SYLVANIA
PLATINUM LIMITED

# 2017
## ANNUAL REPORT

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# CORPORATE PROFILE

*Sylvania Platinum Limited is*

# A LOW-COST

producer of platinum group metals (PGMs) including platinum, palladium and rhodium. The Company's core business is the retreatment of PGM bearing chrome tailings material. The Company also holds prospecting and mining rights for a number of PGM projects on the Northern Limb of the Bushveld Igneous Complex.

In order to strengthen the Company's position as a low-risk specialist in the low-cost production of PGMs, Sylvania operates according to the following business priorities:

- Identifying projects that balance minimal operational and financial risk with the potential for high margins;
- Ensuring that the management teams are always well resourced with the right combination of skills;
- Focus on cash generation during uncertain economic times; and
- Continually apply appropriate practices/technology to maintain the Company as a lower quartile producer.

The Company's focus is on cash generation and it will return capital to shareholders according to the dividend policy.

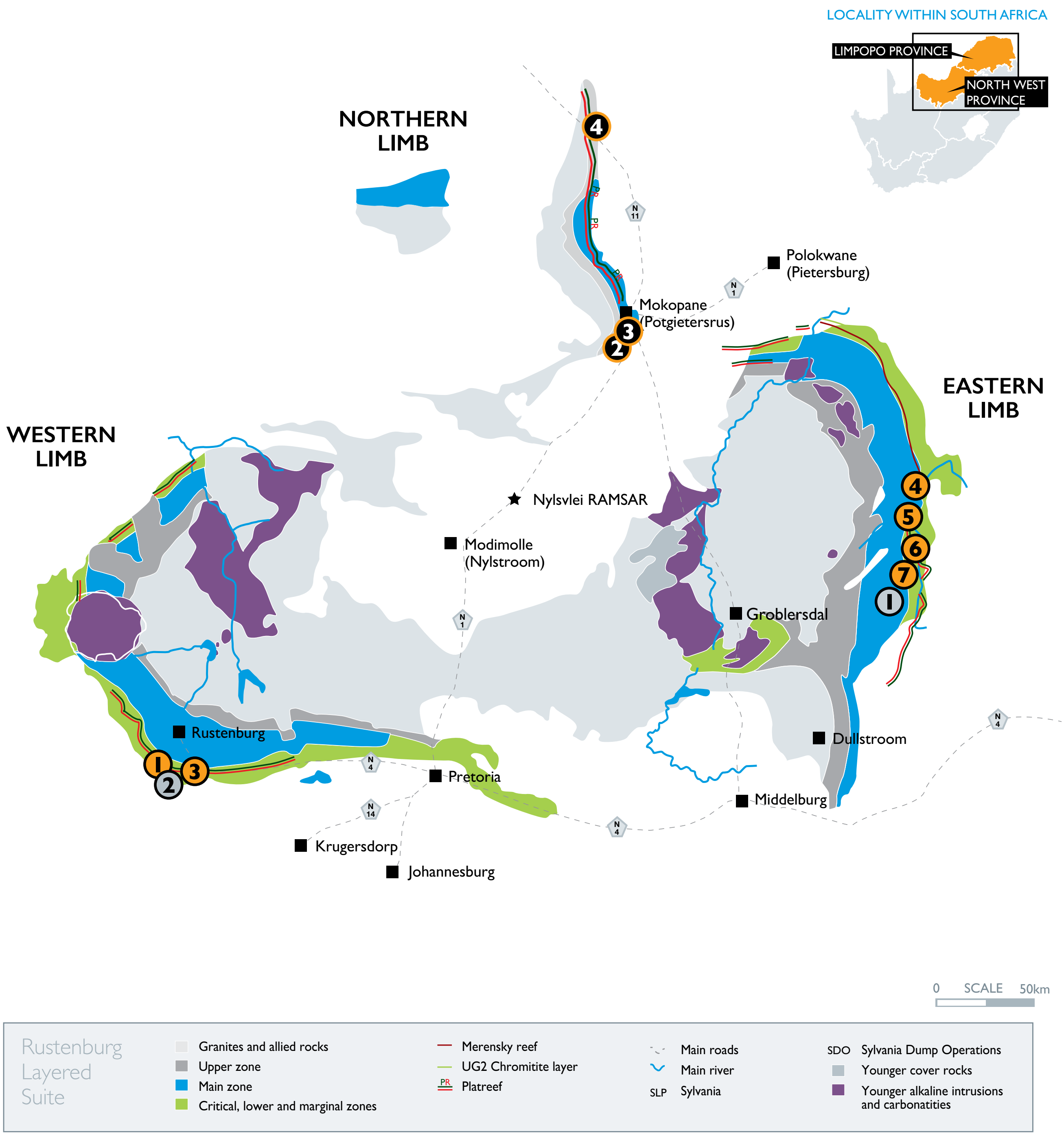
## REPORT PROFILE

This annual report presents a review of the operational and financial performance of Sylvania Platinum Limited (Sylvania) or (the Company) for the 12 months ended 30 June 2017. The report includes an analysis of the Company's material issues and the steps taken to operate successfully and sustainably within its governance and risk framework.

The consolidated financial statements, set out on pages 28 to 74, were approved on 18 August 2017. They include the Company's financial results and were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements represent the ongoing activities of the Sylvania Group. Throughout the report, financial data is reported in US Dollars, unless otherwise stated.

The Company, being listed on London's Alternative Investment Market (AIM:SLP), is not required to comply with the UK Corporate Governance Code, re-issued in June 2016, or the City Code on Mergers and Takeovers (the Codes). However, the Directors support the objectives of the Codes and intend to comply with those aspects that they consider relevant to the Group's size and circumstances. The Corporate Governance Statement can be found on page 20. This annual report is available on www.sylvaniaplatinum.com

