

Sylvania Platinum Limited

**Condensed Consolidated Interim Financial Statements
for the half year ended
31 December 2017**

Sylvania Platinum Limited

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Sylvania Platinum Limited

Corporate Information

Directors

SA Murray
TM McConnachie
RA Williams
E Carr

Company Secretary

Codan Services Limited

Principal registered office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

South African Operations

Constantia Park
Cycad House
Cnr 14th Avenue & Hendrik Potgieter Road
Weltevredenpark
1709
South Africa

Telephone: +27 (0)11 673 1171

Facsimile: +27 (0)11 673 0365

Share Registry

Computershare Services Plc
The Pavilions
Bridgewater Road
Bedminster Down
Bristol BS99 7NH
United Kingdom

Computershare Jersey
Queensway House
Hilgrove Street
St Helier
Jersey, JE1 1ES

Auditors

KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown, 2193
South Africa

Solicitors

Allen & Overy
Level 27
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000
Australia

Sylvania Platinum Limited

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Sylvania Platinum Limited ("Sylvania" or the "Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2017. Unless otherwise stated, the financial information contained in this report is presented in US Dollars (USD).

Directors

The names of directors who held office during or since the end of the half year and until the date of the report are noted below. Directors were in office for the full period unless otherwise stated.

Stuart A Murray – *Non-executive Chairman*

Terence M McConnachie – *Chief Executive Officer*

Roger A Williams – *Non-Executive Director*

Eileen Carr – *Non-Executive Director*

Review of Operations and Half Year Financial Results

The Sylvania cash generating subsidiaries are incorporated in South Africa with the functional currency of these operations being SA Rand (ZAR). Revenues from the sale of PGMs are incurred in USD and then converted into ZAR.

The Groups reporting currency is USD as the parent company is incorporated in Bermuda. Corporate and general and administration costs are incurred in USD, GBP and ZAR.

For the six months under review the average USD:ZAR exchange rate was ZAR13.39:\$1 and the closing exchange rate was ZAR12.42:\$1.

Operational performance

The Sylvania Dump Operations (SDO) displayed a solid performance for the first half of the 2018 financial year achieving 33,892 ounces, despite the scheduled end-of-life closure of the Steelpoort plant in June 2017. Strong performances were displayed by Tweefontein and Doornbosch in terms of exceeding treatment tons and recovery targets, as well as Lesedi's 1,458 ounces attributable to Sylvania since takeover.

The operation faced two major challenges over the reporting period. The first was the delay in the water use licence authorisation by authorities at Millsell resulting in the delayed commissioning of the new tailings dam which impacted negatively on the available dump resource grade and re-mining strategy. The tailings dam is now in operation and the original re-mining site re-established since January 2018 with feed grades returning to planned levels. The second was lower than planned current arisings at Millsell and Mooinooi, as well as lower than planned ROM material from the host mine during Q2, which carried over into January 2018, impacting negatively on PGM plant feed grades and ounce production. The host mines are ramping up production again and PGM feed tons and grades normalising.

The introduction of new flotation technology at Mooinooi mid-Q1 together with flotation optimisation initiatives across operations assisted in the improvement of PGM recovery efficiency during the period.

Cash costs for the SDO increased 19% in ZAR terms as a result of the lower PGM ounce production and higher dump re-mining costs at Millsell. In USD terms, this increase was 24% due to the additional impact of a 5% strengthening in the ZAR/USD exchange rate.

Project Echo is proceeding well with the construction of the Millsell and Doornbosch MF2 modules being successfully completed during the period, with the latter being commissioned a month ahead of schedule. Millsell MF2 was unfortunately delayed by one month due to the late completion of a power distribution upgrade by the local municipality which was in November 2017.

The Tweefontein MF2 has been delayed due to the national power utility's electricity supply infrastructure to the Tweefontein mining complex becoming constrained due to increased demand in the area.

Although this does not put the current Sylvania Tweefontein operation at risk, it does introduce an element of risk to the Project Echo MF2 module's scheduled commissioning. As a result, a decision was made to delay the construction and commissioning of Tweefontein's MF2 module until the power distribution infrastructure upgrade is complete. It is anticipated

Sylvania Platinum Limited

Directors' Report

that Tweefontein MF2 will be commissioned by mid-FY2019, but the timing will be dependent upon the completion of the power upgrade.

Acquisition of Phoenix Platinum Mining (Pty) Ltd (Sylvania Lesedi)

In November 2017 the acquisition of Phoenix Platinum Mining (Pty) Ltd, now renamed Sylvania Lesedi, was completed with all the conditions precedent fulfilled. The cash purchase price of ZAR89 million was funded internally and Sylvania took over the operations effective 7 November 2017.

Since integration, the primary focus has been on increasing plant production volumes, improving plant feed stability, feed grade and recovery efficiency to assist with PGM ounce production, and also to implement action plans to reduce overall production costs. Some of the specific actions to date are listed below and the respective SDO and Lesedi management teams continue to identify areas of improvement to address both production and cost efficiencies.

Current initiatives include, but are not limited to the following:

- Sylvania's proven operating model has been applied since November 2017 at Lesedi in terms of production and procurement, in order to improve PGM ounces and to reduce direct operating costs at the operation, and the operation is already benefiting from the involvement of the SDO's shared production and technical management teams;
- Mass pull optimisation strategy has been developed and implemented since late November 2017 in order to improve PGM recovery efficiencies in the flotation circuit;
- Plant feed tons and PGM feed grades have increased since December 2017 through a combination of plant debottlenecking and resource scheduling; and
- The outsourced plant operation and maintenance contract, whereby a third party managed the plant production, maintenance and procurement aspects at the operation, based on a management fee and profit margin on labour, procurement and fixed costs, was terminated effective from 31 December 2017, which should result in significant savings in the future.

The improved quarterly 4E PGM ounce production was as a result of higher PGM plant feed tons, grade and recovery efficiency, especially during December 2017, which was the highest PGM production month over the past two years.

Financial performance

Revenue

The Gross basket price for PGMs for the six months to 31 December 2017 was \$1,057/oz compared to \$883/oz for the period ended 31 December 2016 as a result of the improvement in both Platinum and Palladium prices over the reporting period. The current high Rhodium price has also benefited the Company as concentrate produced has a relatively high Rhodium content. The Group recorded net revenue of \$28 million, after a \$2.8 million sales adjustment over the period resulting from the improved metals prices.

Revenue split

| | 31 December 2017 | 31 December 2016 |
|------------------------------------|------------------|------------------|
| | \$'000 | \$'000 |
| Revenue on sales (4E) ¹ | 23,779 | 22,794 |
| Revenue (by products) ² | 1,645 | 1,114 |
| Sales adjustments ³ | 2,755 | 644 |
| Net revenue | 28,180 | 24,551 |

¹ Sales revenue from Platinum, Palladium, Rhodium and Gold

² Sales revenue from other metals in the concentrate produce of Ruthenium, Iridium, Nickel and Copper

³ Adjustments to revenue recognised for movements in the PGM price and exchange rate on ounces delivered but not yet invoiced as contractually agreed.

