CEO's review

Together with your Chairman, I am delighted with another year of solid production performance by the SDO which enabled us to increase FY2023 target production guidance not once but twice during the year, and our team has still managed to exceed final revised guidance, delivering 75,469 4E PGM ounces this year.

Our commitment to health and safety was maintained throughout the year and we continued to move towards our aim of achieving zero harm across all operations. Notably, our Doornbosch plant achieved 11 years' LTI-free in June 2023, a significant achievement for the operation and a testament to Sylvania's high safety standards.

Throughout the year, the Company remained committed to delivering value for its shareholders and displayed strong discipline and diligence in managing its capital and cash resources. As part of this strategy, the Company published a new Dividend Policy in HY1 FY2023, paid a maiden interim dividend of three pence per Ordinary Share and has now declared a final dividend of five pence per Ordinary Share, thus maintaining the level of dividend declared in FY2022. During the year, we also conducted Share Buyback programmes in which 3.6 million Ordinary Shares ($3.6 million) were bought back in the market and 1.2 million Ordinary Shares ($1.3 million) were bought back from employees and for tax purposes. In addition to the dividend and share buybacks, all capital projects were funded from cash generated from operations, totalling approximately $14.5 million (ZAR257.2 million), meaning the Company ended the financial year with a stable cash position of $125.0 million including $0.8 million in financial guarantees.

With a 28% decrease in the average basket price received in comparison to the previous period, primarily attributable to the drop in palladium and rhodium prices in particular, the Board will maintain vigilant oversight and control of its cash position in the upcoming year. The objective is to guarantee that the Company retains ample cash reserves to cover working capital for the pipeline period, finance capital projects, facilitate growth and exploration, and safeguard against potential future challenges in addition to returning value to shareholders.

The post-period announcement of the Thaba JV represents a major step in the delivery of the Company's growth strategy, expanding Sylvania Metals' operations and adding attributable annual production of approximately 6,500 4E PGM ounces and introducing 200,000 tons of chromite concentrate to the existing production profile.

Health, safety and environment

During the period under review, the operations continued to focus on health, safety and environmental compliance. The Group is proud to report that there were no significant health or environmental incidents reported during the year and that the Company remains fatality-free since inception in 2006. We unfortunately experienced one LTI at the Mooinooi operation (an ankle sprain), and one LTI at the Lesedi operation (a knee sprain) during March 2023.

As mentioned above, the Board and management are exceptionally proud of the Doornbosch team, having achieved the considerable milestone of 11-years' LTI-free. Additionally, Lannex achieved three years LTI-free during the period and Millsell and Tweefontein are now both LTI-free for more than a year.

The Company remains steadfast in its commitment to achieving the paramount objective of zero harm to its valued employees. In pursuit of this unwavering commitment, each recorded injury undergoes a comprehensive investigation, leading to the diligent implementation of corrective measures aimed at preventing any potential recurrences in the future.

The mental health and wellbeing of employees and their dependants remains an important concern for the Company, which is supported by the Employee Assistance Programme (EAP). The EAP is available to all employees and their immediate family members, as well as those living in the same household. Although there is a focus on treatment and prevention, the programme will enhance the corporate culture of caring and wellness. Regular health and wellness circulars are uploaded to the Company's SharePoint system and on screens across all operations, including at the head office. The EAP's reporting lines are confidential and each case is treated with the utmost discretion to protect any person's right to privacy.

Through the collaborative efforts of management and all employees, we continuously strive to maintain high safety standards and a safe working environment at all operating sites, with each plant continuing to operate in accordance with legislated safety and occupational regulations pertaining to the industry and country.

Operational performance

It is extremely heartening that the SDO exceeded the Company's increased guidance for the financial year. PGM plant feed tons were 12% higher than the previous period. PGM feed grades decreased slightly by 5% year-on-year while recovery efficiencies increased by 5%. At Mooinooi, the management team worked diligently with the host mine to explore blending opportunities as a means of stabilising recoveries and improving the ROM ore feed grade, while reagent optimisation continued at all plants in order to improve efficiencies and further contribute to an increase in metal recoveries. As part of our secondary MF2 roll-out programme, the Lesedi MF2 plant was fully commissioned with optimisation of the fine grinding and flotation circuit resulting in improved performance, PGM concentrate grades and recovery efficiencies during the year. Additionally, the Tweefontein MF2 circuit was optimised following commissioning in Q2 FY2023 and continues to contribute to improved recoveries.

