Chairman's letter

Dear shareholder,

Sylvania has once again maintained its strong operational fundamentals and financial prudency during a difficult year for the PGM mining sector, which is best characterised as cyclical in nature. It was ever thus!

Cycles in these metals are a long-standing feature dating back as many decades as I have been involved in the sector. The fall in the dollar basket price for South African producers of almost one-third in our FY2023, followed on from a sharp fall in FY2022 as palladium and rhodium prices fell from about $3,000 and $30,000 per ounce peaks, respectively, to levels that I consider as pre-COVID normal. Large portions of production in the PGM mining sector in Southern Africa are now unable to cover their operating and sustaining capital costs, and the cycle will repeat itself. However, I expect continued shorter-term price weakness with recovery in the 2024 calendar year.

Some time back, your Board noted the synergies in becoming a co-producer of chrome concentrates, as well as our traditional PGM concentrates from our host mines. After a lengthy gestation, we have formally commenced with delivering on this strategic aim, by securing additional chrome tailings and ROM resources on the Western Limb of the Bushveld Complex in South Africa. Although announced to you in August 2023, as a post-year-end event, we have entered into a strategic partnership through an unincorporated JV with Limberg Mining Company (Pty) Ltd (LMC), a subsidiary of ChromTech Mining Company (Pty) Ltd (ChromTech), the Thaba JV, for treatment of chrome ore and PGMs, which will be elaborated on in more depth in this report. This sees us participate in not only the PGM revenues of these resources but also in full margin chrome concentrate production.

Overview of the year

The FY2023, while challenging, was a successful one for Sylvania. Loadshedding and supply chain matters aside, the Company has performed exceptionally well, producing 75,469 4E PGM ounces, exceeding the higher end of the revised 74,000 4E PGM ounces production guidance target.

Sylvania dump operations

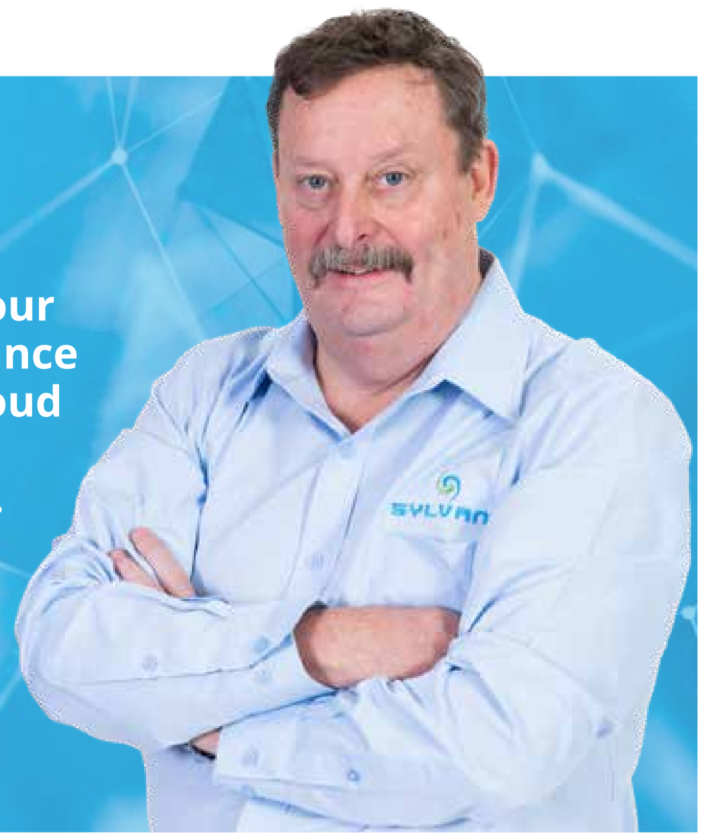
4E PGM PRODUCTION

75,469oz

95,965oz 6E

+13%

(FY2022: 67,035oz 4E; 85,659oz 6E)



> The safety and health of all of our employees is of critical importance and that is why we are very proud of our sustained good safety performance during the period.

Stuart Murray
Chairman

The operations achieved an A+ in areas such as safety, health, and environmental management.

The world has become a much messier place than we expected a year ago, with factors such as the lack of growth in China, the continued fallout from the Russia-Ukraine conflict and other global concerns affecting metal prices. Additionally, there has been significant destocking of palladium and rhodium by metal holders, possibly due to Asian overbuying on the expectation of an increase in vehicle production, contributing to the decline in prices. While we believe we are nearing the bottom, the future remains somewhat uncertain, depending on the actions of central banks and the resolution of global concerns.

