Sylvania Platinum Limited
(“Sylvania”, “the Company” or “the Group”)
AIM (SLP)

Second Quarter Report to 31 December 2017

Commissioning of the first two Project Echo modules and integration of the Phoenix Platinum operation positions the Company well to meet stated guidance.

30 January 2018

Sylvania Platinum Limited, the low cost Platinum Group Metal (“PGM”) processor and developer, today announces its results for the quarter ended 31 December 2017 (“Q2” or the “quarter”) from its PGM production and development operations in the Bushveld region of South Africa.

SNAPSHOT

- Acquisition of Phoenix Platinum from Pan African Resources for R89 million ($6.3 million) was finalised in November 2017;
- 17,302 PGM 4E ounces produced by Sylvania Dump Operations;
- Revenue stable in US dollar terms at $14.1 million (Q1 : $14.1 million) and increased 3% in Rand terms to R191.2 million (Q1 : R186.1 million);
- Group EBITDA decreased 11% from $5.5 million to $4.9 million quarter-on-quarter;
- 6,848,235 Ordinary Shares held in Treasury cancelled in Q2; and
- Maintained a positive Group cash balance of $12.6 million after the acquisition of Phoenix Platinum for $6.3 million and increased capital expenditure on Project Echo during the quarter.

SYLVANIA OVERVIEW

Following the successful conclusion of the Phoenix Platinum Mining Proprietary Limited (“Phoenix”) acquisition during November 2017, Phoenix was integrated into Sylvania and renamed Sylvania Lesedi (“Lesedi”), in line with Sylvania’s existing naming convention for dump operations. The Lesedi operation, together with the existing dump operations, namely Doornbosch, Lannex, Tweefontein, Millsell, Mooinooi Dump, and Mooinooi ROM, are collectively referred to as the Sylvania Dump Operations (“SDO”).

The SDO produced 17,302 4E PGM ounces for the quarter, which is a 4% increase on the previous quarter’s production of 16,589 ounces. Total 6E ounces produced, as historically used by Lesedi and commonly reported by peers in our sector, were 23,199 ounces for the quarter, a 5% increase on the 22,025 ounces produced last quarter. 4E PGM ounces include the precious metal elements, Platinum, Palladium, Rhodium and Gold, whereas 6E ounces refer to the 4E elements plus the Iridium and Ruthenium ounces that naturally occur in PGM ores / resources.

The cash costs per 4E ounce for the SDO in US Dollar terms increased marginally by 2% to $507/oz from $496/oz last quarter, and increased by 6% in Rand terms to R6,904/oz from R6,541/oz in Q1. Revenue increased 3% in Rand terms to R191.2 million (Q1: R186.1 million) but remained flat in Dollar terms at $14.1 million (Q1: $14.1 million). This is due to the monthly price adjustment on ounces delivered and the payability factor impacting the US Dollar revenue despite the gross PGM basket price increasing 4% to $1,067/oz (Q1: $1,028/oz). SDO capital expenditure increased 51% in US Dollar terms in line with the development schedule for Project Echo, with the first two plant modules commissioned in December 2017 at Millsell and Doornbosch.

The Group cash balance at 31 December 2017 was $12.6 million, a $4.8 million decrease on the previous quarter's $17.4 million. Cash generated from operations before working capital movements was $4.8 million with net changes in working capital amounting to a reduction of $2.1 million. An amount of $2.6 million was spent on capital comprising $1.4 million spent on Project Echo and $1.2 million on stay-in-business capital. The $6.3 million cash consideration for the acquisition of Phoenix was also paid during the quarter. The impact of exchange rate fluctuations on cash held at the quarter end was a $1.2 million gain with the ZAR/USD spot at R12.41 on 31 December 2017 against R13.58 on 30 September 2017.

