# CHAIR'S LETTER

Dear Shareholder,

I am pleased to address you as the new Chair of Sylvania Platinum Limited, following Stuart Murray's retirement as Non-Executive Chair at the end of the 2023 calendar year. To those of you who know Stuart, his shoes are large ones to fill, but I shall strive to be as diligent in leading the Company as he most certainly was during the years of his tenure. I would also like to express my personal thanks to Stuart for his friendship and guidance, and to note his unparalleled knowledge of the platinum industry. The Board and I all wish him well with his next endeavour.

## MARKET OVERVIEW

Before setting out our vision and strategy for Sylvania, I think it is appropriate to turn first to an overview of the market, as no matter how well the Company manages its operations, the vagaries of the PGM market impacts directly on our bottom line and although I wonder whether future prices can be accurately predicted in this time of global flux, it is still important to look at the various elements which impact demand and supply in order to gain some knowledge of where the prices may trend in the near to medium term.

In May 2024, at the annual London Platinum Week, several presentations were given on the outlook for the PGM industry. We were pleased to read and listen to reports from major industry analysts, which offered a comprehensive analysis, indicating that the 2024 calendar year would be defined by persistent supply constraints, coupled with robust demand, leading to another year of deficits across platinum, palladium and rhodium. However, this was balanced by an expectation that high inventories would continue, and this would weigh on prices. Nevertheless, the overall consensus from these reports was that the PGM market's long-term forecast remained positive.

Looking at supply in a little more detail, primary mine supply struggled amid operational challenges and subdued PGM prices, leading to cost-cutting measures across the industry, including the suspension of mining operations and job losses. Secondary supply, or the recycling of PGMs, also faced challenges, particularly from a decrease in auto catalyst scrap recycling owing to scrapyard hoarding, legislative hurdles and people keeping their vehicles for longer.

Turning to demand, automotive demand for PGMs has remained resilient over the last 12-18 months, bolstered by the easing semiconductor crisis and increased production of light-duty vehicles. There is also a belief that the expected increase in demand for domestic electric vehicles has been overestimated, due in part to the slow roll-out of the infrastructure required to support these vehicles and an increase in the demand for hybrid vehicles being stronger than anticipated. Additionally, despite challenging conditions, industrial demand for platinum hit record highs during this period, driven by glass and chemical capacity expansions. However, palladium and rhodium faced continued pressure from substitution and thrifting strategies, owing to their historically high prices.

With regard to prices, the consensus appears to indicate that platinum prices will remain relatively stable for the rest of this year, albeit on the low side, averaging around $1,129/ounce. Palladium prices are anticipated to average around $1,063/ounce. This pricing trend, combined with the market shift towards electric vehicles, presents challenges for recyclers who have come to rely heavily on palladium recovery. The rhodium price is expected to remain relatively high, averaging around $5,092/ounce owing to supply deficits.

The steep decline in the platinum, palladium and rhodium prices since the 2021 calendar year has created margin pressure for the sector, with around half of South African PGM miners operating at a loss today, according to the latest industry cost curve. Due to Sylvania's strategy of focusing on low-cost projects, with current production in the lowest quartile of the industry cost curve, the Company has maintained robust production across its asset base and has recognised an operating profit for FY2024.

Having recognised the likely downturn in PGM prices, the Company sought out the excellent Thaba JV opportunity in chrome and in the 2023 calendar year, entered into a JV agreement between Sylvania Metals (Pty) Ltd (Sylvania Metals) and Limberg Mining Company (Pty) Ltd (LMC), a subsidiary of ChromTech Mining Company (Pty) Ltd (ChromTech), and we are looking forward to adding chrome revenue to our income stream in the near future. The major demand source for chrome is the stainless-steel industry which recorded a 4.6% growth year-on-year, boding very well for the Company in the short to medium term.

The Thaba JV represents a significant step forward in our growth strategy. Its successful commissioning will transform Sylvania's production profile, adding approximately 6,800 4E PGM ounces and 210,000 tonnes of chromite concentrate annually over the next decade to Sylvania's bottom line. This joint venture (JV) serves as a template for future collaborations, highlighting our capability to diversify revenue streams and create shareholder value.

## TRANSITION AND GROWTH

Since FY2017, the Company has successfully implemented Project Echo, the Secondary PGM Milling and Flotation (MF2) programme, which almost doubled production and significantly extended the operational life of our PGM operations. The increased basket price allowed us to strengthen our balance sheet and reduce the number of shares and options in issue from 310 million in 2013 to around 273 million currently. Notably, we have also returned value to our shareholders through the payment of dividends amounting to $105.0 million since FY2018, which I believe to be a remarkable feat for an AIM company. The recent Thaba JV marks another significant achievement, laying a solid foundation for future growth

However, sustaining operations and developing a new JV does come at a cost and this next year will see a significant outflow of cash to support this growth and sustain existing operations. Apart from the cost of funding the development of the Thaba JV, we must also build new tailings storage facilities (TSFs) to extend the operating life of our current operations, which are rightly designed with safety and the environment as key considerations in their design. Whilst accepting our responsibility in this regard and with due consideration of tighter regulatory requirements around TSFs, the costing of a new TSF has more than doubled over the last five years.