# LOCATION OF OPERATIONS AND PROJECTS




## LEGEND

### Operating Sylvania complexes

1 Millsell (SDO)
2 CTRP (25% JV)
3 Mooinooi – Dump and ROM (SDO)
4 Doornbosch (SDO)
5 Steelpoort (SDO)
6 Lannex (SDO)
7 Tweefontein (SDO)

### Mineral projects

1 Everest North
2 Volspruit
3 Grasvally
4 Northern Limb projects

*Impaired during financial year ended 30 June 2014*

# VISION, MISSION AND VALUES

## Vision

To be the leading mid-tier, lowest unit cost, PGMs mining company.

## Mission

To generate wealth for all of our stakeholders using safe and innovative processes with a focus on PGMs while exploiting any value-adding associated minerals.

## VALUES

### WE VALUE THE SAFETY AND HEALTH OF ALL

- Employees are at the heart of our company;
- We place their safety and health above all else in everything that we do.

### WE VALUE THE FUNDAMENTAL RIGHTS OF PEOPLE

- We treat all people with dignity and respect.

### WE VALUE HONESTY AND INTEGRITY

- We act honestly and show integrity by continually striving towards "doing what we say we are going to do" and showing commitment towards our accountabilities of delivering high performance outcomes, thus projecting an image of professionalism and meeting the expectations of our colleagues, investors, business partners and social partners.

### WE RESPECT THE ENVIRONMENT

- We act in a manner that is sustainable and environmentally responsible, applying professional and innovative methods.

### WE VALUE THE CULTURE, TRADITIONAL RIGHTS AND SOCIETY IN WHICH WE OPERATE

- Our actions will support the communities in which we work while honouring their heritage and traditions.

# FINANCIAL AND OPERATING SNAPSHOT 2017

## *Financial snapshot*

### GROUP REVENUE

↗ 28%

increased 28% year-on-year to $50.5 million (FY2016: $39.5 million)

### EBITDA

↗ 54%

increased 54% to $20.0 million for the Sylvania Dump Operations ("SDO") (FY2016: $13.0 million)

### GROUP EBITDA

↗ 65%

improved by 65% to $18.3 million (FY2016 $11.1 million)

### G&A COSTS

↘ 12%

General and administrative costs are down by 12% from $2.26 million in FY2016 to $2.00 million

### GROSS PROFIT

↗ 84%

up by 84% year-on-year from $7.73 million in FY2016 to $14.26 million

### PROFIT

↗ $8.87 million

after income tax of $8.87 million achieved (FY2016: $3.73 million)

