CHAIRMAN'S LETTER

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Stuart Murray
Chairman

Letter to fellow shareholders

OVERVIEW OF THE YEAR

The year in summary has been much like the curate's egg – good in some parts, not ideal in others.

The Sylvania Dump Operations (SDO) produced record ounces in Q4 and record annual production of 72,090 ounces. This was just above the revised guidance of 72,000 ounces. A rocky first six months of production challenges, particularly at Lesedi in the second quarter due to downtime as a result of water shortages at the Western operations, as well as plant efficiencies associated with dump re-mining at Doornbosch, where the current dump reached its end of life, drove most of the Company's operational focus. Additional work is also being done on dump grade control and Management will focus on this further in the coming financial year and beyond. Were it not for these issues, production would have been several thousand ounces better.

Water and water infrastructure are critical issues nationally, but water availability is rapidly becoming a strategic issue for the SDO. There are capital implications, which will be factored into future capital expenditure for FY2020 and onwards. The costs of tailings deposition facilities are furthermore increasing significantly due to legislative changes, but the Company is taking note of new technologies with a view to further water-saving opportunities, further detailed in the CEO's Review.

Power utility infrastructure and supply issues resulting in interruptions and instability are another concern along with power costs up 13%, driven by these infrastructure constraints as well as the financial situation at the national power utility. However, a welcome development is the commencement of the new power infrastructure at Tweefontein, which once completed, will enable the Company to begin construction of the last budgeted Project Echo MF2 module at the Tweefontein plant. As the power utility's delivery date becomes visible, estimated between the next six to nine months, the Company can recommence the Project Echo module.

Despite these challenges, Management and operational teams pulled together and were able to produce a record H2 and, in particular, set a new quarterly performance record during the fourth quarter to ensure that we met the revised guidance communicated in our third quarter report. Stable performance from the commissioned Project Echo MF2 plants, including the latest module at Mooinooi, commissioned earlier than anticipated, as well as recovery improvements at Lannex and Tweefontein, assisted in greatly boosting production ounces. Relocation of the redundant Steelpoort plant to Lesedi, thereby aligning Lesedi with the standard SDO process layout, is expected to further bolster performance in the future.

To further assist the Board and Management in steering the Company through these challenges, it has been prudent to improve management support structures by strengthening operations management. Separation of the Eastern and Western operations, each placed under dedicated regional Management teams, improved operational focus and the response time to any issues as they arise. Critical aspects, such as the management of re-mining of the dumps, that were creating challenges in the past, have been insourced in order to improve efficiencies and control. In order to deal with increasing demands in terms of human resources (HR) and the communities, the HR department has been strengthened and a community liaison resource has been added.

Managing the expectations of communities in terms of rights and access to historical dumps, and the imperative of protecting the Company's resources remains front of mind. Although this has not caused any interruptions to operations at this time, Management is cognisant of the issues and mitigates them as they arise, knowing that this may require legal cost and management of time and resources. The Company engages continuously with respective community leaders to ensure peaceful co-existence.

The Company paid ZAR114.9 million ($8.1 million) in income tax during the year on profits generated at the South African operations and spent ZAR117.7 million ($8.3 million) on capital projects. If one adds this to the cash on hand at 30 June 2019, cash generation from operations was $29.9 million – a commendable achievement, albeit assisted by a favourable basket price and the ZAR/USD exchange rate.

FINANCIALS AND DIVIDENDS

Although unit costs were up year-on-year in ZAR, operating costs were managed well during the year, as well as overall operational fixed costs by maintaining cost discipline. Capital expenditure was, for this past year, at its highest as a result of the roll-out of Project Echo. However, control of the costs of major capital projects was very good with projects executed within the proposed capital budgets and all funded from internal cash reserves. The Company has further delivered excellent financials with a Group EBITDA improving on the previous year by 36% and we have grown our cash balance to $21.8 million at year-end.

In November 2018, the Company paid a maiden dividend of 0.35 pence. We are on the dividend paying treadmill now and intend to stay there. The Company's revised dividend policy was passed and communicated to shareholders in my letter last year – a copy can be found on the Company's website.

I would like to point out tax is a real cash cost – often over looked by shareholders in their posted commentaries on various websites and the likes. I read commentary about margins and great revenue generation on simplistic revenue minus cost calculations leading to expectation of huge cash balances that have to be dealt with by the Board. The reality is different when one examines the financials more carefully and I urge shareholders to take into account the requirement of the Company to pay tax; pay for sustaining capital; pay for expansion capital; pay for ever rising electricity prices; pay for… but…

After careful consideration by your Board of Directors, and after taking the working capital requirements of the SDO and the need to purchase shares in the market (buy back) to satisfy current and future incentives for Senior Management and the Board into account, plus other applicable factors, I am pleased to advise that the Company has recommended the payment of a 1.00 US cent per share dividend, payable in November 2019. The combination of these dividend payments and planned share buybacks represent over 25% of the unrestricted cash balance of the Group.

The Board remains committed to its strategy of creating and returning shareholder value through payment of dividends, share buybacks and cancellation or any other value-enhancing methods that may arise.

