling numbers that we had in the second half of the year wasn't capacity linked. It was more driven by supply chains being able to transport cats, truck driver shortages in the US and lower scrappages of cars. So it wasn't a capacity constraint. As it stands we're not capacity constrained at our processing facilities. There is a mix that we do need to consider with recycling. In other words, we blend our recycling material with our primary material. And we do manage that to optimise recoveries and cost and throughput. So there is a link there, but it's not really a capacity constraint. That is obviously a link we can play with, but that is a blend issue that we do address.

I think in terms of your question regarding our views on global recycling, a combination of the pandemic and supply chains being disrupted globally combined with the lower scrappage of cars has been a global event with new car sales being down as a result of chip shortages. We do see that recycling recovering over the next year or two and building back up to similar levels as what it was prior to COVID. So it has been a depressed secondary market for the last two years, but we see that recovering from this year going forward.

Nkateko Mathonsi
Okay. Thank you.

Operator
The next question comes from Robert Stenard [?] of Server Hill Capital [?].

Robert Stenard
This question is directed to Neal. Neal, what is your position on silver? Sibanye-Stillwater has every card in the deck to form a royal flush but silver, and I wanted to find out from you your thoughts on pursuing and getting involved in the other precious metal that you don't have interest in right now.

Neal Froneman
Thanks Robert. Good question. We do like silver. Silver is not only a precious metal. It's a metal that has, in my view, a strong technology and industrial underpin. We had looked at silver. In fact, we have looked at silver as a way of entering the North American gold business. As you know, many of the silver opportunities have gold by-products. It is something we will continue to look at and it is a metal we like. We like its fundamentals. Robert, perhaps I can just leave it there. But it is of interest to us, yes.

Robert Stenard
Thank you for that information. It's very much a green metal, Neal, very much a green metal. I just appreciate all the good work you folks have been doing with your M&A and how your business is turning out. And I really appreciate the dividend that you're paying to shareholders. Thank you for your good work.

Neal Froneman
Thank you for those very kind comments, and I agree with you 100% on silver being a green metal. Thanks, Robert. We will look further into it.

Operator
Thank you. The next question comes from Rene Hochreiter of Noah Capital Markets.

Rene Hochreiter
Good afternoon, Neal and team. Thanks very much for taking my questions. Just two quick questions. What is the progress on K4 shaft? When do you think the extra production will come in? And will it be expansion or will it be replacement, those ounces? And then secondly, I hear what you said about palladium and eventually the supply sorting itself out and the price sorting itself out. But what if it doesn't and the palladium price stays up at $2,750 or wherever it is now and then it doesn't come down? Do you think that will be a trigger for really starting to substitute platinum for palladium?

Neal Froneman
Rene, I think let me deal with palladium. We're going to try and get Robert van Niekerk on standby, who is running K4 project, to give you definitive answers. Rich and I can do it, but probably at a higher level. On your question on palladium, absolutely, if palladium prices stay high you will definitely see substitution taking place. I have no doubt. I suppose that is good for us on both sides. As you know we have a 50/50 palladium platinum PRIL split, if I can call it that, in our company. So I do see substitution becoming a reality if the palladium price stays high. My view is that it will wash itself out in terms of alternatives in terms of markets that are not sanction constrained. Rob, if we could get you on line just to answer Rene's question on K4. I trust you heard that.

Robert van Niekerk
I did hear that. I just want to confirm that you can hear me.

Neal Froneman
Yes, we can hear you clearly.

Robert van Niekerk
Okay. Good afternoon Rene.

Rene Hochreiter
Hi Robert.

Robert van Niekerk
K4 project commenced around about the middle of last year after the internal authorisation process we went through in our organisation. I can report that the project team is fully staffed up. The EPCM contractor is in place and performing in accordance with expectations. The work schedule or progress is as per schedule for the last six months. And development will commence in Q2 of this year. We've been very fortunate with K4 because K4 is supported by a very large PGM base, the base being Rustenburg, the base being Kroondal and the base being Marikana. So we haven't had to go out and recruit people and train them up for K4. We've been privileged that we can actually take, for want of a better word, the best of the best from the other platinum operations and deploy them at K4 and full the positions they leave at the other operations. That has really been the approach we've taken to date. But the K4 operation is progressing as planned, Rene, in a nutshell.

Rene Hochreiter

And how many ounces could we expect as expansion ounces, and by when?

Robert van Niekerk
At steady state K4 is going to produce approximately 250,000 ounces a year. That is from both the Merensky and the UG2 reef horizon. And that will be in four years from now.

Rene Hochreiter
Great. Thanks very much. Thank you, Neal.

Neal Froneman
Thanks Rene. Nice talking.