### EPS

↗ 139%

Basic earnings per share (EPS) improved 139% to 3.06 US cents per share from 1.28 US cents per share in FY2016

### CAPEX

↗ 162%

Group capital and exploration expenditure increased by 162% to $4.67 million (FY2016: $1.78 million)

## *Operations snapshot*

### PRODUCTION

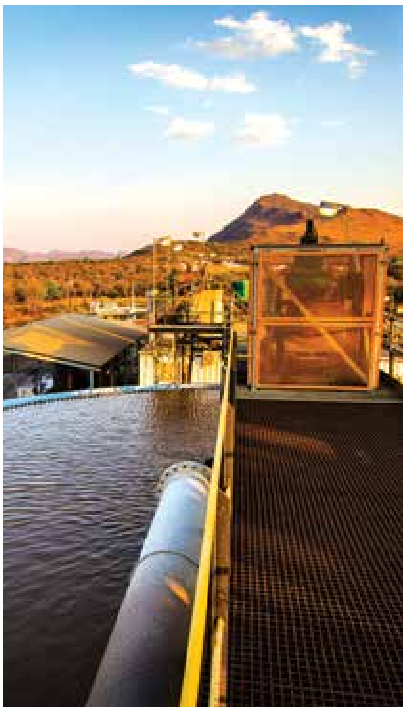
↗ 17%

Fourth consecutive year of record SDO production at steady state, achieving 70,869 ounces – a 17% increase from the previous record of 60,643 ounces achieved in FY2016

### GROUP CASH COST

↘ 4%

$453/oz, a 4% decrease year-on-year from $470/oz in FY2016




## LETTER TO FELLOW SHAREHOLDERS

What can I say this year that has not already been said during my tenure as your Chairman?

## FINANCIAL REPORT

We have continued to see platinum mining companies pursue volume at the expense of profit and at the expense of returns to shareholders, all in the name of trying to keep their businesses alive. This has resulted in businesses running cashflow-negative and reliant on handouts from shareholders and convertible bonds. Against such a backdrop, Sylvania, as a minor producer in the PGM market, has continued to manage its production, its costs and capital expenditure, and has been able to very modestly increase its cash balance.

Our cash balance is being carefully husbanded to fund Project Echo from internal cash resources, and without resorting to debt. Our cash resources remain sound: we opened the year with a cash balance of $6.7 million and closed with $15.3 million – despite a tax payment of $4.2 million and capital spend of $2.2 million relating to Project Echo during the second half of the year.

## DRIVING FUTURE PRODUCTION – ECHO ON TRACK

The Board has driven the focus on enhanced production while keeping a lid on costs. Production performance has been excellent as we experienced fewer civil disruptions and overall power supply was steady. The commitment and skill of our production teams and management must be commended. We achieved a new Company record of 70,869 ounces, exceeding the upper end of our stated guidance, at a Group cash cost of $453 per ounce.

Project Echo is progressing well with both the Millsell and Doornbosch secondary milling and flotation technology (MF2) modules under construction as the first phase of the planned roll-out. This first phase of the MF2 will be commissioned during the next six months to fill the ounce gap after the planned closure of the Steelpoort operation that reached its end of life during June 2017.

Most recently, our Board took the decision to act on an opportunity that presented itself in the fourth quarter of the year and has made an offer to Pan African Resources Plc to acquire Phoenix Platinum Mining Proprietary Limited (Phoenix) for a cash payment of R89 million (~$6.6 million). The acquisition is a strategic move to further boost the Company's growth potential together with Project Echo. Certain synergies are expected to be achieved by the combined operations, which will also assist in reducing costs at Phoenix.

An additional opportunity presented during the year whereby the Company has entered into a joint venture research and development (R&D) project on an exclusive basis for chrome and chrome-related concentrates within South Africa. A trial project is underway with a ferro-alloy producer.

Despite difficult market conditions, the Company is in a much better position than a year ago. It has applied its mind to longer-term strategic opportunities being Project Echo, Phoenix and other opportunities.