> **The Board and management are exceptionally proud of the Doornbosch team, having achieved the considerable milestone of 11 years' LTI-free.**
>
> **Jaco Prinsloo**
> Chief Executive Officer (CEO)

Exploration Volspruit

Summary of year's activity

- Mineral Resource Estimate (MRE) released in October 2022, with initial Preliminary Economic Assessment (PEA) focusing on North Pit only.
- Further work in 2023 focused on increasing value through metallurgical testwork, additional assay information for full PGE suite, and reinterpretation of the South Body.
- Updated MRE for combined North and South resources, including rhodium (initially excluded) expected in Q1 FY2024, with the PEA expected in Q3 FY2024.
- The permitting requirements continue for the Water Use Licence, amendments to the Environmental Impact Assessment and authorisation of the Social and Labour Plan.

Exploration – Far Northern Limb

AURORA

Summary of year's activity

- Joint Ore Reserves Committee (JORC) compliant MRE declared on farm La Pucella (representing ~12% of project area) during October 2022 – near surface T-Zone identified.
- Work continues on proving up continuity of the T-Zone mineralisation along the remaining 88% strike covered by the project area.

HACRA

Summary of year's activity

- Encouraging exploration results from underground drilling published during October 2022.
- Further work towards determining whether a maiden MRE can be declared.

CEO's review continued

All of which resulted in increased production and, subsequently, the increase in the production guidance for FY2023.

Focus remains on final PGM concentrate quality through optimisation of mass pull, concentrate grade and metal recoveries to contribute positively towards the revenue stream of the Group. Additionally, decreasing metal prices and the resultant impact on margins have reinforced the importance of managing operating costs and prudent capital spend. Operating costs continue to be reviewed on a regular basis.

The SDO cash cost per 4E PGM ounce increased by 4% in ZAR (the functional currency) from ZAR10,899/ounce to ZAR11,355/ounce while the USD cash cost decreased 11% to $640/ounce against $716/ounce in the prior year. The increase in ZAR costs was primarily driven by higher electricity costs, reagent price increases and an increase in community upliftment expenditure. The effect of high global inflation and the consequences of supply chain disruptions owing to the Russia-Ukraine conflict continues to directly impact the cost of reagents, fuel and transport which also impacts operating costs.

The development of a new formal planned maintenance system has been successfully implemented at Millsell and is anticipated to be rolled out to selected priority operations during FY2024. This is expected to further improve plant availability and runtime, resulting in improved process stability and increased efficiencies.

Focus and engagement with the host mine on the preferred source of ROM and associated grades remains a priority for the Mooinooi operation and is producing positive results. The declining feed grades of the surface sources are being managed to ensure a consistent grade is maintained, with focus on improving recoveries through stability and blending opportunities as well as pursuing higher PGM grade third-party chrome tailings material to supplement feed grades at existing operations.

Lannex, in particular, achieved a step change improvement in recovery, following the implementation of a new flotation reagent regime, while Mooinooi achieved significantly improved recovery efficiencies due to better quality ROM material received from the host mine during the period. Overall operational performance has been excellent with production guidance significantly exceeding expectations for the financial year. Management continues to focus on optimisation of feed sources, blending strategy and reagent regimes to further enhance performance. ROM grades received from the host mine remain on target and collaboration is ongoing regarding further improvements in this area.

Water consumption at the Lesedi remining operation and the remining operation of Dam 6A at the Mooinooi Plant, which commenced during the year remain focus areas, as well as optimal blending to ensure the planned grade profile is achieved.