In reviewing what we can control, I am pleased with the exceptional production volumes achieved by the SDOs during this financial year. A respectable recovery on the prior year.

In line with our commitment to continuous improvement, our management team remains steadfastly devoted to optimising feed sources, refining blending strategies and fine-tuning reagent regimes to further elevate our performance. Moreover, we have consistently achieved targeted ROM grades from the host mines and, through our collaborative efforts, we continue to explore avenues for enhancing this even further.

Chrome and PGM retreatment JV agreement

As noted above, we recently announced that Sylvania has entered into the Thaba JV, a deal which, although only concluded post-period-end, is the realisation of over a year of discussions and negotiation. Through the Thaba JV, we aim to process chrome tailings from existing historical dumps and ROM chrome ore from the Limberg Chrome Mine to produce PGM and chromite concentrate, expanding our operations and leveraging our expertise in chrome and PGM recovery.

LMC's parent company, ChromTech, is a very reputable and efficient chrome processor for one of the major mining companies in South Africa. In effect, we are marrying the best of ChromTech's chrome processing knowledge and our PGM processing knowledge. This JV allows us to diversify our revenue streams, creating value for shareholders, and benefiting from the rising demand for chrome. The transaction takes us from what you might call a "pure PGM play" to a diversified platinum and associated metals producer.

The JV combines both partners' core skills in the beneficiation of chrome from host mines. LMC further contributes ChromTech's extensive experience of chrome operations, with particular experience in fine-chrome beneficiation. It also leads us into the realm of full margin chromite concentrate sale as opposed to only being a toll producer of chromite for our host mines. This illustrates the first steps in the growth and development of the Group beyond our current host-mine operations. It is a credit to the team that this deal was realised. It has been carefully thought through and well structured. It has been modelled on the 'Pool and Share' model which has become common practice in the South African mining industry over the last 20 years.

Our four focus areas:

MAINTAINING SAFE AND PROFITABLE PRODUCTION

> Maintain production profile at ~74,000oz PGM.
> Ensuring operational excellence.
> Optimisation of recently commissioned projects.
> Disciplined operating cost control and capital spend.

PROGRESSING R&D AND EXPLORATION PROJECTS

> Progress R&D efforts in terms of fine-chrome beneficiation and PGM recovery to enable retreatment of treated historic dumps that would otherwise be sterilised.
> Determine how best to extract value from Volspruit and Far Northern Limb exploration projects – focus on low risk and capital.

STRENGTHENING LICENCE TO OPERATE

> Maintain excellent synergistic relationship with host mines.
> Continuous improvement in ESG.
> Manage increasing community expectations in terms of commercial opportunities.
> Studies and permitting in terms of new tailings dam facilities and future mining projects.

EXTERNAL GROWTH OPPORTUNITIES

> Continue to explore potential new PGM tailings treatment opportunities – increased activity in this space.
> Investigate/pursue potential alternative open-cast and underground ROM feed sources.
> Thaba JV to increase forecast annual 4E PGM production by ~9% and add chrome to the Company's commodity portfolio.
> Thaba JV will be an enabler for further growth opportunities in the region.

Chairman's letter continued

This partnership paves the way for further collaboration in the chrome mining sector.

Projects and exploration update

The Company's impressive PGM production for FY2023 is a testament to the unwavering dedication and proficiency displayed by all our operations, as well as the tireless efforts and strategic focus of our management team. The addition of the Lesedi and Tweefontein Milling and Flotation (MF2) circuits also played a pivotal role in bolstering our overall performance. The Lannex MF2 commenced commissioning in August 2023 and is expected to further improve recoveries. The decision to conduct Project Echo has indeed proved a good one.

The construction of additional tailings facilities is currently underway at the SDO. These necessary installations enable the SDO to extend the life of operations in addition to reprocessing older tailings in an orderly manner with state-of-the-art impoundment. As a result of scheduling each of the construction of new dams and the increasing costs associated with these facilities, there will be an increased capital spend during FY2024/25, but these new dams will result in continuing production levels over subsequent years, as well as an extension of operational life.

FY2023 saw the cost-effective upgrade of some of our exploration resources such as the Volspruit and Far Northern Limb Projects. We have taken a cautious approach to exploration. As in the past, we are conducting sensible work to take these assets up the value curve, with the assets remaining there for development, joint venturing, or disposal, depending on what is the best option for the Company in the future. In the face of the current prices and the general markets, enthusiasm for exploration is probably somewhat subdued and, as you know, we are cognisant of that in terms of what we spend on these projects.