The Company is furthermore cognisant that certain smaller non-UK based shareholders have been adversely affected by the delisting from the ASX in April 2012. As such, the Board will shortly announce the details of a programme to offer to buy back certain of the Company's shares from smaller shareholders primarily based in Australia.

## EXPLORATION

From an exploration perspective, the Company continues to defend title at minimal cost. The current political climate in South Africa and uncertainty relating to minerals regulation and the Revised Mining Charter, as gazetted by the Minister of Mineral Resources, may take years to resolve.

The bulk of our exploration capital has been directed at extracting the Grasvally bulk sample with a view to upgrading the reserve and resource figures of this deposit. The process has progressed slower and on a smaller scale than perhaps envisaged a year ago but this was against a backdrop of cash-flow preservation and reining in the scope of the bulk sample as a result of the chrome ore price collapse in the third quarter. It remains your Board's objective to dispose of this Project. Pertaining to our other mining rights on the Northern Limb of the Bushveld Igneous Complex (BIC), again we defend title and fasten our seatbelt until an improvement in the market and PGM basket prices allows further action.

## THE MARKET

It is my view that as long as investment demand is seen as demand and not as a movement in stock, we are still in oversupply territory, no matter how the facts are dressed up. If the deficits were of the size that is being communicated, we would not be seeing the price falling back as far as it has (possibly as a result of negative attitudes of this metal in automotive catalysts). Our prill split is, however, a slight advantage when it comes to palladium (as a result of perceived positive attributes of this metal in automotive catalysts), which has demonstrated a positive price performance run this year. This also holds true for rhodium. We, as a Company, focus on the Rand basket price. The almost perfect correlation is noticeable: on the day the Rand depreciates, the platinum price falls and on the day that the Rand appreciates, the platinum price rises. The nett effect for us, as a Rand hedge, is almost irrelevant. Our basket price has remained marginally the same for the past few years and therefore, to survive, we need to focus on producing at less than this number, while keeping a lid on costs and capital expenditure.

As it is, PGM prices are set to remain depressed as long as we have excess production and financial speculators interfering with the fundamentals of supply and demand for these metals. The share prices of major producers have fallen by between 25% and 60% during the year. Against this backdrop, your Company has not tapped you, as a shareholder, for any form of support, and we remain committed to a capital programme at the SDO that has not had to be curtailed given the depressed prices. While industry continues with more of the same, Sylvania outshines: we are a light of stability in an otherwise horrid space. In the event that sunny skies do appear, we remain well positioned for increased cash generation and superior shareholder returns.

## GUIDANCE

The profitable reprocessing of chrome tailings during these trying times is a lot more challenging than anyone probably imagines. In hindsight, however, Sylvania's commissioning of a multiple plant operation has seen efficiency in overheads, working with our hosts, where opportunities have arisen at one site and have offset challenges that may arise at others. We have seen that our strength lies in our numbers, against the difficulties faced by some single plant operators.

Moving into FY2018, production guidance is expected to be comparable to 2017's performance, which has exceeded the upper end of prior guidance by a touch at year end due to good recoveries and all plants running at steady state (including a sterling performance at the Steelpoort plant to the bitter end). Furthermore, we have seen a good turnaround in our host's

**Stuart Murray**
Chairman

current arisings production for which recovery is superior to that of older dump material. This is expected to continue into FY2018. We are therefore aiming to meet the 70,000 ounces produced this year at a Group cash cost of about R6,500 (~$507) per PGM ounce. Our focus will be on delivering Project Echo.

## THANKS

In conclusion, thanks must be given to our executives, management and employees for their continued hard work and exceptional operational performance this year. Thanks too to our host mines without whom we would not exist. Thanks to my Board colleagues for keeping it together where all around us others seem to be flailing, as well as to you, our shareholder, for your continued support.

**Stuart Murray**
Chairman

# CEO'S REVIEW

As was communicated in our Chairman's Letter of FY2016, the focus for FY2017 was on achieving SDO excellence and liberating value for chrome and platinum exploration. We focused on careful consideration of the balance sheet and kept capital expenditure controlled and costs low. Financially, we maintained strict controls and operationally, we excelled – all part of 'weathering the storm' that your Chairman alludes to.