Note: The above table is rounded to the nearest thousand.

Cost of sales

The cost of sales are the direct and indirect costs of producing the PGM concentrate and amounted to ZAR265 million for reporting period compared to ZAR242 million in the six months to 31 December 2016. This includes ZAR36 million depreciation charge on plant and equipment (H1 FY2017: ZAR39 million) with the other main cost contributors being salaries and wages of ZAR85.1million (H1 FY2017: ZAR76.6 million), mining costs of ZAR21.9 million (H1 FY 2017: ZAR15.9 million), Engineering and maintenance of ZAR21.7million (H1 FY2017: ZAR20.2 million), reagents and milling costs of

Directors' Report

ZAR16.7 million (H1 FY2017: ZAR16.6 million) and Electricity of ZAR26.4 million (H1 FY2017: ZAR27.7 million). A number of smaller direct cost categories make up the balance.

Operating costs for the Group were ZAR7,043/ounce compared to ZAR5,958/ounce in the previous corresponding period. The increased cost per ounce is due mainly to the lower ounces for the reporting period and higher than planned remining costs at Milsell associated with the new tailings dam. The cost per ounce is expected to be reduce going forward as Project Echo ounces come on stream in the second half of FY2018. The all-in sustaining cost (AISC) for the Group was ZAR7,127/ounce and an all-in cost (AIC) of ZAR8,515/ounce for the period to 31 December 2017, of which ZAR1,354/ounce is attributable the capital expenditure on Project Echo and plant optimisation. This compares to the AISC and AIC for 31 December 2016 of ZAR5,848/ounce and ZAR6,090/ounce respectively.

General and administration

General and administration costs were controlled at \$0.8 million for the six months. These costs are incurred in USD, GBP and ZAR and relate mainly to listing costs, share registry costs, advisory and public relations costs and consulting fees.

Finance income and finance costs

Interest is earned on surplus cash invested in South Africa at an average interest rate of 7% per annum. Cash is held in ZAR to fund the remainder of Project Echo and other strategic production optimisation projects when identified. Interest paid is on instalment sale agreements for the purchase of movable plant and vehicles.

Mining and income tax

Income tax is paid in ZAR on taxable profits generated at the South African operations. Income tax for the six months to 31 December 2017 was ZAR25.8 million compared to ZAR37.1 million for 31 December 2016, which is in line with the taxable profits at the operations and after mining capital allowances. Deferred tax movements for the Group relate mainly to the unredeemed capital expenditure and provisions.

Cashflow

As at 31 December 2017, the Company's cash and cash equivalents balance was \$12.6 million. Cash generated from operations was \$7.1 million for the reporting period, which includes an outflow of \$2.0 million for working capital changes and \$1.4 million paid for income tax. The Company spent \$1.2 million on share buy backs in the market as well as in accordance with the Share Buyback Programme, and \$4.5 million on capital expenditure. The remaining balance of \$1.1 million related to the loan to Ironveld Holdings which was received during the period. With the majority of the cash generated and held in ZAR, the appreciation of the ZAR against the USD also increased the reported cash balance since the last reporting date of 30 June 2017 by \$1.2 million.

The increase in the trade and other receivables is as a result of the higher basket price and slightly higher pipeline ounces at 31 December 2017 when compared to 31 December 2016.

A large portion of the Group cash is currently held in ZAR in order to fund the remaining Project Echo modules and is invested in short term money market deposits.

Capital expenditure

The Group capital expenditure increased significantly in the six months to 31 December 2017 as a result of the first two Project Echo modules being completed and commissioned during the reporting period at a cost of ZAR21 million for period and the new Millsell tailings facility was also completed and commissioned during the reporting period (ZAR6.7 million).

Outlook

During the next half of FY2018, the Company remains focused on performance, delivering on production guidance and the optimisation of the resource. Given the past quarter's challenges, the Board believe it necessary to revise the production guidance to between 71,000 ounces and 75,000 ounces for the financial year. A focus on delivering on our capital projects within stated timeframes is also a key priority.

Directors' Report

Health, safety and environment

There were no significant health or environmental incidents during the quarter, with Lesedi, Tweefontein and Doornbosch operations remaining LTI free for more than five years, and Lannex and Millsell remaining LTI-free for more than two years. Unfortunately a colleague at Mooinooi suffered a LTI due to an injury to their finger during the period.

Health, safety and environmental compliance remains a key-priority for the Company and the combined effort between management and all the employees across the operations, together with the overall safety culture, contribute towards the high safety standards and plant conditions at the respective operations.

Exploration and opencast mining projects

Volspruit Platinum Exploration

The Company continues to await a decision by the Member of the Executive Council for Economic Development, Environment and Tourism on the Company's appeal to set aside the decision of the Limpopo Department of Economic Development, Environment and Tourism to refuse the Company's application for an Environmental Authorisation (EA) for the Volspruit Platinum project.

The Mining Right Application (MRA) to mine PGMs was granted during the period however has been appealed by Interest and Affected Parties. The Company now awaits the outcome on a decision by the Department of Mineral Resources.

Once a decision is given on the EA and MRA appeals, the Company will submit the WULA, which has been completed and exposed to the scrutiny of Public Participation, with only the detail design of civil infrastructure as called for in the National Water Act outstanding.

Grasvally Chrome Exploration

During the period the Company continued with off-site processing and beneficiation testing of the initial 6,167 tons of the planned 15,000 tons of ROM Bulk Sample. A further 9,000 tons has been blasted but not yet excavated however this will continue pending results of the initial beneficiation testing. Completion of phase 1 of the Grasvally Bulk Sample is planned to occur on-site following the granting by the Minister of Water and Sanitation of the Integrated Waste and Water Use License for Chrome Ore Bulk Sample Operations as this will allow the processing and beneficiation testing of the Bulk Sample on site at the Grasvally Operation.

Corporate activities

Exercise of Share Options, Share Buybacks and Cancellation of Shares

During the period, certain Directors and senior management exercised vested options awarded to them under the Company's Option Plan as well as the deferred share awards granted in accordance with the Bonus Shares Plan. Once exercised the vested Options and Bonus Shares converted into 4,602,900 Ordinary \$0.01 Shares and shares held in treasury were used to satisfy these awards.

As the Company does not intend to grant any further Options under the Option Plan, the Board took the decision to cancel the Option Plan.

In August 2017, the Company announced the details of its Share Buyback Programme, offered to small, non-UK based shareholders who, on the delisting from the ASX in 2012, may have been prohibited from selling their shares due to the cost and administrative burden of trading certificated shares outside of the UK. By the end of the reporting period, the Company had purchased a total of 1,957,306 Ordinary \$0.01 Shares at a price of A\$0.1619 per Ordinary Share under the Programme. Total expenditure on the Programme at the end of the reporting period amounts to A\$316,887. Shares purchased in accordance with this Programme are placed into Treasury to be cancelled.

