

DIRECTORS' REPORT

DIRECTORS

The names of the Directors who held office during, or since the end of, the financial year and until the date of this report, are as follows:



TM MCCONNACHIE

Mr McConnachie has over 40 years of experience in mining and beneficiation of ferroalloys and precious metals. He was the founder of Merafe Resources Limited (formerly South African Chrome & Alloys Limited), a successful chrome mining company, black empowered and listed on the Johannesburg Stock Exchange (JSE). Mr McConnachie's strength lies in his ability to identify mining opportunities and has started many new green-field operations in gold, manganese, aluminium, graphite and tantalite. He has been CEO of a number of mining, mining services and smelting companies in South Africa.

Special responsibilities
Chief Executive Officer

E CARR

Ms Carr, who joined the Board of Sylvania Platinum Limited on 1 May 2015, is a Chartered Certified Accountant with an MSc in Management from London University and is a SLOAN Fellow of London Business School.

Ms Carr has over 30 years of experience within the resources sector having worked worldwide on a host of large-scale mining operations. She was appointed Finance Director of Cluff Resources in 1993 and has, since that time, held several executive directorships in the resources sector, including CFO for Monterrico Metals plc, the AIM-listed copper exploration company developing the Rio Blanco project in Peru. Her first non-executive role was for Banro Corp in 1998 and, more recently, she has been a non-executive director for Talvivaara Mining Co, the Finnish nickel company. Currently, Ms Carr is a non-executive director of Bacanora Lithium plc, Firestone Diamonds plc and Bunree Resource Management Ltd.

Special responsibilities
Member of the Audit Committee

RA WILLIAMS

Mr Williams is a Chartered Accountant with over 20 years' international experience in mining finance and holds an honours degree in French and Spanish. After joining Randgold Resources in 1997, he was appointed Group Finance Director in 2002. Mr Williams went on to become Chief Financial Officer of JSE-listed AECI Limited. He has served on a number of boards in the mining and mining services sectors and is currently a non-executive director of Cradle Arc plc, AfriTin Mining Limited and Digby Wells Environmental and part-time CFO of a privately-owned mining company.

Special responsibilities
Chairman of the Audit and Remuneration Committees

SA MURRAY

Mr Murray has over 25 years of executive experience in the Southern African platinum sector, commencing his career at Impala Platinum's Refineries in 1984. He held a number of positions at Impala Platinum, Rhodium Reefs Limited, Barplats, and Middelburg Steel and Alloys, before joining Aquarius Platinum Limited in 2001 as Chief Executive Officer, holding that position until 2012. He is a non-executive director of Talvivaara Mining Company plc, the former Finnish nickel miner, and Deputy Chairman and Managing Director of Luiri Gold Limited.

Special responsibilities
Independent Non-executive Chairman of the Board
Member of the Remuneration Committee

For full biography on senior management go to www.sylvaniaplatinum.com

SENIOR MANAGEMENT

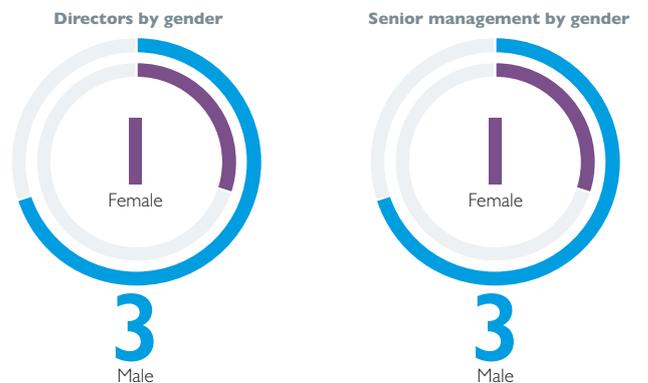


JJ PRINSLOO	L CARMINATI	AJJ JORDAAN	AF DE VOS
Special responsibilities Managing Director Sylvania Metals (Pty) Limited	Special responsibilities Executive Officer: Finance	Special responsibilities Executive Officer: New Business	Special responsibilities Legal and Commercial Adviser

INFORMATION ON DIRECTORS

Your Directors present their report on the consolidated entity (the Group) consisting of Sylvania Platinum Limited (the Company or Sylvania) and the entities it controlled at the end of, or during, the financial year ended 30 June 2019. Sylvania is a limited company incorporated and domiciled in Bermuda. Unless otherwise stated, the consolidated financial information contained in this report is presented in USD.