Thankfully the gross basket price rose 10% year-on-year to $935/oz from $850/oz and PGM ounce production increased 17% to 70,869 ounces, contributing to Group EBITDA rising 65% to $18.3 million from $11.1 in FY2016. Consequently we found ourselves with a modest amount of cash, which has been utilised to fund Project Echo and will fund the acquisition of Phoenix which was detailed in the announcement on 31 July 2017. Both of these endeavours are expected to boost our production figures in the years ahead and I am excited to be a part of this noteworthy period for the Company.

## 2017 FINANCIAL PERFORMANCE

The Group cash balance was $15.3 million at 30 June 2017, having increased by $8.6 million (128%) from $6.7 million in the previous year. The Group cash balance grew by 20% from $12.7 million reported at the end of H1 to $15.3 million in H2.

Cash generated from operations before working capital movements was $18.8 million, with net changes in working capital amounting to a reduction of $3.1 million and $0.6 million net finance income received. A total of $4.2 million was paid in tax for the year. During the year, an amount of $0.4 million was received from the insurers after a review of the underlying investment for the rehabilitation insurance guarantee. $0.7 million was spent on exploration activities, $3.5 million on stay in business capital and capital projects for the SDO plants (FY2016: $1.2 million) and $0.4 million on an investment in a joint venture R&D project. A part payment of $0.6 million was received from Ironveld Holdings (Pty) Ltd under the terms of the loan agreement with Ironveld Plc. The Company spent $0.6 million on share transactions and the impact of exchange rate fluctuations on cash held at the year-end was $1.0 million.

The Group achieved a gross profit showing an 84% growth year-on-year from $7.73 million in FY2016 to $14.26 million. General and administrative costs are down by 12% from $2.26 million in FY2016 to $2.00 million this year, with profit after income tax of $8.87 million – an increase of 138% from $3.73 million in FY2016. The Company's basic earnings per share (EPS) improved significantly from the prior year to 3.06 US cents per share (a 139% improvement). Group capital expenditure increased by 162% to $4.67 million from $1.78 million in FY2016 primarily as a result of the roll-out of Project Echo during the year.

## 2017 OPERATIONAL PERFORMANCE

The SDO production set an annual Company record for the fourth consecutive year at steady state by achieving 70,869 ounces. This is a 17% increase year-on-year from the previous record of 60,643 ounces achieved in FY2016.

Cash costs per PGM feed ton increased by 13% to $26/ton (FY2016: $23/ton), impacted by a 6% stronger ZAR/US$ exchange rate, but higher PGM ounce production resulted in a decrease in SDO cash costs per 3E & Au ounce by 3% to $426/oz (R5,802/oz) from $437/oz (R6,309/oz) year-on-year. As Project Echo commenced with the roll-out of the first MF2 flotation projects at Millsell and Doornbosch, SDO capital expenditure increased 167% to $3.79 million from $1.42 million recorded in FY2016.

Although PGM feed grades and feed tons increased 1% and 3% respectively from 4.03g/ton to 4.06g/ton, and from 1,133,908 tons to 1,168,912 tons for the past year, the biggest contributor towards the record annual production was the 7% increase in PGM recovery efficiency from 43.2% in FY2016 to 46.4% in FY2017.

While plant utilisation and feed stability contributed towards the increased PGM plant throughput, improved flotation technology, improved flotation stability and higher flotation mass pull strategy during the year enabled the improvement in the PGM recovery efficiency.

The 28% year-on-year SDO revenue increase from $39.5 million in FY2016 to $50.5 million in FY2017, was due to a combination of the gross basket price increase of 10% from $850/oz in FY2016 to $935/oz and 17% higher PGM ounce production. The higher revenue and lower operating unit cost contributed towards the SDO EBITDA improvement of 54% to $20.0 million from $13.0 million recorded in the previous financial year.

## PROJECT ECHO

Project Echo commenced during the past year and at 30 June 2017 a total of $2.2 million had been spent on the Millsell and Doornbosch MF2 modules. This is within the budget for this phase and it is expected that these expansion sections will be commissioned during the next six months. This will assist in filling the ounce gap from the scheduled closure of the Steelpoort operation that reached its end of life during June 2017.