During the reporting period the Board approved the cancellation of 6,848,235 Ordinary Shares. Of the Ordinary Shares cancelled, 3,515,224 were held in treasury and the balance of 3,333,011 Ordinary Shares were shares acquired in the market and cancelled immediately.

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Directors' Report

Accordingly, at the end of the period the Company's issued share capital was 291,133,661 Ordinary Shares, of which a total of 4,528,967 Ordinary Shares were held in Treasury. Therefore, the total number of Ordinary Shares with voting rights in Sylvania was 286,604,694 Ordinary Shares.



T M McConnachie
Chief Executive Officer
25 February 2018

Sylvania Platinum Limited

Directors' Declaration

In accordance with a resolution of the Directors of Sylvania Platinum Limited I state that:

In the opinion of the Directors:

- a) the condensed consolidated financial statements and notes of the consolidated entity have been prepared and presented in accordance with IAS 34, Interim Financial Reporting.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



T M McConnachie
Chief Executive Officer
25 February 2018



KPMG Inc.
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Internet kpmg.co.za

Independent Auditor's Report on Review of Interim Financial statements

To the Shareholders of Sylvania Platinum Limited

Introduction

We have reviewed the accompanying Condensed Consolidated Statement of Financial Position of Sylvania Platinum Limited at 31 December 2017 and the Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the six month period then ended, and notes to the condensed consolidated interim financial statements, collectively referred as the condensed consolidated interim financial statements. The Directors are responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements have not been prepared, in all material respects in accordance with the International Financial Reporting Standard, (IAS 34), *Interim Financial Reporting*.

KPMG Inc

Per Alwyn Van der Lith
Chartered Accountant (SA)
Registered Auditor
Director
26 February 2017

KPMG Inc. is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc. is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Chief Executive: N Dlomu
Directors: Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

Sylvania Platinum Limited

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 31 December 2017**

| Reviewed | Note | 31 December 2017 | 31 December 2016 |
|---|-------------|-------------------------|-------------------------|
| | | \$ | \$ |
| Revenue | | 28,179,974 | 24,550,903 |
| Cost of sales | | (19,755,236) | (17,276,120) |
| Gross profit | | 8,424,738 | 7,274,783 |
| Other income | | 5,056 | 18,171 |
| Foreign exchange gain/(loss) | | (2,183) | 330 |
| General and administrative costs | | (853,276) | (876,851) |
| Operating profit before net finance income and income tax expense | | 7,574,335 | 6,416,433 |
| Finance income | | 469,576 | 375,620 |
| Finance costs | | (139,104) | (129,945) |
| Profit before income tax expense | 2 | 7,904,807 | 6,662,108 |
| Income tax expense | | (2,504,486) | (2,141,151) |
| Net profit for the period | | 5,400,321 | 4,520,957 |
| Other comprehensive income | | | |
| Items that are or may be reclassified subsequently to profit and loss: | | | |
| Foreign operations – foreign currency translation differences | | 3,286,081 | 2,018,355 |
| Total other comprehensive income for the period (net of tax) | | 3,286,081 | 2,018,355 |
| Total comprehensive income for the period | | 8,686,402 | 6,539,312 |
| Profit attributable to: | | | |
| Owners of the parent | | 5,400,321 | 4,520,957 |
| | | 5,400,321 | 4,520,957 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 8,686,402 | 6,539,312 |
| | | 8,686,402 | 6,539,312 |
| Profit per share attributable to the ordinary equity holders of the Company: | | | |
| | | Cents | Cents |
| Basic earnings per share | | 1.88 | 1.56 |
| Diluted earnings per share | | 1.86 | 1.52 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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Condensed Consolidated Statement of Financial Position at 31 December 2017

| | Note | 31 December 2017 \$ Reviewed | 31 December 2016 \$ Reviewed | 30 June 2017 \$ Audited |
|---|------|------------------------------------|------------------------------------|-------------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Equity-accounted investees | | 474,418 | - | 446,104 |
| Other financial assets | 5 | 1,143,988 | 295,077 | 586,271 |
| Exploration and evaluation assets | 3 | 58,376,482 | 54,949,663 | 57,587,900 |
| Property, plant and equipment | 4 | 40,748,694 | 30,374,574 | 32,257,692 |
| Total non-current assets | | 100,743,582 | 85,619,314 | 90,877,967 |
| Current assets | | | | |
| Cash and cash equivalents | | 12,644,039 | 12,675,304 | 15,321,117 |
| Trade and other receivables | | 23,378,244 | 17,711,663 | 19,502,105 |
| Other financial assets | 5 | - | 973,065 | 1,148,327 |
| Inventories | | 1,865,263 | 1,792,219 | 1,797,930 |
| Current tax asset | | 219,426 | 1,467 | 756,255 |
| Total current assets | | 38,106,972 | 33,153,718 | 38,525,734 |
| Total assets | | 138,850,554 | 118,773,032 | 129,403,701 |
| EQUITY AND LIABILITIES | | | | |
| Shareholders' equity | | | | |
| Issued capital | 6 | 2,911,337 | 2,979,819 | 2,979,819 |
| Reserves | | 74,874,672 | 68,625,951 | 72,623,111 |
| Retained profits | | 35,437,010 | 25,685,082 | 30,036,689 |
| Total equity | | 113,223,019 | 97,290,852 | 105,639,619 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | | 267,212 | 246,395 | 323,419 |
| Provisions | | 3,884,511 | 3,262,406 | 3,626,989 |
| Deferred tax liability | | 15,941,435 | 12,144,644 | 14,591,815 |
| Total non-current liabilities | | 20,093,158 | 15,653,445 | 18,542,223 |
| Current liabilities | | | | |
| Trade and other payables | | 5,382,368 | 4,134,530 | 5,075,120 |
| Interest-bearing loans and borrowings | | 150,828 | 174,799 | 146,739 |
| Current tax liability | | 1,181 | 1,519,406 | - |
| Total current liabilities | | 5,534,377 | 5,828,735 | 5,221,859 |
| Total liabilities | | 25,627,535 | 21,482,180 | 23,764,082 |
| Total liabilities and shareholders' equity | | 138,850,554 | 118,773,032 | 129,403,701 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Sylvania Platinum Limited