DIVERSITY OF THE BOARD



COMPANY SECRETARY

The Company Secretary role is held by Conyers Corporate Services (Bermuda) Limited (previously known as Codan Services Limited) and they are assisted by Ms Carr.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the extraction of PGMs from chrome dumps and current arisings, as well as investment in mineral exploration. Further information is provided in the CEO's review.

DIRECTORS' REPORT

continued

BUSINESS REVIEW

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is the responsibility of all employees, guided by the Board of Directors and Audit Committee. Sylvania is subject to a variety of risks, with specific focus on those relating to the mining and exploration industry. Senior Management undertakes on-going risk assessments to identify and consider major internal and external risks to the business model of the Group. Risks identified are linked to the Group deliverables in order to ensure continuous mitigation of these risks, which is aligned with corporate strategic objectives.

Sustained resources

Risk and impact

The retreatment of dump material has a finite life and the processing of current arisings alone is not sustainable. It is essential for the long-term continuation of the SDO that additional feed material is found and committed to the plants.

Mitigation

The majority of operations have dump resources which will still provide several years of production. The risk is partly mitigated by the addition of current arisings from the host mines which are fed through the SDO. These feed sources will be available to the Group for the life of the mine and are currently not at risk. The expansion project (Project Echo) is expected to extend the life of the SDO and maintain ounce production for the coming years. Technologies and production improvements for optimisation and improved efficiencies are investigated and implemented where considered beneficial.

Opportunities to acquire additional resources and the ability to expand the life of the SDO are being investigated continuously by the Board and Senior Management. The Board is also undertaking research and development in other areas and commodities in order to diversify the business model.

“The risk is partly mitigated by the addition of current arisings from the host mines which are fed through the SDO”

Capital management

Risk and impact

It is essential that the selection of projects on which to spend the limited capital that is available, must provide investors with the required returns and strategic outcomes. Incorrect decision making and large capital overruns could have a significant impact on the sustainability of the Group.

Mitigation

Detailed analysis and due diligence are performed on all potential capital projects and are only considered where the Internal Rate of Return (IRR) is at least 20%.

Any capital expansion projects are funded out of surplus cash and/or available pipeline finance. Any major development capital for the exploration projects remains on hold until the market improves significantly and will be reassessed by the Board on an on-going basis.

Cyber security

Risk and impact

Cyber threats are growing rapidly as the digital landscape grows. These range from business interruptions, data breaches to cyber fraud and ransomware. A cyber incident could be malicious or unintentional, but the impact can be the same.

Mitigation

Management and the Board are committed to understanding the risk by performing cyber vulnerability assessments and managing cyber risk through investment in innovative cybersecurity. Focus is placed on educating employees as to the risks as well as physical security measures.



Outlined below are details of the principal risk factors that the Board feel may affect the performance of the Group. The risks described below are not exhaustive and do not take into account risks the Board is unaware of. Risks considered to be immaterial are not detailed below.

The risks below are not presented in any order of priority.

Failure to attract and retain key staff

! Risk and impact

The Group relies on a small team of experienced professionals with specific skills for its success. The loss of key personnel and the failure to attract appropriate employees may cause disruption to the business.

✓ Mitigation

In order to reduce this risk, key employees have been given longer notice periods and bonus share awards are made at the discretion of the Board. Succession planning also features on the agenda at Board and Remuneration Committee meetings.