The Company experienced localised power supply constraints to operations during the year as a result of continuing vandalism and cable theft at substations of the national power utility and by the reimplementation of loadshedding in the country. However, fortunately, load curtailment by the power utility only impacted the performance of the Lesedi operation, which experienced over 300 hours of downtime. The procurement, installation and commissioning of the backup generator for Lesedi is expected to be completed by the end of Q1 FY2024.

Power challenges in South Africa have been a concern, and as a tailings reprocessing company, we rely on fossil fuels through diesel generators as backup in the absence of utility power in the short to near term. Longer term, we are exploring alternative options such as biofuels to mitigate our environmental impact. Furthermore, we are committed to the longer-term energy transition into more sustainable sources and are actively working with our partners, such as LMC, to incorporate solar power into our operations.

Mitigation against power challenges is crucial to our operations, along with sustainability, environmental management and good governance.

JV agreement

The Thaba JV leverages the distinct strengths of each entity within the mining and processing sector to yield both PGMs and chromite concentrate. Sylvania Metals brings its proven track record in PGM recovery, sales, and distribution, while LMC contributes its expertise in chrome operations, particularly in fine chromite beneficiation. This alliance is poised to capitalise on the resources of the Middle Group Reef situated on the northern sector of the Western Limb of the Bushveld Complex in South Africa. By merging knowledge and resources, the partnership aims to extract optimal value from this region while expanding Sylvania Metals' commodity portfolio.

The Thaba JV envisions a mutual enhancement of value for both companies' shareholders. The Thaba JV adds a valuable dimension to Sylvania Metals' existing production profile. The collaboration's viability is underlined by an attractive investment return, surpassing our 20% internal rate of return threshold, with a cash payback period of less than three years post-commissioning based on consensus metal pricing forecasts. Beyond financial gains, the JV is strategically aligned with Sylvania Metals' growth strategy, allowing it to tap into new resources, bolster production capabilities, and fortify distribution channels, thereby solidifying our standing within the mining and processing domain.

CEO's review continued

Capital projects

Capital expenditure for the year increased 3% to ZAR257.2 million (FY2022: ZAR249.6 million), in line with the roll-out of planned projects.

Construction and commissioning of the Tweefontein MF2 plant has been completed, which resulted in improved performances and a steady increase in recoveries at the operation, as the new flotation circuit was optimised.

Based on the successful roll-out of the MF2 programme and the installation of ultra-fine screening circuits at various operations since 2017 to improve process and PGM recovery efficiencies, a project was initiated to also roll-out this technology at Lannex, which is the last MF1 circuit in the Group to be converted. Construction of the Lannex MF2 plant is on target to commence commissioning in the latter part of Q1 FY2024, with commissioning of the fine grinding circuit to follow during Q2 FY2024.

Approximately ZAR15.9 million ($0.9 million) is budgeted in FY2024 for the necessary expansion of the Company's tailings facilities to ensure integrity and capacity at the tailings deposition facilities and to cater for the remaining materials that need to be processed.

The Company has also budgeted to instal new emergency backup power generation capacity at two of its plants in order to reduce the impact of power interruptions and bolster supply capacity during peak daytime running hours. While the Company is fully committed to reducing its carbon footprint in line with ESG objectives, standalone emergency backup plants operating fully on renewable technologies are not currently viable. However, the Company is investigating the possibility of introducing renewable technologies.

As part of its commitment to further improve the viability of its exploration projects at Volspruit and the Far Northern Limb projects, and to further unlock the economic potential from these owned assets, the Company anticipates spending approximately ZAR9.0 million ($0.5 million) during FY2024 to perform further resource optimisation and exploration drilling as detailed in the mineral asset and development section, as well as on the required regulatory Social and Labour Plan spend.

The Company's project focused on creating chromite ore pellets suitable for ferrochrome (FeCr) smelters has progressed well. Pilot-scale work has been completed and potential industry partners are being engaged to assess the commercial viability of the technology. Sylvania is funding the development costs in exchange for holding the licence for any future chrome pellet production in South Africa.

Financial performance

When interpreting financial results, it is important to note that the Group generates revenues in USD, which are converted to ZAR, and incurs costs in ZAR, USD and GBP. The average USD:ZAR exchange rate was ZAR17.75:$1 against the ZAR15.21:$1 recorded in the previous period, and the spot price was ZAR18.89:$1 at 30 June 2023 (FY2022: ZAR16.38:$1).