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2017

| | Issued capital | Share premium reserve | Retained profits | Reserve for own shares | Share based payment reserve | Foreign currency translation reserve | Non-controlling interest reserve | Equity reserve | Total equity |
|--|------------------|-----------------------|-------------------|------------------------|-----------------------------|--------------------------------------|----------------------------------|---------------------|--------------------|
| Reviewed | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 2,979,819 | 175,705,741 | 30,036,689 | (1,063,273) | 3,896,700 | (36,395,551) | (39,779,293) | (29,741,213) | 105,639,619 |
| Profit for the period | - | - | 5,400,321 | - | - | - | - | - | 5,400,321 |
| Other comprehensive loss | - | - | - | - | - | 3,286,081 | - | - | 3,286,081 |
| Total comprehensive income for the period | - | - | 5,400,321 | - | - | 3,286,081 | - | - | 8,686,402 |
| Share transactions | | | | | | | | | |
| - Treasury shares acquired | - | - | - | (1,172,454) | - | - | - | - | (1,172,454) |
| - Share-based payments | - | - | - | - | 69,452 | - | - | - | 69,452 |
| - Share options and bonus shares exercised | - | - | - | 663,811 | (663,811) | - | - | - | - |
| - Shares cancelled | (68,482) | (568,653) | - | 637,135 | - | - | - | - | - |
| Balance at 31 December 2017 | 2,911,337 | 175,137,088 | 35,437,010 | (934,781) | 3,302,341 | (33,109,470) | (39,779,293) | (29,741,213) | 113,223,019 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Condensed Consolidated Statement of Changes in Equity (continued)
for the half year ended 31 December 2017

| | Issued capital | Share premium reserve | Retained profits | Reserve for own shares | Share based payment reserve | Foreign currency translation reserve | Non-controlling interest reserve | Equity reserve | Total equity |
|--|------------------|-----------------------|-------------------|------------------------|-----------------------------|--------------------------------------|----------------------------------|---------------------|-------------------|
| Reviewed | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 2,979,819 | 175,705,741 | 21,164,125 | (737,684) | 3,730,400 | (42,260,629) | (39,779,293) | (29,741,213) | 91,061,266 |
| Profit for the period | - | - | 4,520,957 | - | - | - | - | - | 4,520,957 |
| Other comprehensive loss | - | - | - | - | - | 2,018,355 | - | - | 2,018,355 |
| Total comprehensive loss for the period | - | - | 4,520,957 | - | - | 2,018,355 | - | - | 6,539,312 |
| Share transactions | | | | | | | | | |
| - Treasury shares acquired | - | - | - | (458,476) | - | - | - | - | (458,476) |
| - Share-based payments | - | - | - | - | 172,500 | - | - | - | 172,500 |
| - Share options and bonus shares exercised | - | - | - | 142,042 | (165,792) | - | - | - | (23,750) |
| Balance at 31 December 2016 | 2,979,819 | 175,705,741 | 25,685,082 | (1,054,118) | 3,737,108 | (40,242,274) | (39,779,293) | (29,741,213) | 97,290,852 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Sylvania Platinum Limited

Condensed Consolidated Statement of Changes in Equity (continued)
for the half year ended 31 December 2017

| Audited | Issued capital | Share premium reserve | Retained profits | Reserve for own shares | Share based payment reserve | Foreign currency translation reserve | Non-controlling interest reserve | Equity reserve | Total equity |
|--|------------------|-----------------------|-------------------|------------------------|-----------------------------|--------------------------------------|----------------------------------|---------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 2,979,819 | 175,705,741 | 21,164,125 | (737,684) | 3,730,400 | (42,260,629) | (39,779,293) | (29,741,213) | 91,061,266 |
| Profit for the year | - | - | 8,872,564 | - | - | - | - | - | 8,872,564 |
| Other comprehensive loss | - | - | - | - | - | 5,865,078 | - | - | 5,865,078 |
| Total comprehensive loss for the year | - | - | 8,872,564 | - | - | 5,865,078 | - | - | 14,737,642 |
| Share transactions | | | | | | | | | |
| - Treasury shares acquired | - | - | - | (525,558) | - | - | - | - | (525,558) |
| - Share-based payments | - | - | - | - | 405,731 | - | - | - | 405,731 |
| - Share options and bonus shares exercised | - | - | - | 199,969 | (239,431) | - | - | - | (39,462) |
| Balance at 30 June 2017 | 2,979,819 | 175,705,741 | 30,036,689 | (1,063,273) | 3,896,700 | (36,395,551) | (39,779,293) | (29,741,213) | 105,639,619 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Sylvania Platinum Limited

**Condensed Consolidated Statement of Cash Flows
for the half year ended 31 December 2017**

| Reviewed | 31 December 2017 | 31 December 2016 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 27,579,947 | 24,120,181 |
| Payments to suppliers and employees | (19,458,684) | (17,352,832) |
| Realised foreign exchange loss | (2,183) | (5,043) |
| Finance income | 457,108 | 252,678 |
| Exploration expenditure | (19,842) | (37,994) |
| Finance costs | (23,385) | (22,989) |
| Taxation paid | (1,391,364) | (1,072,408) |
| Net cash inflow from operating activities | 7,141,597 | 5,881,593 |
| Cash flows from investing activities | | |
| Payment for rehabilitation insurance guarantee | (99,478) | (95,017) |
| Refund received for rehabilitation insurance guarantee | - | 570,942 |
| Proceeds from disposal of property, plant and equipment | 24,936 | - |
| Purchase of property, plant and equipment | (4,282,262) | (692,829) |
| Payments for exploration and evaluation assets | (227,155) | (118,489) |
| Receipt of loan repayment from Ironveld Holdings | 1,120,234 | 568,030 |
| Investment in Joint Venture | (4,734) | - |
| Sylvania Lesedi acquisition | (6,272,453) | - |
| Net cash (outflow)/inflow from investing activities | (9,740,912) | 232,637 |
| Cash flows from financing activities | | |
| Repayment of borrowings | (71,012) | (166,230) |
| Payment for treasury shares | (1,172,454) | (458,476) |
| Payment for settlement of share options and bonus shares exercised | - | (23,750) |
| Net cash outflow from financing activities | (1,243,466) | (648,456) |
| Net (decrease)/increase in cash and cash equivalents | (3,842,781) | 5,465,774 |
| Effect of exchange fluctuations on cash held | 1,165,703 | 502,508 |
| Cash and cash equivalents at the beginning of reporting period | 15,321,117 | 6,707,022 |
| Cash and cash equivalents at the end of the reporting period | 12,644,039 | 12,675,304 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

1. Basis of preparation and accounting policies

Basis of preparation

Sylvania Platinum Limited (“Sylvania”) is a limited company incorporated and domiciled in Bermuda. The condensed consolidated half year financial statements are prepared in accordance with the measurement and recognition requirements of International Financial Reporting Standards and requirements of (IAS) 34 Interim Financial Reporting and comprise the Company and its subsidiaries and investment in joint venture (together referred to as the “Group”).

The half year financial statements does not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2017.

The half year financial statements should be read in conjunction with the Annual Financial Statements of Sylvania Platinum Limited as at 30 June 2017. It is also recommended that the half year financial statements be considered together with any public announcements made by the company and its controlled entities during the half year ended 31 December 2017 in accordance with the group’s continuous disclosure obligations.

For the purpose of preparing the half year financial statements, the half year has been treated as a discrete reporting period.

The half year financial statements have been prepared on a historical cost basis.