Country and Infrastructure Risk

! Risk and impact

The Group's operations are all in South Africa. The mining labour environment, socio-economic environment as well as community unrest in South Africa continues to be a concern for the sector in general. Reliance on third party providers for the availability and access to power and water are also limiting factors in the areas in which the Company operates. In addition, the regulatory, political and legal environment in which the Company operates poses risks and challenges to the sustainability of the mining industry in South Africa, and therefore impact the sustainability of the Company.

✓ Mitigation

Directors and Management place great emphasis on maintaining constructive relations with labour and communities through ongoing communication, engagement and awareness within the footprint of which the Group operates. At operations where power has been identified as a potential risk to plant uptime, alternative power sources have been installed where possible. In order to reduce the impact of water shortages, operations have drilled boreholes and identified alternate water sources. The Board monitors the political environment and regulatory changes closely, considers the impact on the Company and takes the necessary action when required.

Commodity price and exchange rate fluctuations

! Risk and impact

Metal prices are subject to high levels of volatility and are impacted by a number of factors that are outside of the control of the Board and Management. Cash generation and profitability of the Group is linked to the PGM price and the USD/ZAR exchange rate. The platinum price has remained under pressure during the financial year impacting the basket price. However, the palladium and rhodium prices have kept the basket price stable. The Group reports in and generates revenues in USD, however the operational costs and capital expenditure are incurred in ZAR.

✓ Mitigation

The Board and management constantly monitor the market in which the Group operates. Long term financial planning is undertaken on a regular basis and production is focussed on the extraction of low cost ounces. Operational costs are carefully monitored and managed. Cost saving strategies are investigated and reviewed regularly.

“The platinum price has remained under pressure during the financial year impacting the basket price”

DIRECTORS' REPORT

continued

GROUP FINANCIAL RESULTS

RESULTS FOR THE YEAR

		2019	2018	± % change
Gross basket price	\$/oz	1,277	1,135	13%
Net Revenue	\$ 000	70,538	62,769	12%
Group cash cost	ZAR/oz	7,885	7,274	8%
Group cash cost	\$/oz	556	567	-2%
Gross profit	\$ 000	25,683	17,512	47%
General administration costs	\$ 000	(2,003)	(2,036)	-2%
Profit before income tax expense	\$ 000	24,394	16,101	52%
Group EBITDA	\$ 000	30,242	22,206	36%
Cash generated from operations (before working capital changes)	\$ 000	29,928	22,879	31%
Changes in working capital	\$ 000	(5,349)	(4,536)	18%
Net finance income received	\$ 000	694	584	19%
Taxation paid	\$ 000	(8,093)	(4,055)	100%
<i>Net increase/(decrease) in cash and cash equivalents</i>	\$ 000	7,810	(221)	3,634%
<i>Cash and cash equivalents, end of year</i>	\$ 000	21,797	14,026	55%
Production				
Plant feed	t	2,328,352	2,302,560	1%
Total 3E and Au	oz	72,090	71,026	1.5%
PGM plant recovery	%	49%	48%	3%
Capital expenditure				
Property, plant and equipment	\$ 000	8,042	7,549	7%
Exploration and evaluation assets	\$ 000	253	363	-30%
Total capital expenditure	\$ 000	8,295	7,912	5%

Net Revenue

Net Revenue increased 12% year-on-year mainly due to the higher gross basket price of \$1,277/ounce against \$1,135/ounce recorded in the prior year.

Operating costs

Operating costs for the Group increased 8% year-on-year to ZAR7,885/ounce compared to ZAR7,274/ounce in the previous year. Although the SDO produced slightly more ounces, the water shortages at Lesedi plant resulted in lower production and high operating costs at this operation which pushed the cost per ounce higher than the prior year. The all-in sustaining cost (AISC) for the Group was ZAR8,201/ounce and an all-in cost (AIC) of ZAR9,534/ounce for the financial year, of which ZAR1,284/ounce is attributable to the capital expenditure on Project Echo and plant optimisation. This compares to the AISC and AIC for 30 June 2018 of ZAR7,245/ounce and ZAR8,406/ounce respectively.