The average gross basket price for PGMs in the financial year was $2,086/ounce, a 28% decrease on the previous year's basket price of $2,890 ounce. The decrease in the overall PGM basket price was primarily due to a circa 58% decrease in rhodium prices and a circa 57% decrease in palladium prices.

Revenue on 4E PGM ounces delivered decreased by 18% in dollar terms to $116.6 million year-on-year (FY2022: $142.5 million) with revenue from base metals and by-products contributing $13.3 million to the total revenue (FY2022: $12.4 million). Net revenue, after adjustments for ounces delivered in the prior year but invoiced in FY2023, decreased 14% to $130.2 million (FY2022: $151.9 million).

Group cash costs decreased by 14% year-on-year from $897/ounce (ZAR13,643/ounce) to $771/ounce (ZAR13,685/ounce). Direct operating costs increased 17% in ZAR (the functional currency) from ZAR730.8 million to ZAR856.9 million and indirect operating costs decreased 10% from ZAR265.1 million to ZAR239.5 million. The decrease in indirect costs is attributable to the decrease to the annual rehabilitation closure cost adjustment of ZAR22.2 million (FY2022: ZAR23.0 million increase) and the reduction in mineral royalty taxes which accounted for ZAR87.1 million (FY2022: ZAR105.3 million).

General and administrative costs, included in the Group cash costs, are incurred in USD, GBP and ZAR and are impacted by exchange rate fluctuations over the reporting period. These costs decreased 2% to $2.8 million from $2.9 million in the reporting currency year-on-year, mainly due to the depreciation of the ZAR against the USD in USD terms. However, in ZAR terms there was a 14% increase to ZAR49.5 million from ZAR43.5 million in FY2022. The increase relates mainly to administrative and shared services employee costs (ZAR2.6 million), professional services and fees (ZAR0.6 million), and overseas travel (ZAR2.8 million).

All-in sustaining costs decreased by 17% to $874/ounce (ZAR15,509/ounce) from $1,052/ounce (ZAR16,008/ounce), aided by the higher PGM ounce production. Similarly all-in costs decreased by 18% to $1,033/ounce (ZAR18,345/ounce) from $1,256/ounce (ZAR19,109/ounce) recorded in the previous period as a result of the decrease in capital spend on strategic projects and exploration, and an increase in production. Group EBITDA decreased 20% year-on-year to $66.0 million (FY2022: $82.8 million).

The taxation expense for the year was $21.6 million (FY2022: $24.8 million) (as per the statement of profit or loss and other comprehensive income (OCI) and includes deferred taxation movements and dividend withholding tax) and depreciation amounted to $4.2 million.

The Group net profit for the year was $45.4 million (FY2022: $56.2 million).

Capital spend for the year was ZAR257.2 million ($14.5 million) (FY2022: ZAR249.6 million ($16.4 million)) primarily associated with various tailings facilities, Lannex MF2 projects and stay-in-business capital in line with the Company's business plan for the year.

Basic earnings per share (EPS) decreased 18% to 17.01 US cents per share from 20.62 US cents per share in FY2022.

The cash balance on 30 June 2023 was $125.0 million (FY2022: $121.3 million), including $0.8 million in financial guarantees (FY2022: $0.9 million). Cash generated from operations before working capital movements was $64.0 million, with net changes in working capital of $13.7 million, mainly due to the movement in trade receivables of $12.1 million. Net finance income amounted to $5.1 million and $19.8 million was paid in income tax for the period, including dividend withholding tax of $1.8 million.

At the corporate level, 3.6 million Ordinary Shares were bought back through the Share Buyback programme for a cost of $3.6 million. The Company cancelled 1.2 million Ordinary Shares held in Treasury in December 2022, and then a further 3.6 million Ordinary Shares held in Treasury were cancelled, post-year-end on 13 July 2023. Bonus share awards of 1.8 million Ordinary Shares vested and were exercised by various persons displaying management responsibilities (PDMRs) and employees. These bonus share awards were granted in August 2019 and had a three-year vesting period. A total of 0.7 million of the exercised Ordinary Shares were repurchased to satisfy the tax liabilities of PDMRs and certain employees and a further 0.5 million Ordinary Shares were repurchased from PDMRs and certain employees during September 2022 and May 2023, respectively.