The half year financial statements are presented in US dollars unless otherwise stated.

Significant accounting policies

Except as described below, the accounting policies in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements as at and for the year ended 30 June 2017.

Future accounting standards

In addition to those reported in the previous consolidated annual financial statements as at and for the year ended 30 June 2017, certain IFRSs and IFRICs have recently been issued or amended but are not yet effective and have not been adopted by the Group as at the interim reporting period ended on 31 December 2017.

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

1. Basis of preparation and accounting policies (continued)

Future accounting standards (continued)

| Reference | Title | Summary | Application date of standard | Application date for Group |
|-----------|---------------------------------------|---|------------------------------|----------------------------|
| IFRS 9 | Financial Instruments | <p>IFRS 9 <i>Financial Instruments</i> is a new standard that replaces IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard includes requirements for the classification, measurement and derecognition of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements.</p> <p>The impact of this standard may result in a change of classification for the rehabilitation insurance guarantee from loans and receivables to fair value through profit or loss, however it is not likely to result in any material impact on the Group's financial position or performance. It may result in increased disclosure.</p> | 1 January 2018 | 1 July 2018 |
| IFRS 15 | Revenue from Contracts with Customers | <p>IFRS 15 is a new standard that replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i>, IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Arrangements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i> and SIC 31 <i>Revenue: Barter Transactions Involving Advertising Services</i>.</p> <p>The standard requires entities to recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, which is achieved through a five step methodology.</p> <p>On initial assessment, the standard is not expected to affect the recognition or measurement of revenue but may result in increased disclosure with respect to qualitative and quantitative information about the contract with the Group's customer.</p> | 1 January 2018 | 1 July 2018 |

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

| | | | | |
|---------------------|--|--|----------------|-------------|
| IFRS 16 | Leases | <p>IFRS 16 is a new standard that replaces IAS 17 <i>Leases</i>, IFRIC 4 <i>Determining Whether an Arrangement Contains a Lease</i>, SIC 15 <i>Operating Leases – Incentives</i> and SIC 27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>.</p> <p>The standard requires a lessee to recognise a right-of-use asset and a lease liability for all leases that have a term greater than 12 months or a lease for which the underlying asset is not of a low value.</p> <p>The standard will result in a right-of use asset and a lease liability being recognised for operating leases that don't meet the recognition exemption. It is also likely to result in increased disclosure.</p> | 1 January 2019 | 1 July 2019 |
| Amendments to IAS28 | Long-term Interests in Associates and Joint Ventures | <p>An amendment to IAS 28 <i>Investments in Associates and Joint Ventures</i> will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI').</p> <p>The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of IAS 28 and IFRS 9 <i>Financial Instruments</i>.</p> <p>The impact of this interpretation is currently being assessed.</p> | 1 January 2019 | 1 July 2019 |

Key assumptions used in the assessment of impairment of assets

The recoverable amounts of the Sylvania retreatment plants have been based on cash flow projections as at 31 December 2017. The internal financial model is based on the known and confirmed resources for each plant, and no allowance has been made for expansion capital in accordance with IAS 36 *Impairment of assets*.

The calculation of value in use is sensitive to changes in the available resources, discount rates, commodity price and operating costs. Changes in key assumptions could cause the carrying value of assets to exceed their recoverable amounts.

Resources – The resources for each plant, including the PGM grade and expected recoveries that have been modelled are based on extensive test work, sampling and surveying. Where the useful life of a plant is possibly longer than the material currently available to be processed, alternative feed sources have been considered and the likelihood of these materialising assessed by management.

Discount rate – The discount rate reflects management's estimate of the time value of money and the risk associated with the plants. The discount rate of 10% (FY2017:12.72%) is the weighted average cost of capital.

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

Commodity price – The Group has used forecast commodity prices obtained from reputable publications and these range for years from 2017 – 2021 between \$961 and \$1,114/oz for platinum and \$794 to \$1,224 for palladium. Sensitivities have also been applied within the calculation at lower prices.

Operating costs – Operating costs are calculated on a ZAR/ton basis, known contractor rates and planned labour.

Exchange rates – Platinum group metals are priced in USD. The USD/Rand exchange rate used in the discount cash flow model ranges for years from 2017 – 2021 from 13.21 ZAR/\$1 to 14.43 ZAR/\$1 (FY2017: 12.81 to 15.80 ZAR/\$1).

The exploration and evaluation assets were considered for impairment under IFRS 6 Exploration for and Evaluation of Mineral Resources. There were no indicators of impairment as there has been no change in the intention of the company with regard to any of the exploration and evaluation assets. There was no substantive expenditure on these projects during the reporting period as the rights are either pending approval or are in the process of execution.

2. Profit before income tax expense

| | Half year ended 31 December 2017 \$ | Half year ended 31 December 2016 \$ |
|--|---|---|
| The following income and expense items are relevant in explaining the financial performance for the half year: | | |
| Share based payment expense | 69,452 | 172,500 |
| Depreciation – property, plant and equipment | 2,747,812 | 2,798,279 |

3. Exploration and evaluation assets

| | Half year ended 31 December 2017 \$ | Half year ended 31 December 2016 \$ | Year ended 30 June 2017 \$ |
|---|--|--|----------------------------------|
| Costs carried forward in respect of areas of interest in the following phase: | | | |
| Exploration and evaluation phase – at cost | | | |
| Balance at the beginning of period/ year | 57,587,900 | 55,723,424 | 55,723,424 |
| Foreign currency movements | 561,427 | (892,250) | 1,188,028 |
| Direct expenditure for the period/ year | 227,155 | 118,489 | 676,448 |
| Balance at the end of period/ year | 58,376,482 | 54,949,663 | 57,587,900 |

Ultimate recovery of exploration and evaluation expenditure carried forward is dependent upon the recoupment of costs through successful development and commercial exploitation, or alternatively, by sale of the respective areas.