General and administration

These costs relate mainly to listing costs, share registry costs, advisory and public relations costs and consulting fees. General and administrative costs are incurred in USD, GBP and ZAR and are

impacted by exchange rate fluctuations over the reporting period. These costs decreased 2% year-on-year in the reporting currency.

Mining and income tax

Income tax paid for the financial year amounted to ZAR114.9 million compared to ZAR61.7 million for the previous financial year, as a result of increased taxable profits at the operations and after mining capital allowances. Income tax is paid in ZAR on taxable profits generated at the South African operations.



Profit

The consolidated profit before tax of the Group at 30 June 2019 was \$24.4 million (FY2018: \$16.1 million), a 52% improvement on the prior year. Strict cost controls at the operations and the increased revenue contributed to the increase in profits. Group EBITDA improved 36% to \$30.2 million.

Capital

Capital spend increased during the current financial year from ZAR101.5 million (\$7.9 million) in the prior year to ZAR117.7 million (\$8.3 million). The Group capital expenditure increased as a result of the third Project Echo module being completed and commissioned during the reporting period at a cost of ZAR42.2 million and the new chrome beneficiation circuit commissioned at Lesedi (ZAR20.9 million). The balance of the capital spend was on PGM grade and recovery optimisation initiatives and stay in business capital (SIB).

Cash

The cash balance at 30 June 2019 was \$21.8 million, including \$1.0 million in financial guarantees (FY2018: \$14.0 million). Cash generated from operations before working capital movements was \$29.9 million, with net changes in working capital resulting in a reduction of \$5.3 million. Net finance income amounted to \$0.9 million and \$8.1 million was paid in income taxes during the year. Major spend items include \$0.3 million spent on exploration activities (FY2018: \$0.4 million), \$8.0 million on capital projects and SIB for the SDO plants (FY2017: \$7.6 million). At a corporate level, \$1.3 million was paid out in dividends. An amount of \$0.6 million was withdrawn from the investment relating to the rehabilitation guarantees and was transferred to an insurance facility for these guarantees. The impact of exchange rate fluctuations on cash held at year end was \$0.04 million loss (FY2018: \$1.1 million loss).

For more details on the financial performance of the Group, please refer to the financial statements.

REVIEW OF OPERATIONS AND EXPLORATION

A detailed review of operations and exploration activities has been included in the CEO's review.

CORPORATE MATTERS

Dividend Approval and Payment

During the first quarter, the Company announced that the Directors of Sylvania recommended the payment of a maiden cash dividend of 0.45 US cents (0.35 pence) per Ordinary Share of \$0.01 in the Company, which was approved by the shareholders at the Company's AGM held in November 2018. The dividend was paid on 30 November 2018.

The Board has furthermore recommended the payment of a cash dividend for FY2019 of 1.00 US cent (~0.78 pence) per Ordinary Share, payable in November 2019.

Share buybacks and cancellation of shares

One of the Company's strategic goals is on returning capital to shareholders and continue to review opportunities to do so as and when they arise. At the conclusion of the Share Buyback Programme that ran during the last financial year to 24 August 2018, the Company purchased a total of 2,407,481 \$0.01 Ordinary Shares from small non-UK based shareholders at a price of A\$0.1619 per Ordinary Share, representing 57% of the shares on offer under the Programme.

Subsequent to the conclusion of the Programme, the Company cancelled 892,257 Ordinary Shares remaining at the end of the Programme, as well as a further adjustment to shares held in treasury of 120,000 Ordinary Shares.

As announced during H1 FY2019, the Company also agreed to buy back 516,632 shares, held by a person discharging managerial responsibilities (PDMR) as defined by the Market Abuse Regulation (MAR), at 16.00 pence per Ordinary Share and these were cancelled immediately.

The Company announced in Q4 FY2019 that it proposed to acquire 2,100,000 Ordinary Shares, representing 0.7% of the Company's issued share capital, as part of a once-off buyback under the terms and authority of the Company's Bye Laws. This buyback offer was not taken up.