Knowing that this funding requirement was on the horizon the Company took the prudent decision to conserve cash in order to fund this growth and underpin the future development of the Company. I believe this to have been a wise decision, to conserve cash in the good times to maintain operations and growth in the less than good times. The cyclical nature of metals and pricing is part and parcel of mining, and I am a firm believer of what goes up, must come down and equally what today is languishing in the doldrums may well be the rising star of tomorrow.

## SAFETY AND SUSTAINABILITY

Whilst the market and growth are key factors for management, safety remains our number one priority, and we are committed to achieving Zero Harm across our operations. Doornbosch's outstanding safety record, including 12-years of Lost-Time Injury (LTI) free days, exemplifies our commitment to this goal.

Sustainability and responsible business models have always been important to the Board and form an essential part of our business model. We will continue to invest in new TSFs and other infrastructure in order to sustain our operations and enhance safety and environmental standards. The designs of the new TSFs are in accordance with the Global Industry Standard on Tailings Management (GISTM) and we will continue to measure our compliance against this international standard. This is a costly undertaking, but worthwhile in that, GISTM sets a standard for the safe management of tailings facilities and creates a path towards the goal of achieving Zero Harm.

## VISION AND OBJECTIVES

Having been with Sylvania since May 2015, I would hope that I have developed a comprehensive understanding of our operations and mining assets, which, with the support of the Board and senior management, positions me well to steer the Company, through this challenging time for the sector, and to take advantage of current and future opportunities.

As Chair, my immediate priorities include guiding the Company to meet its growth and diversification strategy. The Thaba JV has shown how we can leverage our processing skills and resources in a manner which will not only add value but will diversify our metal production. I hope that we can use this JV as a template for similar ventures within the region and possibly extend this remit to strategic partnerships where, again, we can bring our processing skills to the fore. In addition, I will continue the development of both succession planning and mentorship within the organisation, which is a crucial part of a successful business model and will encourage senior staff to optimise their expertise for the development of our team.

## OPERATIONAL AND FINANCIAL PERFORMANCE

This last year has seen a strong operational performance from the SDO. However, unforeseen circumstances led to us falling slightly below our full year production target. These circumstances included limited wage related strikes, and a slower than expected ramp-up of operations, along with lower PGM feed grades and a decrease in associated metal recoveries. As these matters are addressed in more detail in our CEO's review, I will not dwell on them further other than to say as a Company we remain cautiously optimistic for the future of PGMs.

Inflation remains a global challenge, with the average inflation rate in South Africa currently at 5.1%. We must stay vigilant in managing our operating costs and maintaining our operational disciplines. The basket price of PGMs is not in our control, but we anticipate that the addition of chrome revenue from the Thaba JV will provide a positive boost from the middle of the 2025 calendar year, provided the high chrome prices continue.

Returning value to shareholders remains a priority, with consistent dividends paid to date and share buyback programmes implemented when considered prudent to do so. The final dividend for this year of one pence per Ordinary Share brings the total dividend paid in the year to three pence per Ordinary Share. Whilst this is lower than previous years, I hope that I have demonstrated that our funds are being used wisely for the continued future benefit of shareholders and going forward, dividends declared will be contingent on profitability and aligned with the Group's Dividend Policy. Prudence in resource allocation is essential, especially given the significant capital outlays expected over the next two years to extend the operational life of our SDO.

FUTURE OUTLOOK

With the development of the new TSFs, our operations will have an extended life of many years to come, plus the Thaba JV offers a diversification into chrome and additional PGM ounces and will form a template for potential new JVs within and without the region.

Our production target for the next year is a range of 73,000 – 76,000 4E PGM ounces. This only includes a marginal contribution from the Thaba JV as the operation will only commence commissioning in late Q3 FY2025.

We continue to add value to our exploration assets and are evaluating the best route for value accretion. Our expertise remains in the processing side of mining rather than the physical extraction and for this reason we remain open to strategic opportunities that align with our growth strategy.

Whilst the PGM prices currently remain subdued, PGMs still remain critical to the motor industry for both internal combustion engines and hybrid vehicles and will continue to play their part in the energy transition. For these reasons, I think it short-sighted to write off the future of PGMs and although we may not see the stellar performance of recent years, we are confident that prices will remain at a level that will promote continued profitable production for Sylvania.

IN CONCLUSION

In conclusion, I would like to thank our Executive team for their continued dedication to the success of our Company. The Thaba JV is a testament to our collaborative spirit and expertise, and I am confident in our ability to continue to navigate the complexities of our industry.

As we move forward, we will continue to focus on operational excellence, prudent financial management, and strategic growth initiatives. I am excited about the future of Sylvania and the opportunities that lie ahead.

On behalf of the Board, I would like to express our gratitude to our hard-working employees and our host mine's management for their support. I want to also thank my fellow Non-Executive Directors, namely: Adrian Reynolds and Simon Scott, for their partnership over this last financial year, and to our Executive Directors, Jaco Prinsloo and Lewanne Carminati, for their continuing commitment and leadership. I would also like to offer our thanks to you, our shareholders, for your continued trust and backing. Together, we will overcome these challenging times and position the Company for future success.

Thank you.

*Eileen Carr*
*Non-Executive Chair*
*9 September 2024*