Sylvania Platinum Limited

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

4. Property, plant and equipment

| | Property | Mining property | Construction in progress | Plant and equipment | Equipment | Leasehold improvements | Computer equipment and software | Furniture and fittings | Office equipment | Motor vehicles | Total |
|--|-----------|-----------------|--------------------------|---------------------|-----------|------------------------|---------------------------------|------------------------|------------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| December 2017 | | | | | | | | | | | |
| At 1 July 2017 | | | | | | | | | | | |
| Cost | 3,251,862 | 2,511,008 | 2,232,696 | 62,482,155 | 819,255 | 22,252 | 424,679 | 56,011 | 108,721 | 856,038 | 72,764,677 |
| Accumulated depreciation | (81,453) | (1,647,825) | - | (37,303,257) | (555,501) | (22,252) | (354,704) | (54,700) | (81,659) | (405,635) | (40,506,986) |
| Carrying value | 3,170,409 | 863,183 | 2,232,696 | 25,178,898 | 263,754 | - | 69,975 | 1,311 | 27,062 | 450,403 | 32,257,691 |
| Period ended 31 December 2017 | | | | | | | | | | | |
| Opening carrying value | 3,170,409 | 863,183 | 2,232,696 | 25,178,898 | 263,754 | - | 69,975 | 1,311 | 27,062 | 450,403 | 32,257,691 |
| Exchange differences | 167,963 | 36,143 | 379,709 | 1,818,930 | 11,717 | - | 4,831 | 2,702 | 1,507 | 20,893 | 2,444,395 |
| Acquired through business combinations | 17,233 | - | 558,788 | 3,911,829 | - | - | 16,725 | 19,250 | - | 13,269 | 4,537,094 |
| Additions | 11,008 | - | 2,343,715 | 1,895,654 | 9,660 | - | 15,421 | - | 6,804 | - | 4,282,262 |
| Disposals | - | - | - | (22,164) | - | - | (1,536) | - | (1,187) | (49) | (24,936) |
| Depreciation charge | (3,934) | (111,787) | - | (2,505,412) | (35,214) | - | (29,150) | (1,456) | (4,352) | (56,507) | (2,747,812) |
| Carrying value | 3,362,679 | 787,539 | 5,514,908 | 30,277,735 | 249,917 | - | 76,266 | 21,807 | 29,834 | 428,009 | 40,748,694 |
| At 31 December 2017 | | | | | | | | | | | |
| Cost | 3,452,611 | 2,641,649 | 5,514,908 | 72,219,951 | 872,296 | 22,252 | 480,860 | 80,924 | 120,435 | 904,871 | 86,310,757 |
| Accumulated depreciation | (89,932) | (1,854,110) | - | (41,942,216) | (622,379) | (22,252) | (404,594) | (59,117) | (90,601) | (476,862) | (45,562,063) |
| Carrying value | 3,362,679 | 787,539 | 5,514,908 | 30,277,735 | 249,917 | - | 76,266 | 21,807 | 29,834 | 428,009 | 40,748,694 |

Sylvania Platinum Limited

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

4. Property, plant and equipment (continued)

| | Property | Mining property | Plant and equipment | Equipment | Leasehold improvements | Computer equipment and software | Furniture and fittings | Office equipment | Motor vehicles | Total |
|--------------------------------------|-----------|-----------------|---------------------|-----------|------------------------|---------------------------------|------------------------|------------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| December 2016 | | | | | | | | | | |
| At 1 July 2016 | | | | | | | | | | |
| Cost | 2,868,476 | 2,217,255 | 53,956,078 | 530,311 | 19,649 | 354,366 | 48,713 | 81,729 | 555,819 | 60,632,396 |
| Accumulated depreciation | (61,014) | (1,252,681) | (28,055,042) | (437,106) | (19,446) | (281,254) | (47,288) | (63,901) | (282,073) | (30,499,805) |
| Carrying value | 2,807,462 | 964,574 | 25,901,036 | 93,205 | 203 | 73,112 | 1,425 | 17,828 | 273,746 | 30,132,591 |
| Period ended 31 December 2016 | | | | | | | | | | |
| Opening carrying value | 2,807,462 | 964,574 | 25,901,036 | 93,205 | 203 | 73,112 | 1,425 | 17,828 | 273,746 | 30,132,591 |
| Exchange differences | 206,691 | 69,180 | 1,871,228 | 9,577 | 12 | 5,353 | 100 | 1,455 | 21,866 | 2,185,462 |
| Additions | 2,987 | - | 496,611 | 176,590 | - | 21,240 | 282 | 12,439 | 144,817 | 854,966 |
| Disposals | - | - | - | - | - | - | - | - | (166) | (166) |
| Depreciation charge | (8,108) | (106,854) | (2,586,974) | (21,224) | (160) | (23,091) | (541) | (4,292) | (47,035) | (2,798,279) |
| Carrying value | 3,009,032 | 926,900 | 25,681,901 | 258,148 | 55 | 76,614 | 1,266 | 27,430 | 393,228 | 30,374,574 |
| At 31 December 2016 | | | | | | | | | | |
| Cost | 3,082,790 | 2,380,564 | 58,435,269 | 749,042 | 21,096 | 387,580 | 52,029 | 100,405 | 733,682 | 65,942,457 |
| Accumulated depreciation | (73,758) | (1,453,664) | (32,753,368) | (490,894) | (21,041) | (310,966) | (50,763) | (72,975) | (340,454) | (35,567,883) |
| Carrying value | 3,009,032 | 926,900 | 25,681,901 | 258,148 | 55 | 76,614 | 1,266 | 27,430 | 393,228 | 30,374,574 |

Sylvania Platinum Limited

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

4. Property, plant and equipment (continued)

| | Property | Mining property | Construction in progress | Plant and equipment | Equipment | Leasehold improvements | Computer equipment and software | Furniture and fittings | Office equipment | Motor vehicles | Total |
|--------------------------------|-----------|-----------------|--------------------------|---------------------|-----------|------------------------|---------------------------------|------------------------|------------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| June 2017 | | | | | | | | | | | |
| At 1 July 2016 | | | | | | | | | | | |
| Cost | 2,868,476 | 2,217,255 | - | 53,956,078 | 530,311 | 19,649 | 354,366 | 48,713 | 81,729 | 555,819 | 60,632,396 |
| Accumulated depreciation | (61,014) | (1,252,681) | - | (28,055,042) | (437,106) | (19,446) | (281,254) | (47,288) | (63,901) | (282,073) | (30,499,805) |
| Carrying value | 2,807,462 | 964,574 | - | 25,901,036 | 93,205 | 203 | 73,112 | 1,425 | 17,828 | 273,746 | 30,132,591 |
| Year ended 30 June 2017 | | | | | | | | | | | |
| Opening carrying value | 2,807,462 | 964,574 | - | 25,901,036 | 93,205 | 203 | 73,112 | 1,425 | 17,828 | 273,746 | 30,132,591 |
| Exchange differences | 371,584 | 118,550 | 90,030 | 3,264,015 | 18,728 | 17 | 9,169 | 177 | 2,639 | 41,929 | 3,916,838 |
| Additions | 3,220 | - | 2,142,666 | 1,322,142 | 209,868 | - | 38,938 | 1,375 | 15,512 | 258,886 | 3,992,607 |
| Disposals | - | - | - | 162 | - | - | (261) | - | - | (18,465) | (18,564) |
| Depreciation charge | (11,856) | (219,942) | - | (5,308,457) | (58,047) | (220) | (50,985) | (1,666) | (8,917) | (105,690) | (5,765,780) |
| Carrying value | 3,170,410 | 863,182 | 2,232,696 | 25,178,898 | 263,754 | - | 69,973 | 1,311 | 27,062 | 450,406 | 32,257,692 |
| At 30 June 2017 | | | | | | | | | | | |
| Cost | 3,251,863 | 2,511,007 | 2,232,696 | 62,482,155 | 819,255 | 22,252 | 424,679 | 56,011 | 108,721 | 856,038 | 72,764,677 |
| Accumulated depreciation | (81,453) | (1,647,825) | - | (37,303,257) | (555,501) | (22,252) | (354,706) | (54,700) | (81,659) | (405,632) | (40,506,985) |
| Carrying value | 3,170,410 | 863,182 | 2,232,696 | 25,178,898 | 263,754 | - | 69,973 | 1,311 | 27,062 | 450,406 | 32,257,692 |