The Board has made a decision that in order to fulfil the current shortfall in shares held in treasury to cover the bonus share awards of 4.2 million shares, which vest over the next five years, an offer to acquire 30% of all shares held by employees, excluding Directors, will be made at the 30-Day VWAP. This would equate to approximately 1.1 million shares should all employees holding shares take up the offer. A further 3.1 million shares will be sought in the market.

As at 30 June 2019, the Company's issued share capital is 289,724,772 Ordinary Shares, of which a total of 4,209,635 Ordinary Shares are held in treasury. Therefore, the total number of Ordinary Shares with voting rights in Sylvania is 285,515,137.

Likely developments and expected results

Additional comments on production forecasts and operating cash costs are included in the operational performance and outlook section in the CEO's review.

Environmental legislation

The Group is subject to significant environmental legal regulations in respect of its exploration and evaluation activities in South Africa. There have been no known significant breaches of these regulations and principles by the Group.

Meetings of Directors

During the financial year under review, there were three formal Directors' meetings, a budget review meeting and a strategy session. All other matters that required formal Board resolutions were dealt with via written circular resolutions and through the holding of conference calls. In addition, the directors met on an informal basis at regular intervals during the year to discuss the Group's affairs.

DIRECTORS' REPORT

continued

The number of formal meetings of the Group's Board of Directors attended by each Director was:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
TM McConnachie	3	3	–	–	–	–
SA Murray	3	3	–	–	1	1
RA Williams	3	3	4	4	1	1
E Carr	3	3	4	4	–	–

Directors' interest in shares and options

The following relevant interests in the shares and options of the Company or related body corporate were held by the Directors as at the reporting date:

2018	Common Shares
TM McConnachie	5,015,000
SA Murray	1,000,000
RA Williams	1,067,000

Directors and key management personnel

The key management personnel of the Group are the Directors of the Company and those Executives that report directly to the Chief Executive Officer or as determined by the Board. Details of directors and key personnel remuneration is as follows:

	Short Term Benefits			Share-based payment	Total
	Cash salary/ Consulting fees \$	Bonus ¹ \$	Directors' fees \$	Equity shares/ share options ² \$	\$
Directors					
TM McConnachie	505,004	–	–	–	505,004
SA Murray	–	–	125,000	–	125,000
RA Williams	–	–	85,000	–	85,000
E Carr	24,000	–	75,000	–	99,000
Sub-total	529,004	–	285,000	–	814,004
Other key management	948,135	268,396	–	119,858	1,336,389
Total	1,477,139	268,396	285,000	119,858	2,150,393

¹ Cash bonuses were awarded to Directors and key personnel based on individual performance.

² Share-based payments include share options and bonus shares granted – refer to note 27.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Company paid premiums in respect of a contract insuring all Directors and Officers of the Company against liabilities incurred as Directors or Officers. Due to confidentiality clauses in the contract the amount of the premium has not been disclosed. The Company has no insurance policy in place that indemnifies the Company's auditors.

GOING CONCERN

Details of the financial and operating performance and cash flows of the Group are set out in the CEO's review. In addition, the Group's financial risk management objectives and policies are detailed in note 28 and available borrowing facilities are set out in note 16. After reviewing the financial position, operational performance, budgets and forecasts as well as timing of cash flows and sensitivity analyses, the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. It is for this reason that the consolidated financial statements have been prepared on the going concern basis.

EVENTS AFTER THE REPORTING PERIOD

A conditional cash offer was received on 16 August 2019 from Forward Africa Mining (Pty) Ltd to purchase Grasvally Chrome Mine (Pty) Ltd for ZAR115,000,000.

“After reviewing the financial position, operational performance, budgets and forecasts as well as timing of cash flows and sensitivity analyses, the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future”

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Signed in accordance with a resolution of the Directors.



TM McConnachie
Chief Executive Officer

30 August 2019