Commenting on the quarter, Sylvania's CEO Terry McConnachie said:

"The past quarter, historically slower due to the Christmas period, was slightly more challenging than previous quarters with several technical projects being commissioned simultaneously. It was, however, a significant quarter for the Company, as we finalised the acquisition of Phoenix Platinum, renamed Lesedi, from Pan African Resources. We believe these new assets will add substantial value to our current chrome tailings operations and enable us to increase our annual PGM production by approximately 8,500 4E ounces per year.

I am pleased to report another good result in terms of PGM production for the period – 17,302 4E PGM ounces was produced in the quarter, a 4% increase on the previous quarter's production of 16,589 ounces. This was largely due to the integration of the Lesedi operation, with 1,458 ounces attributable to Sylvania in the past quarter, under the new Sylvania management. This is the highest ounce production this plant has seen in two years. We also increased our revenue in Rand terms by 3% to R191.2 million.

Our focus for the quarter was on increasing plant production volumes, improving plant feed stability, feed grade and recovery efficiencies, and reducing overall production costs. The Lesedi operation, along with Project Echo, of which the first phase was commissioned in December 2017, contributed to this strategy. With the Millsell and Doornbosch MF2 modules now in the process of being optimised, we are expecting a significant improvement in production over the next two quarters and remain confident that we will achieve the targeted 75,000 ounces for the year post the Lesedi acquisition."

GROUP PERFORMANCE

Unaudited – Group	**Unit**	**December 2017 Quarter**	**September 2017 Quarter**	**% Change**
Financials				
Revenue	$'000	14,056	14,118	-
Capital Expenditure[1]	$'000	2,637	1,823	45%
Ave R/$ rate	R/$	13.60	13.18	3%
EBITDA[2]	$'000	4,930	5,506	-10%
Production				
PGM Plant Feed	T	309,993	274,377	13%
Total 4E PGMs[3]	4E Oz	17,302	16,589	4%
Total 6E PGMs[3]	6E Oz	23,199	22,025	5%
Group Cash Cost[3]				
Per 4E PGM oz	$/oz	524	519	1%

1 Capital expenditure on SDO and exploration and evaluation assets.

2 EBITDA is Earnings before interest, foreign exchange gains and losses, taxation, depreciation and amortisation.

3 4E PGM ounces include the precious metal elements, Platinum, Palladium, Rhodium and Gold, whereas 6E ounces refer to the 4E elements plus additional Iridium and Ruthenium ounces that naturally occur in PGM ores / resources.

4 Group cash costs include plant operating costs and group general and administration costs, but are exclusive of depreciation, amortisation, reclamation capital, project development and administration costs and share-based payments.

A. COMBINED DUMP OPERATIONS

Health, safety and environment

There were no significant safety, health or environmental incidents during the quarter, with Lesedi, Tweefontein and Doornbosch operations remaining Lost Time Injury ("LTI") free for more than five years, and Lannex and Millsell remaining LTI-free for more than two years.

Operations

The SDO PGM production of 17,302 4E ounces is a 4% increase on the previous quarter's performance of 16,589 ounces. The attributable ounces from Lesedi since take-over in November 2017, was 1,458 ounces and assisted to lift overall production, while the 15,845 ounce production from the remaining dump operations was approximately 4% lower than the previous quarter (Q1: 16,589 ounces).

Plant feed tons increased 9% from 524,504 tons to 573,064 tons during the quarter, primarily due to the additional feed volumes from Lesedi, while Millsell and Mooinooi feed tons were lower than the previous quarter due to operational challenges. Mooinooi operation's reduced feed tonnages were primarily associated with lower than planned current arisings and ROM feed tons from the host mine during December 2017. The Millsell feed tons were also negatively impacted by a combination of lower than planned current arisings from the host mine during December 2017 as well as operational downtime associated with the delayed commissioning of a new tailings facility as a result of environmental authorisations that were received later than anticipated.