This MF2 roll-out will lead to improved PGM recovery efficiencies, lower PGM production unit costs, increased cash generation and enable the SDO to extend its operating life and to sustain its production profile of around 70,000 ounces going forward.

## EMPLOYEE SAFETY, HEALTH AND THE ENVIRONMENT

While the SDO achieved significant safety milestones of five years Lost Time Injury (LTI) free at Tweefontein and five years LTI-free at Doornbosch during the past year, the Company unfortunately also saw three LTIs recorded at the Mooinooi and Steelpoort operations through the year. Prior to the incident at Steelpoort, the operation reached the milestone of nine years LTI-free during the year. There were, however no significant Section 54 stoppage notices from the Department of Mineral Resources (DMR) received in FY2017.

There were no significant health or environmental incidents during the year, and the dump operations remain focused to continue to work diligently towards ensuring that the Company remains compliant in terms of health, safety and environmental systems and legislation.

## EXPLORATION

We have continued to defend title at all of our exploration projects but as mentioned by your Chairman, until an improvement in the market and PGM basket price allows further action, we will not pursue any action that requires the unreasonable dip into our cash reserves or potential shareholder funding.

## FAR NORTHERN LIMB OPERATIONS

### HARRIET'S WISH, AURORA AND CRACOUW EXPLORATION

The notarial cession of the right to mine iron ore, vanadium and heavy minerals to a subsidiary of Ironveld Plc (Ironveld) was registered with the Mining Titles Office (MTO) during the first quarter of the year. The right to mine PGMs, copper, nickel, gold and silver is furthermore held by the Company having been registered during FY2016.

The intention to proceed with a water use licence application (WULA) has been delayed as transfer of the title deeds from the deceased original landowners to lawful occupants and descendants will need to occur in order to get the necessary permissions from landowners, as is a requirement for such an application.

### NONNENWORTH, LA PUCELLA AND ALTONA PLATINUM EXPLORATION

During the third quarter the Company reported that the rights to mine copper, gold, nickel and PGMs, as well as heavy minerals, iron and vanadium had been granted. The rights were subsequently executed and registered with the MTO. The process to transfer the right to mine heavy minerals, iron and vanadium to Ironveld is underway, pursuant to the agreement concluded in FY2013.

### VOLSPRUIT

During the fourth quarter the Company was granted the Mining Right (MR) to mine PGMs, gold, copper, nickel and chrome as reported in the quarterly announcement. The process is underway to execute said rights and have them registered with the MTO. However, mining cannot commence without the Environmental Authorisation (EA).

This year has seen the Company actively pursue an appeal against the decision of the Limpopo Department of Economic Development, Environment and Tourism

**Terry McConnachie**
Chief Executive Officer

(LEDET) not to grant an EA for the project. Interested and Affected Parties (I&APs) furthermore submitted comments to the appeal, to which Sylvania responded in the first quarter. To date no decision has been forthcoming but it is hoped that one will be reached soon and this will be communicated to all stakeholders.

As communicated in the prior year, the Company intends to proceed with a WULA although this will require preliminary detailed civil designs of all dam facilities. As this will incur additional costs, it has been postponed pending the decision on the EA and as part of our strategy of minimising exploration spend.

### GRASVALLY CHROME OPERATION

An amendment to the existing prospecting right to include processing of the old waste rock dumps was granted by the Department of Mineral Resources (DMR) in the first quarter. The MR lodged during FY2016 is still awaited.

In August 2016, the proposed site was visited by the Department of Water and Sanitation (DWS) pursuant to the WULA lodged towards the end of FY2016. Currently the WULA for this project has not yet been granted however, it is hoped that one will be forthcoming soon.

FY2017 was an eventful period in terms of the EA for the project. The Company was issued notification in the second quarter that the EA for the project had been granted, but this was soon appealed by I&APs. The Company filed all documents necessary to finalise the appeal during the third quarter and was pleased to receive communication from the DMR during the fourth quarter that the appeal was set aside. Accordingly, the EA for processing the waste rock dumps stands.