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

5. Other financial assets

| | Half year ended 31 December 2017 \$ | Half year ended 31 December 2016 \$ | Year ended 30 June 2017 \$ |
|---|---|--|----------------------------------|
| Loans and receivables | | | |
| Loans receivable (a) | 573,299 | 973,065 | 1,306,885 |
| Rehabilitation insurance guarantee (b) | 570,689 | 295,077 | 427,713 |
| Balance at the end of period/ year | 1,143,988 | 1,268,142 | 1,734,598 |
| Non-current assets | 1,143,988 | 295,077 | 586,271 |
| Current assets | - | 973,065 | 1,148,327 |

(a) Loans receivable consists of loans granted to Ironveld Holdings (Pty) Ltd by Sylvania Metals (Pty) Ltd, a South African subsidiary of the Group and TS Consortium. The decrease in the balance from 31 December 2017 was due to the repayment of the loan to Ironveld Holdings (Pty) Ltd in July 2017.

The loan to TS Consortium is unsecured, bears interest at 7% per annum and is repayable on 31 December 2018.

(b) Investment linked to the rehabilitation insurance guarantee. Monthly instalments of R222 000 are made to the investment account to serve as security for the guarantee.

6. Issued capital

| | Half year ended 31 December 2017 \$ | Half year ended 31 December 2016 \$ | Year ended 30 June 2017 \$ |
|--|--|--|-------------------------------------|
| Ordinary shares with a par value of \$0.01 | 2,911,337 | 2,979,819 | 2,979,819 |

| | Half year ended 31 December 2017 Number | Half year ended 31 December 2016 Number | Year ended 30 June 2017 Number | Half year ended 31 December 2017 \$ | Half year ended 31 December 2016 \$ | Year ended 30 June 2017 \$ |
|--|---|---|---|---|---|-------------------------------------|
| <i>Movements in ordinary shares on issue</i> | | | | | | |
| At start of period/ year | 297,981,896 | 297,981,896 | 297,981,896 | 2,979,819 | 2,979,819 | 2,979,819 |
| Cancellation of shares* | (6,848,235) | - | - | (68,482) | - | - |
| At end of the period/year | 291,133,661 | 297,981,896 | 297,981,896 | 2,911,337 | 2,979,819 | 2,979,819 |

* 3,333,011 shares were acquired in the market and cancelled immediately and 3,515,224 shares were cancelled out of treasury.

On 21 August 2017 the Company announced a Share Buyback Programme ("Programme"). The purpose of the Programme is to facilitate the sale of shares held by small non-UK shareholders prohibited from doing so by the cost and administrative burden of trading certificated shares outside of the UK. Sylvania's Board has approved a programme to offer to buy back up to 4,156,982 shares where the individual shareholding is no more than 175,000 ordinary shares and is in certificated format. The Company will repurchase these shares at A\$0.1619. The closing date for the Programme is 31 March 2018.

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

6. Issued capital (continued)

Shares held in treasury

The following ordinary shares in Sylvania Platinum Limited were repurchased during the period. The shares are being held in treasury and it is intended to use these treasury shares for future allocations of shares to staff as part of the Company share option plan.

| Date | Number of shares |
|--|------------------|
| Opening balance at 1 July 2017 | 8,105,887 |
| Shares purchased | 2,583,898 |
| Shares purchased through Share Buyback Programme | 1,957,306 |
| Share options and bonus shares exercised | (4,602,900) |
| Shares cancelled | (3,515,224) |
| Closing balance at 31 December 2017 | <u>4,528,967</u> |

At 31 December 2017 the Company's issued share capital is 291,133,661 Ordinary Shares, of which a total of 4,528,967 are held in Treasury. The total number of Ordinary Shares with voting rights is 286,604,694.

7. Segment reporting

Segment information

For management purposes the chief operating decision maker, being the Board of Directors of Sylvania Platinum Limited, reports its results in the following segments:

- Sylvania Dump Operations (SDO) which includes the six operational and newly acquired Sylvania Lesedi plant;
- an open cast mining exploration project and a Northern Limb exploration project, which is currently in the exploration phase.

Previously the results were reported on per project, the six operating plants were reported on as separate projects. Decision making by the Board is based by evaluating the operating plants as a group and therefore the segment report has been changed to report the six operating plants and Sylvania Lesedi as a group (SDO). Segment performance is evaluated on PGM ounce production and operating costs. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

The following items are not allocated to any segment as they are not considered to be part of the core operations of any segment:

- finance income;
- finance costs; and
- unallocated expenses

The following tables present revenue and profit information for the periods ended 31 December 2017 and 31 December 2016 and certain asset and liability information regarding reportable segments for the periods ended 31 December 2017 and 31 December 2016 and the year ended 30 June 2017.

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

7. Segment reporting (continued)

| | SDO** \$ | Exploration projects \$ | Corporate/ unallocated \$ | Consolidated \$ |
|--|-------------|-------------------------------|---------------------------------|--------------------|
| 31 December 2017 | | | | |
| Segment assets* | 69,565,996 | 62,080,086 | 7,204,472(a) | 138,850,554 |
| Segment liabilities | 7,826,558 | 1,012,117 | 16,788,860(b) | 25,627,535 |
| Segment revenue | 28,179,974 | - | 469,576 | 28,649,550 |
| Segment profit/(loss) | 8,507,299 | - | (3,106,978)(c) | 5,400,321 |
| Net profit for the period after tax | | | | 5,400,321 |
| Included within the segment profit/(loss): | | | | |
| Depreciation | 2,640,010 | - | 82,971 | 2,722,981 (d) |
| Direct operating costs | 17,032,666 | - | - | 17,032,666 (e) |
| Other items | | | | |
| Income tax expense | - | - | 2,504,486 | 2,504,486 |
| Capital expenditure additions | 4,222,911 | 238,163 | 48,343 | 4,509,417 |

* Segment assets for the Exploration projects includes both property, plant and equipment and exploration and evaluation assets.