Health and safety

The safety and health of all of our employees is of critical importance and that is why we are very proud of our sustained good safety performance during the period. The quality of the people, and training and management, have all contributed to this continued safety performance. We have maintained a solid safety record, which is supported by our targeted health and safety campaigns that we run throughout the year. The Doornbosch plant has just recorded a phenomenal 11 years without an LTI, a remarkable achievement by industry and global standards, and both the Board and management are very proud of the Doornbosch team. We are committed to ensuring that all employees and contractors return home safe and healthy every day, in line with the Company and the industry's goals of achieving zero harm.

Environment, social and governance

Sylvania has always been committed to sustainability and the fundamentals that are now shaping our developing ESG strategy.

This is the second year that we are preparing a standalone ESG report, which will be published in October 2023. Our ESG report, *Supporting Our Strategy*, presents the Company's operational and non-financial performance to stakeholders in a meaningful way, illustrating how we manage our material issues.

Sustainability and responsible business practices have always been important to the Board and formed part of our business model. We are in the process of aligning ourselves with the Global Industry Standard on Tailings Management (GISTM) and will continue to measure our compliance against this international standard. However, adhering to higher environmental regulations comes at a higher financial cost, and we urge shareholders to bear this in mind.

Performance and financials

Despite the challenging market conditions, our management team has navigated the year successfully, delivering good results. The Company generated $45.4 million in net profit for the financial year. Sound management decisions and cost control have been instrumental in maintaining this positive financial performance.

However, it is important to note that the rising cost of imported consumables, fuel, and power, exacerbated by the declining value of the ZAR against the USD, continues to influence our cost structure. We have remained conservative in our financial operating structure, ensuring disciplined capital allocation and spending controls. Our focus on maintaining direct operating costs, a safe working mining and processing environment, and stable relationships with our employees and contractors will continue to be the main drivers of our business.

Guidance

Despite some lower feed grades at the older dump operations, we are pleased to maintain our production guidance at 74,000 to 75,000 4E PGM ounces for FY2024. This has been made possible through process efficiencies, including the completion of the MF2 milling and flotation project, and with ongoing optimisation and commissioning efforts.

Asset sale

We concluded the unconditional sale of the Grasvally Chrome Mine in July 2022. The mine was originally included in the purchase of a package of strategic surface property rights adjacent to the Volspruit Project, while the mineral rights were purchased in a transaction. The Company has retained the rights it requires for any future development at the Volspruit Project and will see a modest profit on the sale, albeit over a period of time.

Returning value to shareholders

In HY1 FY2023, the Board reviewed its Dividend Policy. This review was undertaken due to the commentary from shareholders and analysts who felt the policy should be more in line with other players in the mining industry.

The new Dividend Policy allows for an annual dividend equating to a minimum of 40% of adjusted free cash flow for the financial year. Where annual dividends are declared, these will be paid in two tranches, with an interim dividend equating to one-third of the forecast full dividend and the final dividend equating to the remaining unpaid balance of the

Chairman's letter continued

minimum of 40% of actual adjusted free cash flow. The payment of dividends remains at the discretion of the Board.

We paid our first cash interim dividend of three pence per Ordinary Share under this policy amounting to $9.9 million on 6 April 2023 to all shareholders on the register at the close of business on 3 March 2023. A further $3.6 million was spent on the Share Buyback programme during the second half of the year. The purpose of the Share Buyback programme was to reduce the share capital of the Company and consequently, 1.2 million Ordinary Shares held in Treasury were cancelled in December 2022 and a further 3.6 million were cancelled post-year-end in July 2023. Following this share cancellation, the Company's issued share capital now stands at 275,375,725 Ordinary Shares (of which 12,315,461 are held in Treasury), with these cancellations now marking a total reduction of 23.6 million Ordinary Shares in issue since we began the process of share buybacks and share cancellations in FY2015. (At year-end, the Company's issued share capital was 279,000,000 Ordinary Shares, of which a total of 15,939,737 Ordinary Shares were held in Treasury. Therefore, the total number of Ordinary Shares with voting rights was 263,060,263).

Three years ago, I observed that several mining companies had to reconsider their ambitious or advancing dividend strategies and payouts. This was primarily because they came to the realisation that during adverse market cycles, when finances were stretched thin, maintaining substantial dividend payments became unsustainable. In such situations, the Board invoked the ultimate clause in their policy, which grants them discretion over dividend distribution. After all, predicting the trajectory of prices in such a volatile industry remains highly uncertain.

