

## CHAIRMAN'S LETTER

### OVERVIEW OF THE YEAR

The results of the past 12 months were quite pleasing. In a constrained operating environment, Sylvania's dump operations (SDO) have delivered on the promises made in the previous financial year. Despite a production wobble due to delays at Millsell, where licensing of our newly constructed tailings facility was protracted, and at Tweefontein, where power supply was erratic, we managed to realise the returns we had proposed in our revised guidance.

We are certainly encouraged by the highlights of our past year, particularly the valuable acquisition of Phoenix Platinum Mining (Pty) Ltd (renamed Lesedi) at a fair price – we didn't overpay to realise our growth ambitions. The roll-out of secondary milling flotation circuits (MF2) under Project Echo, also remains a sound business decision that will enable us to maintain sustainability of the SDO. With Millsell and Doornbosch's MF2s already online, we expect to reap greater rewards once Mooinooi MF2 is up and running in FY2019.

Despite our positive prospects, reliable power supply presents serious cause for concern while the ongoing issues at our national power utility continues to hamstring opportunities within the mining sector. To mitigate this risk, we decided to reshuffle the order of our roll-out of Project Echo, which adversely affected planned production for FY2018.

Thankfully, largely owing to the gumption of our Management teams and our acquisition of Lesedi, production is still up year-on-year, and within our guidance of 71,000 to 75,000 ounces, albeit at the lower end.

With the longer term in mind, government needs to address the shortcomings of the proposed Mining Charter so that the industry does not end up paying for the sins of the past, while poor service delivery (infrastructure and water, especially) and resultant community unrest continue unabated.

### SHARE BUYBACK

In the interests of our shareholders, the Company began an active Share Buyback Programme during the financial year. Due to the Company's initial domicile in Australia prior to our redomicile to Bermuda, 40% of our shareholders owned 3% of the register, with little opportunity to trade. It was impractical to maintain a register of shareholders outside of the UK trading platform on which the Company's shares are traded. The Share Buyback Programme aimed to assist this group of shareholders obtain fair value at minimal cost.

The final extension of the programme ran to 24 August 2018 when approximately 57% of non-UK shareholders were bought out with mutual benefit for all.

At the close of the reporting period, the cost of the Share Buyback Programme to the Company amounted to A\$369,386 with the Company successfully buying back 2,281,570 shares. Upon conclusion of the Programme, a total of 2,397,481 shares were bought back at a total cost of A\$388,152 and all will be cancelled in due course. No further buybacks are envisioned although your Directors will continue to assess opportunities and act accordingly.

This Share Buyback Programme will ultimately result in a 'tidier' shareholder register that will facilitate the administration of a dividend.

### DIVIDENDS

On the 3<sup>rd</sup> August 2018, I received an interesting letter from an individual shareholder with a sizeable holding. In his letter he requested that the Company consider the introduction of a dividend, however modest, with the 2018 Final Results. Included in his motivation was, *inter alia*, a copy of the Company's dividend policy as announced on 21 January 2013.

Whilst I was not a party to the creation of the policy, I believe it would have been imprudent of the Company to pay a dividend in recent years (despite meeting its criteria). As it is written, it is a policy that is simplistic to say the least and more so in the more complicated environment of today's Sylvania.

The policy is out-moded in its reference to a base-level of cash holdings and to 'earnings' – a figure, which in these days of IFRS rules, can be quite out of step with the underlying financial Company performance and its cashflow.

At our most recent Board meeting feelings ran higher than usual when the dividend matter was debated. With a strong operational performance in FY2018 one might expect a dividend payment would be an easy decision. However, the price of Platinum and Palladium has been volatile finishing the year at multi-year lows and minor metal, Rhodium's, stellar performance has saved the financial day for the Company.