PGM feed grades from SDO, excluding Lesedi, were constant quarter-on-quarter at 3.69 g/t 4E, but overall SDO PGM feed grade was approximately 2% lower due to the reduced feed grades at Lesedi of 2.80 g/t 4E. PGM recovery efficiency was approximately 11% lower compared to the previous quarter due to a combination of the lower PGM recovery efficiency of 40.1% at Lesedi and recovery challenges at Millsell, Lannex and Mooinooi associated with plant and flotation feed stability, that has since been addressed.

The cash costs per 4E ounce for the SDO in Dollar terms increased marginally by 2% to $507/oz from $496/oz last quarter, and increased by 6% in Rand terms to R6,904/oz from R6,541/oz in Q1. Although the SDO cash costs, excluding Lesedi, was still higher than average for FY2017 due to lower PGM production volumes after Steelpoort's scheduled closure, it was similar in US Dollar and Rand terms quarter-on-quarter at $494/oz and R6,724/oz (Q1 FY2018: $496/oz and R6,541/oz), but the higher cash operating cost contribution from Lesedi of $651/oz (R8,854/oz) resulted in higher overall cash cost of SDO. Cash costs per 6E ounce is approximately $378/oz (R5,149/oz) for the past quarter.

Operational and Financial Summary

Unaudited – Sylvania Dump Operations[1]	Unit	December 2017 Quarter	September 2017 Quarter	+- % Quarter on Quarter	YTD
Revenue					
Revenue	$'000	14,056	14,118	-	28,180
Revenue	R'000	191,223	186,104	3%	377,327
Gross Basket Price[2]	$/oz	1,067	1,028	4%	1,057
Gross Cash Margin - CO	%	38%	42%	-10%	40%
Capital Expenditure	$'000	2,552	1,695	51%	4,261
Capital Expenditure	R'000	34,719	22,339	55%	57,058
Ave R/US$ rate[3]	R/$	13.60	13.18	3%	13.39
EBITDA	$'000	5,229	5,885	-11%	11,102
EBITDA	R'000	71,134	77,571	-8%	148,648
CO Cash Cost[4]					
Per PGM Feed ton	$/t	28	30	-7%	29
Per PGM Feed ton	R/t	385	396	-3%	390

Unaudited – Sylvania Dump Operations[1]	Unit	December 2017 Quarter	September 2017 Quarter	+- % Quarter on Quarter	YTD
Per 4E PGM oz	$/oz	507	496	2%	502
Per 4E PGM oz	R/oz	6,904	6,541	6%	6,728
Per 6E PGM oz[5]	$/oz	378	374	1%	377
Per 6E PGM oz[5]	R/oz	5,149	4,929	4%	5,042
Production					
Plant Feed	T	573,064	524,504	9%	1,097,568
Feed Head Grade	g/t	2.47	2.38	4%	2.46
PGM Plant Feed Tons	T	309,993	274,377	13%	584,850
PGM Plant Grade	g/t	3.56	3.64	-2%	3.60
PGM Plant Recovery	% 4E	46.4%	52.4%	-11%	48.0%
Total 4E PGMs	4E Oz	17,302	16,589	4%	33,892
Total 6E PGMs[5]	6E Oz	23,199	22,025	5%	45,224

1 Sylvania Dump Operations now includes Sylvania Lesedi operation (previously Phoenix Platinum Mining Company Limited) from FY2018 Q2 onwards.
2 The gross basket price reported is the total estimated price for deliveries made in the quarter and does not include any penalties or smelting costs. The actual net basket price received is only determined in the invoicing month which is three months after the delivery month, prior quarter adjusted for actual prices received if necessary.
3 The functional currency for SDO is SA Rand and the exchange rate shown is the average over the period indicated.
4 Cash costs include plant operating costs such as mining, processing, administration, royalties and production taxes, but are exclusive of depreciation, amortisation, reclamation, capital, project development and exploration costs.
5 4E PGM ounces include the precious metal elements, Platinum, Palladium, Rhodium and Gold, whereas 6E ounces refer to the 4E elements plus additional Iridium and Ruthenium ounces that naturally occur in PGM ores / resources.