Therefore, I predict that we will go full circle, which is paying the dividend we think the Company can afford. The cycle has gone against the industry and the Company this year, and we cannot influence the markets, as we only contribute to approximately 1% of world PGM output. I have no doubt the cycle will repeat as it has done in the past, but for the time being a conservative approach is preferred and is necessary.

In applying the revised Dividend Policy, and taking into account the current cash balance, the cash generation potential and capital expenditures for FY2024, the Board has taken the decision to declare a final dividend of five pence per Ordinary Share for the 2023 financial year, payable on 1 December 2023 to all shareholders on the register at the close of business on 27 October 2023.

This maintains the full annual dividend at eight pence per Ordinary Share.

In conclusion

The long-term market outlook for PGMs remains positive, with the World Platinum Investment Council forecasting a deficit of 556,000 ounces of platinum in 2023. Demand for platinum is finally outstripping supply, and platinum is steadily regaining its market dominance over palladium. Palladium is currently trading at the lowest level since late 2018, having drifted below $1,250, while platinum has fared a little better. Rhodium, meanwhile, is currently at $4,100 on the Johnson Matthey base price, the lowest since 2019, with the two-way market trading some way below that level. The palladium and rhodium markets appear to be returning to their pre-2019 levels. There is a tightening on the demand side owing mainly to the new Euro 7 Standards that impose stricter emissions standards for all petrol and diesel vehicles, and the Chinese market has not recovered sufficiently to pick up the slack. However, I note a recent report by KGP Automotive Intelligence, which forecasts full battery electric (PGM-free) vehicle penetration of only 38% by 2040, which is far short of the 65% needed to achieve net-zero emissions for the automotive sector. With that in mind, it appears PGMs are needed for a lot longer and in greater quantities for the time being as plug-in hybrid electric vehicles, fuel cell electric vehicles (FCEV), hybrid electric vehicles and clean(er) internal combustion engine (ICE) vehicles are rolled out.

Advancements in automotive powertrain technology are blurring the traditional drivers of demand and prices for 4E PGMs, which were historically led by the production of ICE vehicles. There are those that believe the ICE can, and will, be gone by as early as 2030, and believe that the rise of electric cars marks the demise of PGM use in automotive applications (where some 60% of demand currently arises), ultimately leading to the death of the PGM market. In addition, the hydrogen economy is also emerging as a significant consumer in the future for PGMs, particularly platinum, ruthenium and iridium, although the speed of the transition remains uncertain. Platinum is critical in the proton exchange membrane technology, which is used in hydrogen FCEV and is a market poised to grow with the transition of automakers to producing zero-emission vehicles. Researchers are also exploring the potential to use PGMs to improve the performance of lithium ion and lithium sulphur batteries, which has the potential to positively impact PGM prices in the future.

As we navigate the volatile market conditions, we acknowledge that the commodity cycle repeats itself, and we must endure the tough times by keeping costs and capital expenditure in check. While we cannot predict PGM prices with certainty, we believe that better times will return, and we remain committed to balancing returns to shareholders with the necessary capital expenditure to secure longevity and potential earnings growth.

Additionally, diversification of our revenue stream, by benefiting from our sale of PGMs, as well as chrome produced by the Thaba JV, is a major step forward for us in our diversification strategy. The chrome market's fundamentals are currently strong (but as cyclical as PGMs) and will add greatly to the Company's revenues in the not-too-distant future.

I extend my heartfelt gratitude to every member of the team for their dedication and hard work, as together we forge ahead with the shared vision of driving our retreatment mining operations to even greater heights of success. With such a strong foundation and a steadfast pursuit of excellence, I am confident that we will continue to set new standards of achievement in the mining industry as we commence execution of the chrome and PGM plant projects for the Thaba JV.
On behalf of the Board, I would like to express our gratitude to our dedicated employees and our host mine's management for their support. I want to also thank my fellow Non-Executive Directors, namely: Eileen Carr, Adrian Reynolds and Simon Scott, for their support over another trying year, and to our Executive Directors Jaco Prinsloo and Lewanne Carminati for their deep commitment and leadership. I would also like to extend our thanks to you, our shareholders, for your continued trust and support. Together, we will weather these challenging times and position the Company for future success.

Stuart Murray
Chairman

6 September 2023