The Company paid its first cash interim dividend of three pence per Ordinary Share amounting to $9.9 million in April 2023. Dividends of $35.5 million were paid out during the financial year, which included the FY2022 dividend paid in December 2022 and a further $1.0 million was paid through the Employee Dividend Entitlement Programme (EDEP).

The impact of exchange rate fluctuations on cash held at year-end was a $3.8 million loss due to the ZAR depreciating against the USD by 15%.

The Company remains debt free with a cash balance of $125.0 million including $0.8 million in financial guarantees, allowing for continued funding of capital expansion projects as identified.

For more details on the financial performance of the Group, please refer to the Directors' report and the accompanying consolidated annual financial statements.

Mineral asset development

The Group owns various mineral asset development projects on the Northern Limb of the Bushveld Igneous Complex located in South Africa for which it has approved mining rights. In the 2021 financial year, a new phase of targeted studies was commissioned on both the Volspruit and Far Northern Limb PGM opportunities to determine how best to optimise the respective projects. In October 2022, significant progress was reported in the Exploration Results and Resource Statement and work has continued during FY2023 towards unlocking mineral potential on these projects.

CAPITAL EXPENDITURE
ZAR257.2m
+3%
(FY2022: ZAR249.6 million)

GROUP NET PROFIT
$45.4m
-19%
(FY2022: $56.2 million)

BASIC EARNINGS PER SHARE
17.01 US cents per share
-18%
(FY2022: 20.62 US cents per share)

CEO’s review continued

Volspruit Project

Earlier resource statements for Volspruit reported relatively low in situ grades and consequently, low PGM concentrates would have necessitated capital-intensive in-house smelting and refining facilities using unproven technologies. This was one of the primary reasons for the relatively slow progress on this project in earlier years. Based on the improved metal prices in recent years and an improved focus on unlocking the potential and further value from existing assets, the Company initiated a resource optimisation study in 2021.

The primary objective was to improve the ore feed grades for the project to enable the production of a higher grade, saleable PGM concentrate, eliminating the need for expensive and complicated downstream processing infrastructure.

The Statement of Exploration Results, Mineral Resources and Scoping Study released in October 2022 provided a revised MRE defining a narrower mineralised zone of the Volspruit North Body, on which a PEA was completed. Based on the results of this initial study, there is approximately 15.7 million tons of ROM feed material at a grade of 2.13g/t 3E and a stripping ratio of 6.7 over the life of mine.

Far Northern Limb Projects

The Company currently holds approved mining rights for PGMs and base metals for both the Hacra and Aurora project areas. Similarly to Volspruit, historical MREs for the project areas did not provide sufficient ore feed grades to produce a saleable PGM concentrate and consequently, limited progress was made in previous years to develop these projects.

As reported last year, the Company commissioned a targeted review of both the Hacra and Aurora projects through infill drilling projects, relogging programmes and selected optimisation studies, which was reported in the Statement of Exploration Results, Mineral Resources and Scoping Study released in October 2022. A proof-of-concept study that included the reinterpretation of the mineralisation at Aurora enabled the identification of the near surface T-zone on the La Pucella farm. This represents approximately 12% of the potential strike length held under mining rights on Aurora.

A JORC compliant Measured and Indicated Resource of 16.2 million tons (including 10% geological loss) at a grade of 2.63 g/t 3E was declared for this proof-of-concept study over the limited area. Initial economic evaluation of the resource indicated a need for increased resource volume, and further studies during the 2023 financial year were conducted to determine the continuity of mineralisation along the remaining strike length. At the end of the 2023 financial year, 30,385 metres (76%) of the 40,230 metres of historic core available within the mining right had been relogged. This programme will be completed in Q2 FY2024. A technical study, to be completed in the third quarter of FY2024, will assess the continuity of the T-Zone mineralisation and allow for targeted resource upgrade drilling programmes to be designed.