Project Echo

Project Echo continues to progress well, with both the Millsell and Doornbosch MF2 modules being commissioned during December 2017, and the Mooinooi and Tweefontein modules in the design phase to be executed during 2018.

Millsell MF2 commissioning, which included a complete new flotation section, was delayed by approximately a month due to construction and power constraints, but Doornbosch MF2, where the old Steelpoort PGM flotation plant was successfully relocated, was commissioned a month early, with both sections expected to contribute significantly during the next quarter and going forward.

Project Echo, which was launched to fill the ounce gap after the scheduled closure of the Steelpoort operation in June 2017 and the MF2 roll-out, will lead to improved PGM recovery efficiencies, lower PGM production unit costs and increased cash generation, that will enable the SDO, excluding Lesedi, to extend its operating life and to sustain its production profile of around 70,000 ounces going forward. The inclusion of Lesedi increases the outlook to 75,000 ounces for FY2018 and approximately 78,000 ounces from FY2019.

Phoenix Acquisition

Sylvania announced on 7 November 2017 that the acquisition by the Company from Pan Africa Resources Plc ("PAR") of 100% of the shares in and claims against Phoenix Platinum Mining Proprietary Limited ("Phoenix Platinum") ("the Transaction") became unconditional following, amongst other conditions, the approval of the Transaction by the South African Competition Authorities in accordance with the Competition Act 1998. As such, Sylvania has taken full control, ownership and management of Phoenix Platinum since 7 November 2017 and renamed the operation Sylvania Lesedi, in line with Sylvania's existing naming convention for dump operations.

During the past quarter the primary focus was 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 involvement of 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 flotation circuit;
- Plant feed tons and PGM feed grades have increased since December 2017 through a combination of plant debottlenecking and resource scheduling;
- 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 over the coming quarters.

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.

B. EXPLORATION AND OPENCAST MINING PROJECTS

Volspruit Platinum Exploration

The Mining Right for the Volspruit Platinum Exploration project, granted and announced during the fourth quarter FY2017, has been appealed by Interested and Affected Parties. All necessary documentation responding to the appeal has been filed and the Company is awaiting an outcome on a decision by the Department of Mineral Resources.

Grasvally Chrome Exploration

The Company was pleased to receive communication that the Minister of Water and Sanitation has issued to Grasvally an Integrated Waste and Water Use Licence for Chrome ore Mine Bulk Sample Operations. This will allow the processing and beneficiation testing of the Bulk Sample on site at the Grasvally operation.

C. CORPORATE UPDATE

Exercise of Share Options, Share Buybacks and Cancellation of Shares

During the quarter, certain Directors and senior management exercised vested options awarded to them under the Sylvania Platinum Limited Share Option Plan ("the Option Plan") as well as the deferred share awards granted in accordance with the Sylvania Platinum Limited Bonus Share Award Plan ("Bonus Shares"). Upon exercising the vested Options and Bonus Shares, these converted to 4,602,900 Ordinary shares of USD0.01 each and shares held in treasury were used to satisfy the exercise of the options and bonus 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.

During the quarter, the Company also purchased a total of 1,025,778 Ordinary $0.01 Shares at a price of A$0.1619 per Ordinary Share under its Share Buyback Programme ("the Programme") announced on 21 August 2017. Shares purchased in accordance with this programme are placed into Treasury to be cancelled on completion of the Programme.

During the quarter, the Board approved the cancellation of 4,339,396 Ordinary Shares held in Treasury. This brings the total number of Ordinary Shares cancelled to date in FY2018 to 6,848,235. Accordingly, at the end of the quarter the Company's issued share capital was 291,133,661 Ordinary Shares, of which a total of 4,537,301 Ordinary Shares were held in Treasury. Therefore, the total number of Ordinary Shares with voting rights in Sylvania was 286,596,360 Ordinary Shares.

CORPORATE INFORMATION

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