** Sylvania Lesedi included in the SDO results for 31 December 2017.

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

7. Segment reporting (continued)

| | SDO Restated** \$ | Exploration projects \$ | Corporate/ unallocated \$ | Consolidated \$ |
|--|-------------------------|----------------------------|------------------------------|--------------------|
| 31 December 2016 | | | | |
| Segment assets* | 56,134,923 | 58,077,289 | 4,560,820(a) | 118,773,032 |
| Segment liabilities | 6,399,400 | 898,652 | 14,184,128(b) | 21,482,180 |
| Segment revenue | 24,550,903 | - | 375,620 | 24,926,523 |
| Segment profit/(loss) | 7,327,042 | (111,278) | (2,694,807)(c) | 4,520,957 |
| Net profit for the period after tax | | | | 4,520,957 |
| Included within segment profit/(loss): | | | | |
| Depreciation | 2,717,639 | - | 52,259 | 2,769,898 (d) |
| Direct operating costs | 14,506,222 | - | - | 14,506,222 (e) |
| Other items | | | | |
| Income tax expense | - | - | 2,141,151 | 2,141,151 |
| Capital expenditure additions | 558,198 | 122,427 | 292,830 | 973,455 |
| 30 June 2017 | | | | |
| Segment assets | 58,949,763 | 60,862,348 | 9,591,590 | 129,403,701 |
| Segment liabilities | 7,604,335 | 947,880 | 15,211,867 | 23,764,082 |

* Segment assets for Exploration projects include property, plant and equipment and exploration and evaluation assets.

** The SDO balances for 31 December 2016 and 30 June 2017 have been restated to be in line with the changed reporting.

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

7. Segment reporting (continued)

| | Half year ended 31 December 2017 \$ | Half year ended 31 December 2016 \$ | Year ended 30 June 2017 \$ |
|---|--|--|----------------------------------|
| Major items included in corporate/unallocated | | | |
| (a) Capital expenditure and other assets | | | |
| Property, plant and equipment | 658,604 | 667,133 | 661,107 |
| Cash and cash equivalents | 4,564,575 | 2,460,383 | 5,953,926 |
| Current tax asset | 219,426 | 1,467 | 756,255 |
| Investment in joint venture | 474,418 | - | 446,104 |
| Other financial assets | 573,299 | 973,065 | 1,306,884 |
| Other receivables | 714,150 | 458,772 | 400,870 |
| | <u>7,204,472</u> | <u>4,560,820</u> | <u>3,051,920</u> |
| (b) Liabilities | | | |
| Deferred tax | 15,955,325 | 12,144,645 | 14,591,815 |
| Interest-bearing loans and borrowings | 216,778 | 324,779 | 286,321 |
| VAT/GST payable | 389,560 | 308,111 | 292,663 |
| Current tax liability | 1,181 | 1,519,406 | - |
| Trade payables | 84,024 | 59,991 | 389,807 |
| Creditor accruals | 141,992 | (172,804) | (348,740) |
| | <u>16,788,860</u> | <u>14,184,128</u> | <u>12,596,190</u> |
| (c) Unallocated expenses/(income) | | | |
| Administrative salaries and wages | 700,799 | 457,440 | |
| Auditors' remuneration | 53,307 | 68,104 | |
| Consulting fees | 42,530 | 59,152 | |
| Depreciation | 107,802 | 80,640 | |
| Finance income | (469,576) | (375,620) | |
| Finance costs | 139,104 | 129,945 | |
| Foreign exchange gain | 2,183 | (330) | |
| Legal expenses | 17,422 | 34,430 | |
| Overseas travelling expenses | 85,049 | 89,055 | |
| Premises leases | 36,167 | 23,283 | |
| Share-based compensation expense | 69,452 | 172,500 | |
| Tax | 2,504,486 | 2,141,151 | |
| Other | (181,747) | (184,943) | |
| | <u>3,106,978</u> | <u>2,694,807</u> | |
| Reconciliations of total segment amounts to corresponding amount for the Group | | | |
| (d) Depreciation | | | |
| Included within cost of sales | 2,722,981 | 2,769,898 | |
| Included within general and administrative costs | 24,831 | 28,381 | |
| | <u>2,747,812</u> | <u>2,798,279</u> | |
| (e) Cost of sales | | | |
| Direct operating costs | 17,032,255 | 14,506,222 | |
| Depreciation | 2,722,981 | 2,769,898 | |
| | <u>19,755,236</u> | <u>17,276,120</u> | |

Sylvania Platinum Limited

Notes to the Condensed Consolidated Financial Statements for the half year ended 31 December 2017

8. Acquisition of Sylvania Lesedi

General

On 6 November 2017, Sylvania Metals (Pty) Ltd a subsidiary of the Group acquired 100% of the shares in Phoenix Platinum Mining (Pty) Ltd renamed Sylvania Lesedi for a consideration of R89,000,000 (\$6,272,453).

Due to the close proximity of Lesedi to Sylvania's existing operations and similar process and business model, certain synergies are expected to be achieved by the combined operations. This acquisition together with Project Echo is expected to contribute to Sylvania's growth potential over the coming years and to reduce costs.

For the 2 months ended 31 December 2017, Sylvania Lesedi contributed revenue of \$1,059,549 and a profit of \$6,825 to the Group's results. If the acquisition had occurred on 1 July 2017, management estimates that consolidated revenue would have been \$2,261,613 and a consolidated loss of \$138,509.

The purchase price allocation has been prepared on a provisional basis in accordance with IFRS 3 *Business Combinations* due to the fair value review not being finalised.

If new information obtained within one year of the acquisition date, about facts and circumstances that existed at the acquisition date, identifies adjustments to the below amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Acquisition-related costs

The Group incurred acquisition-related costs of \$68,340 on legal fees and due diligence costs. These costs have been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional fair value of assets acquired and liabilities assumed at the date of acquisition.

| | 6 November 2017 |
|--|------------------------|
| | \$ |
| Property, plant and equipment | 4,537,094 |
| Trade & Other receivables | 1,754,786 |
| Inventory | 256,022 |
| Cash & Cash equivalents | 176,193 |
| Provisions | (69,624) |
| Trade & Other payables | (381,184) |
| Tax payable | (834) |
| Total identifiable net assets acquired | <u>6,272,453</u> |
| Consideration paid | 6,272,453 |
| Identifiable net assets acquired | <u>(6,272,453)</u> |
| Goodwill | <u>-</u> |

On acquisition the shareholder loan of ZAR253,644,305 (\$17,876,090) owing to Pan African Resources Plc by Phoenix Platinum Mining (Pty) Ltd was transferred to Sylvania Platinum Ltd.

**Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2017**

9. Fair value of financial instruments

For financial assets and liabilities, the fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Group has no financial assets where the carrying amount exceeds the fair value at reporting date.

The following methods and assumptions were used to estimate fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term variable-rate receivables and borrowings are evaluated by the Group based on parameters such as interest rates. As at 31 December 2017 the carrying amounts of such receivables and borrowings were not materially different from their calculated fair values.

10. Events after the reporting date

The directors are not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with in the condensed consolidated interim financial report, which significantly affects the financial position of the Group or the results of its operations.

11. Going concern

After reviewing the financial position, operational performance, budgets and forecasts as well as the timing of cash flows and sensitivity analyses, the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. It is for this reason that the condensed consolidated financial statements have been prepared on the going concern basis.