Rene Hochreiter
Nice. Thanks.

Operator
Thank you. The next question comes from Chris Nicholson of RMB Morgan Stanley.

Chris Nicholson
Good afternoon everyone. Thank you for the call. A couple of questions from me. The first one is just on your Marikana BEE structure. I understand that you've got two components there, Thembani [?] and the other Marikana shareholders. Could you confirm if the other Marikana shareholders are now unencumbered and are now fully participating in dividends in that operation? And then the second question is just a follow-up on the Kroondal profile. I understand you've given some guidance on life of mine, which we appreciate what does the decline rate look like? I would imagine that post 2023 it's not going to be producing at the 450,000 ounces it has been. How do we anticipate those ounces rolling off? Thank you very much.

Neal Froneman
Thanks, Chris, and hi. Rich and Charl, can you deal with the BEE? And Rich probably with the Kroondal decline rate in terms of output.

Richard Stewart
No problem. Chris, thanks very much. The absolute details of that BEE transaction we can get to you. It wasn't that during the restructuring they were all completely unencumbered, but the liabilities were completely restructured. So some of the other parties did still have liabilities associated with it. The exact numbers I don't have offhand or where they sit at the end of this year. But it wasn't that they were all completely unencumbered, no. There were still some, but the exact numbers I could get to you, Chris. In terms of Kroondal you're 100% correct that there is a roll off. Kroondal peak production is 450,000 ounces. There are one or two shafts which will still come to an end, and we will optimally mine those from other areas. We will in the next couple of months be putting out our detailed resource and reserve statements together with our annual report, and that will certainly show a full profile for those operations on the back of the new life of mine. And the Kroondal life of mine has been done with this transaction in mind. Chris, we will be able to share those details with you in the very near future as we publish those numbers.

Operator
Next is a follow-up question from Adrian Hammond from SBG Securities.

Adrian Hammond

Thanks very much for taking my further question. Neal, just a bit on strategy. You mentioned in the past targeting battery metals and PGMs and gold equally in terms of EBITDA. Is that still the case? And as you've been aggressive with your M&A in the past year, and largely shifting more to manufacturing, is there a scenario in the future where you think you would separate or unbundle the South African mining assets from your endeavours offshore? And then just on safety, which is obviously a sore point. One of your peers has recently closed a shaft, Bambanani, due to seismicity. Is this a potential option that you are facing as well? Thanks.

Neal Froneman
Thanks, Adrian. Good to talk to you live. Listen, ideally we would like to have an equal split in earnings across battery metals, PGMs and gold. Obviously we've got a long way to go in achieving that. It would be very nice to triple our earnings based on what's happening with PGMs. But that is certainly still our broad intention, which means we need to grow our battery metals business. It also means we need to grow our gold business. Unbundling is certainly something we consider or are familiar with. I think there is a right time to do that, but it's not something that's under consideration now. We understand the value release with something like that, but the benefits of a large balance sheet, the flexibility we have with different commodities allows us to really consider building something that is unique and very sustainable.

In terms of safety, absolutely, if our safety incidents were due to seismicity and with the difficulty of predicting seismicity we would certainly close the shaft. Our safety incidents have not been due to seismic. But let me say whatever they are due to, if we are unable to produce safely we will have no hesitation to close shafts. And we showed that last year. It's not due to seismicity, Adrian. But if it was, absolutely, the answer is yes, we would close them. I hope that answers your three questions.

Adrian Hammond
It's clear. Thanks Neal.

Operator
Thank you. There are no further questions from the lines.

James Wellsted
Thanks. We'll go back to the webcast then. A question from Craig Martin I think for Richard. Could we elaborate on the minerals resources report where in the group overview we show PGM ounces as well as PGM at 100%, so the attributable and the 100%, and the same with other minerals. Which columns represent mineral resources as they apply to Sibanye-Stillwater shareholders?

Richard Stewart
Thank you very much, Craig. I actually don't have the table in front of me. The 100% column you see is essentially the resources, the ounces of the resources or reserves that sit within the project or the operation that they refer to. So that is essentially 100%, and year on year that makes the comparisons easy. What we previously looked at was we declared our attributable portion of that. So where we have minority shareholders – and as I say, it's most applicable in South Africa where we have empowerment partners, we have an equity stake at a project, company or at a mien level – we effectively declared our economic interest in that.

So if we had financed one of our minority shareholders and half of that had been paid back on a 26%, we would have declared 87%. What we are saying now is what we're declaring is the 74% in that example. So we are only declaring attributable to ourselves the actual equity interest that we have directly in those resources and reserves. And those are the balance of the columns that you see in the statement. As I highlighted upfront, and just to stress again, it doesn't change the resources or reserves within a project. Neither does it change any economic interest we have. I think the shareholdings and the various empowerment structures that we have in place have obviously been disclosed. None of that changes. But just for simplicity's sake, we now declare our resources and reserves purely on our equity, and that shouldn't change year on year. I hope that assists, Craig, but we would be happy to take it offline and work you through it if easier.