CHAIRMAN'S LETTER
continued

OPERATIONS

Due to the water-related issues on the Western operations and feed-related issues at Doornbosch, the Board felt it prudent to revise guidance to 72,000 ounces for the year. H2 saw a recovery due to production strategy and measures put in place, including sourcing water from neighbourhood operations and additional boreholes to supply Lesedi, as well as reverting to a hybrid re-mining strategy at Doornbosch.

In terms of control and management of operations, the primary change was the roll-out of the hybrid re-mining strategy across all operations, which entails hydromining from a central feeding station, and mechanically blending and feeding the material. This enables better grade control and feed stability at the operations, which will prevent similar reoccurrences as experienced at Doornbosch during the past year.

We have managed to roll out and improve the process configuration at Lesedi through the relocation of the Steelpoort chrome circuit to Lesedi, which enables improved material upgrade and higher-grade feed to the PGM plant. During the recent drought, access to water was acquired from neighbouring operations, which enabled us to blend feed material from adjacent dump operations to provide a more consistent feed grade. The low-risk model is thus preserved in that we do not solely rely on Lesedi's infrastructure and resources pre-acquisition. It also gives us flexibility in managing and prioritising the various dump feed resources in the area.

In terms of the future of Project Echo, the last outstanding module is Tweefontein, which is currently on hold pending electricity infrastructure. A significant portion of the process design is already complete and estimated time to commissioning is approximately 12 months from project go-ahead. To date, expenditure on Project Echo is ZAR139.3 million. We currently estimate that it will take a further ZAR36.1 million to complete, which will continue to be funded from internal cash reserves.

Looking at our mineral asset development and opencast mining projects, the Company's strategy has remained unchanged. We shall continue to defend title but no further major spend is anticipated until market fundamentals improve. Following the appointment of consultants to assist with the sale of Grasvally, the Board are pleased to advise that a conditional cash offer from Forward Africa Mining (Pty) Ltd (FAM) to acquire 100% of the shares in and claims against Grasvally Chrome Mine (Pty) Ltd for a total consideration of ZAR115.0 million, settled in cash or other available funds was received. FAM will have eight months from the date of acceptance of the offer to fulfil standard conditions precedent. Due to the attractive palladium component along with the base metal by-products at Volspruit, a possible revival of the asset may be considered in due course.

The Company has furthermore conducted extensive pilot work on the pelletising of chrome fines in a joint-operation, as mentioned in my previous letter to shareholders. Subject again to market conditions for chrome ore, there may be significant opportunity to convert chrome ore fines to pellets for current output and for third parties. As the basic piloting has concluded, engineering will be progressed in the coming year with a view to adding a new business line to the Company.

MARKET OUTLOOK

Over the past year, the run up in the palladium and rhodium prices has boosted the basket price markedly, which has been very welcome in the face of soggy platinum prices. The volatility in the Rand, with its tendency towards weakness in comparison to the Dollar, also boosted our bottom line.

"What goes up (palladium and rhodium prices) can also come down as fast!"

While platinum is forecast to make a modest recovery on the back of a rise in investor activity, autocatalyst consumption recovery and legislative changes in China and India, power supply issues and industrial activity have a major impact on a potential outcome and thus, once again, we are at the mercy of elements outside of our control. Palladium, however, is again expected to rise as a result of an increase in automotive consumption although rhodium prices may expect a moderate rise as market fundamentals stabilise following a release from pipeline inventories.

All-in-all you can expect much of the same from the Company in FY2020: we will continue to keep costs controlled and remain debt-free as well as remain cash-positive. There are clouds on the horizon in automotive markets – China trade wars, Brexit, and such mean that we will remain with our conservative views of metals prices and revenue generation potential. What goes up (palladium and rhodium prices) can also come down as fast!

FUTURE PLANS

Moving forward into FY2020, your Board and Management will remain proactive in their approach to the power and water shortages discussed above, which require further mitigation not only to resolve present constraints but to avoid any future occurrences. In terms of the market and our political environment, nothing really changes – we will keep focusing on tight operational discipline and creating value from existing sources.

The Company will continue to explore the possibilities of adding new resources to the SDO. Potential additional shafts and projects at our host mines may materialise, which in turn may lead to increased output and additional life extension. The possibility is embryonic at present but your Board and Management will keep you apprised of any developments.

I anticipate another year of hard work and identified operational challenges will continue to be addressed. For those that may crop up beyond our control, I have full faith that Management will again lead the Company to further success. Our aim will be to maintain SDO performance with efficient cost controls, and to achieve a production guidance of around 74,000 ounces to 76,000 ounces for FY2020.

THANKS

As always, I must thank you, the shareholder, for constantly keeping your Board on their toes (particularly in the market and political climate in which we operate). I also thank our host mine without which we may not exist. Another big thanks to our Management team and employees for their innovation and dedication, and for powering us through what has been a year of ups and downs. I also thank my fellow Board members for your contributions and sage advice throughout the past year.

Stuart Murray
Chairman