As reported in the Statement of Exploration Results, Mineral Resources and Scoping Study released in October 2022, the Hacra North underground target has provided some significant drilling results. Work continues to evaluate the underground potential with a technical review of the project expected to be completed during the first quarter of FY2024.

Corporate activities

Dividend approval and payment

On 2 December 2022, the Board paid a dividend for FY2022 totalling $25.6 million, equating to eight pence per Ordinary Share, to shareholders on the register on the record date of 28 October 2022.

The Board published a new Dividend Policy in HY1 FY2023 and, as a result, the Board declared its first interim dividend of three pence per Ordinary Share in February 2023, which was paid out on 6 April 2023.

In accordance with this new Dividend Policy, I am happy to announce that, despite the challenging year we have faced, the Board has declared the payment of a final cash dividend for FY2023 of five pence per Ordinary Share, payable on 1 December 2023. Further to the dividends paid to shareholders, and in accordance with the Company’s EDEP whereby eligible employees receive an equivalent dividend paid on shares bought back by the Company in the market, held in Treasury and ring-fenced for the EDEP, a total of ZAR16.9 million ($1.0 million) was paid out during the financial year.

Transactions in own shares

One of the Company’s strategic goals is to return capital to shareholders and to continue to review opportunities to do so as and when they arise.

At the commencement of the financial year, shares in the Company were valued at 88 pence per Ordinary Share and at the close of FY2023, the share price had depreciated 9% to 80 pence per Ordinary Share, largely influenced by the macro-economic environment and volatile PGM prices.

While many share price determinants are beyond the Company’s influence, management diligently tracks it and remains committed to optimising business strategies for the benefit of shareholders.

During H2 FY2023, the Company concluded its fourth Share Buyback programme in which it bought back 3.6 million shares in the market at the average price of 79.36 pence per share. In terms of the programme, Ordinary $0.01 Shares of the Company’s issued share capital, up to a maximum consideration of $10.0 million, were to be purchased.

The total consideration of the programme amounted to $3.6 million at 30 June 2023 and the Board has taken the decision to reinstate this Share Buyback programme to acquire Ordinary $0.01 Shares to a maximum consideration of $6.4 million. This is the balance of the $10.0 million originally allocated to the programme. In all, 1.8 million Ordinary Shares were exercised by various PDMRs and employees, which vested from bonus shares awarded to them. All shares awarded were issued from shares held in Treasury.

Thank you and outlook

The impressive performance results were driven by robust production efforts across all operations, with all plants surpassing production throughput goals. Additionally, the contribution of the Tweefontein MF2 circuit further bolstered the overall performance. We continue to drive operational enhancements, particularly in optimising feed sources, throughput, recoveries and cost-saving initiatives, and plans for improvement include test work to fine-tune reagent regimes across all operations. Notably, the construction of the Lannex MF2 plant remains on schedule for commissioning in the latter part of Q1 FY2024, followed by the commissioning of the fine grinding circuit in Q2 FY2024. I strongly believe that our operations will continue to deliver a robust production performance in FY2024 and, in line with this, Sylvania will maintain an annual production guidance of between 74,000 to 75,000 4E PGM ounces for the coming financial year.

Weak PGM prices coupled with rising input costs are of great concern to the Board, as they are to the industry as a whole. However, as illustrated in this report, we have maintained our cautious cash management approach and will continue to manage our capital allocation policies and production costs to the best of our ability. We believe the long-term fundamentals of PGMs remain strong, as are those for chrome, and we will continue to seek to unlock full value with the support of current and future specialist industry partners.

I greatly appreciate the stellar efforts of the management and production teams, and our hard-working employees, who have continued to champion our safe working and strong production strategy. I also extend my appreciation to you, our valued shareholders, for your ongoing support of the Company over the years. We are optimistic about what the future holds despite the current challenges that the PGM sector may face, and I look forward to sharing the journey ahead with you.

Jaco Prinsloo
CEO

6 September 2023