James Wellsted
Thanks Richard. Just for your information, Craig, the column to the left of the 100% column is the attributable portion to Sibanye-Stillwater shareholders in that report. So just to clarify that. A question from Richard Hatch. Can we quantify what kind of production impact we can expect at the US ops versus the original plan? I think Richard, do you want to cover that?

Neal Froneman
Rich, go ahead.

Richard Stewart
Sure. So I think that is clearly still work in progress. I think the guidance we put out today, I'm sure if you looked at the maths compared to what we achieved during the second half of last year you will see that really that is just flat guidance. So at the moment operating under all of the constraints that we currently have and all of the excess costs that we have incurred with extra contractors etc., that almost to an extent paints the bottom line, the worst case scenario. Our original target through ramping up the Stillwater East project was to attain about 850,000 ounces per annum.

And what we're really doing is saying what is the optimal output, which would be between those two lines, to really operate within the constraints we have, but also set our cost base up to deliver in line with that output. So I wouldn't like to speculate right now on what the outcome of that work is going to be. It is work that is being undertaken at the moment. And as mentioned, we are looking to have that completed around about the middle of this year. But I guess I can share with you what those boundaries are. That's really been the guidance we've given, which is as we operate today under those constraints, and it's precisely about dealing with those constraints in the new plan that we're looking at.

James Wellsted
Thanks Richard. This is more of a statement from Dominic Ilett. This was a very exciting presentation. Thank you. The clarity of strategic focus and laser sharp implementation and delivery is truly commendable. Keep up the good work, Mr Froneman and team.

Neal Froneman
Thanks, Dominic. We pride ourselves on being very strategically managed and strategically focussed. And I think all credit to the team on the delivery of the results. I think the results are the ultimate measure in whether you've been successful in your strategy. But we appreciate your comments, and I'm sure the rest of the team has heard it as well. Thank you.

James Wellsted
Thank you Neal. A question from Abi at Deutsche Bank. Have you seen any change in the behaviour of PGM customers? Are there new enquiries from the customers? Also, is there any slack you have in the system? Thanks.

Neal Froneman
I will let Richard answer that.

Richard Stewart

Change in customers, I think not on a sustainable basis. Of course there is a lot of volatility in the market and we do get short-term enquiries based on market volatility. I think importantly our overall marketing strategy is less about trying to be a trader in the market and more about building long-term relationships with customers in supply chains. And that inherently means that we do have slightly less exposure to the volatility. James, apologies, there was a second part to that question.

James Wellsted
It was about any slack in the system, Richard.

Richard Stewart
Any slack in the system. I'm assuming you mean around demand and supply at the moment. No, listen, I think at the moment certainly there is still strong demand for all of our metals. Slack in terms of having excess metals, no. I think at the moment we're certainly finding that the demand remains high, if that's what you're referring to. Thank you.

James Wellsted
We are just drawing to an end of the presentation. I'll just quickly deal with a question from Siphelele Mdudu asking about the litigation process timelines. There is no litigation process at the moment. As Neal said, we've exchanged letters, but there is no formal process in place. So I hope that answers the question. Neal, this one is probably valid. Is uranium dead in South Africa, or are you involved in project assessment work?

Neal Froneman
Uranium is definitely not dead in South Africa. We sit on probably some of the best reserves I would say in the world when you consider that some of our uranium reserves are on surface and are part of a dump where we can extract both the gold and the uranium. Uranium is still a target for us. It's not a high priority. It is still being worked on. It's more complicated because it forms part of a broader base of assets, so that is introducing some complexity. But we remain very bullish about the long-term future of uranium and the classification of nuclear energy as green energy, and the very disruptions you've seen with renewables as base load energy just doesn't work. And we've always been proponents of nuclear energy has a place. So we continue to work on that. It's not dead in the water; it's just not a high priority.

James Wellsted
Thanks Neal. I've got a couple of technical questions, but I think let's leave it at that. It's 14:10. We will respond to those questions by email. We've got your email addresses, so we will respond directly to you. I think on that note I'll pass over to Neal just for some closing remarks.

Neal Froneman
Thanks James. Again, thank you to all of you that took time to join us, listen to us. I hope that you found it interesting. And we look forward to more delivery. And of course I'd like to thank my team as well. An exceptional set of results, and really I'm very proud of what has been achieved. So thank you very much, and enjoy the rest of your day.

END OF TRANSCRIPT