The Company began extraction of a Chrome Bulk Sample during the third quarter, pursuant to consent granted by the DMR in terms of section 20 of the Mineral and Petroleum Resources Development Act (MPRDA). The plan is to extract 15,000 tons of Run of Mine (ROM) and at the end of FY2017 a total of five bulk sample open-pits had been blasted with total excavated ROM stockpiles measuring 6,167 tons. The remainder is to be extracted once the beneficiation testing of the initial stockpiles is finalised. The initial results were positive – a combined concentrate of >50% $Cr_2O_3$ – however a decision has been taken to move beneficiation to a more suitable plant in Steelpoort to better liberate the chrome from the ore.

### OUTLOOK

Based on current resources, plant infrastructure and operational performance, we should see similar production performance in FY2018 and, with the roll-out of Project Echo, the Company should be able to maintain production levels of around 70,000 ounces PGMs for many years going forward.

**Terry McConnachie**
Chief Executive Officer

# SUSTAINABILITY

## STAKEHOLDER ENGAGEMENT

At Sylvania, the Board are serious about stakeholder engagement and view communication with all of our stakeholders as a means to identify shortcomings and implement strategies that address any issues.

Our stakeholder engagement is presented in quarterly reports in the month following the quarter end, an interim report at the end of the first half of the financial year including the half year financial statements, as well as an annual report including the full year financial statements. After the publication of our annual report in August every year, the Company engages with a specialist corporate communications firm to print it in a glossy, illustrated format. As and when management and our Board considers it material, information is announced to the public as soon as reasonably possible after a decision has been mandated in terms of the requirements of the Alternative Investment Market (AIM). The Board also conduct Investor Roadshows to present results to the public every quarter. All of the presentations, announcements and reports are placed on the Company's website where they are available to the public at any time. Whenever possible, shareholders' queries are addressed via email, although replies are limited by the availability of information that has already been shared with the public. In these communiqués, we stress that information will be released to the public as soon as it has been deemed significant and shareholders are advised accordingly.

## SAFETY AND HEALTH

The Company unfortunately saw three LTIs recorded at the Mooinooi and Steelpoort operations through the year. Despite the incidents at Steelpoort and Mooinooi, Tweefontein and Doornbosch operations both reached five years LTI-free during the fourth quarter and Lannex and Millsell both remain more than two years LTI-free. Prior to the incident, Steelpoort reached nine years LTI-free.

Key-priority for the Company is health, safety and environmental compliance, as such, management and all employees across the operations will continue to work hard at upholding the high safety standards and plant conditions at the respective operations we have come to expect of the Company.

Over the year our Health and Safety (H&S) teams have worked hard at implementing new H&S procedures and policies identified as mechanisms to assist in applying best practise throughout our operations. Specific focus has been on improving systems and policies to monitor and manage working hours, standby and overtime for both employees and contractors alike, to prevent fatigue within the operations.

## EMPLOYEES

The Company currently employs 438 people throughout the organisation (FY2016:420). Wherever possible, employees and contractors are sourced from the local communities of the various operations. Over the year Sylvania spent a total of $0.82 million on training costs against the $0.81 million recorded for FY2016. Skills training and development accredited through the Mining Qualifications Authority (MQA) has been introduced for all processing staff. A policy to enable the development of engineering assistants to qualify as artisans has also been implemented and one employee has already been found competent through the programme and has been appointed as an artisan.

All Sylvania plants – total volume of water in m$^3$:

| Description | FY 2017 | FY 2016 |
|---|---|---|
| Water consumed in products | 76,100 | 80,200 |
| Water deposited onto tailings dams | 9,749,900 | 11,008,900 |

## ENVIRONMENT

As we operate on the environmental footprint of our host mine, we adhere to the culture and standards of their policies and practices at all times.

In the past financial year, there have been no reportable environmental incidents, which is testament to the work ethos of the teams at the operations. The Company generates minimal hazardous waste and waste removal is conducted by a contractor with the necessary permits to remove and transport hazardous waste to a designated landfill site.

All Sylvania plants form part of the integrated water reticulation circuits of their respective host mines. The figures listed below do not take any water consumption figures of the host mine into account. Water enters the Sylvania circuit through the current arisings it receives from the host mine, and it leaves the circuit through either its products ($Cr_2O_3$ concentrate or PGM concentrate) – where it is lost to the process (consumed) alternatively through the tailings stream. The tailings are deposited onto a Tailings Dam, where most water is recovered into the Return Water Dam, and recirculated to the host mine process. Losses on the tailings dams take the form of evaporation into the atmosphere. Make-up water is derived from the dewatering of the host mine underground mining areas.

During the year our electrical teams continued to endeavour to streamline the power supply process in the interests of both the operations and the environment. Power factor-correction (PFC) equipment has been installed at the Millsell plant and existing shortcomings identified at the PFC equipment installed during FY2016 at Lannex is set to be replaced. The newly installed PFC equipment at Mooinooi has had a substantial effect on the maximum demand with the total kVA decreasing from the previous year. It is envisaged to install PFC equipment at the Tweefontein plant within the next few months in order to make more power available for the plant. The relocation of part of the Steelpoort plant has necessitated an upgrade of the powerline as well as the inclusion of a new take-off point which was done to reduce the load where infrastructure at Doornbosch is presently overloaded.

## COMMUNITIES

The Company regularly assists with local development projects. In the past year, these involved the following projects:

- Purchase of sheeting for the roof of a steel structure at a primary school
- Involvement in the opening of a new sports ground where the Company sponsored sports equipment
- Ongoing sponsorship of a home-based care project encompassing a feeding scheme comprising food and the support in food implementation for underprivileged children


# INFORMATION ON **DIRECTORS**

Your directors present their report on the consolidated entity (the Group) consisting of Sylvania Platinum Limited (the Company or Sylvania) and the entities it controlled at the end of, or during, the financial year ended 30 June 2017. Sylvania is a limited company incorporated and domiciled in Bermuda. Unless otherwise stated, the consolidated financial information contained in this report is presented in US Dollars.

## DIRECTORS

The names of the directors who held office during or since the end of the year and until the date of this report are as follows.

| | |
|---|---|
| SA Murray | (Independent Non-executive Chairman) |
| TM McConnachie | (Chief Executive Officer) |
| RA Williams | (Independent Non-executive Director) |
| E Carr | (Independent Non-executive Director) |

The directors of Sylvania were in office from 1 July 2016 unless otherwise stated.

### 1 SA MURRAY

Mr Murray has over 25 years of executive experience in the Southern African platinum sector, commencing his career at Impala Platinum's Refineries in 1984. He held a number of positions at Impala Platinum, Rhodium Reefs Limited, Barplats, and Middelburg Steel and Alloys, before joining Aquarius Platinum Limited in 2001 as Chief Executive Officer, holding that position until 2012. He is a non-executive director of Talvivaara Mining Company Plc, the former Finnish nickel miner, and Deputy Chairman and Managing Director of Luiri Gold Limited.

**Special responsibilities:**

Independent Non-executive Chairman of the Board

Member of the Remuneration Committee

## 2 TM MCCONNACHIE

Mr McConnachie has over 35 years of experience in mining and beneficiation of ferroalloys and precious metals. He was the founder of Merafe Resources Limited (formerly South African Chrome & Alloys Limited), a successful chrome mining company, black empowered and listed on the Johannesburg Stock Exchange. Mr McConnachie's strength lies in his ability to identify mining opportunities and has started many new green-field operations in gold, manganese, aluminium, graphite and tantalite. He has been CEO of a number of mining, mining services and smelting companies in South Africa.

**Special responsibilities:**

Chief Executive Officer

## 3 RA WILLIAMS

Mr Williams is a Chartered Accountant with over 20 years' international experience in mining finance, and with an honours degree in French and Spanish. After joining Randgold Resources in 1997, he was appointed Group Finance Director in 2002. Mr Williams went on to become Chief Financial Officer of JSE-listed AECI Limited. He has served on a number of boards in the mining and mining services sectors and is currently a non-executive director of Alecto Minerals and Digby Wells Environmental.

**Special responsibilities:**

Chairman of the Audit and Remuneration Committees

## 4 E CARR

Ms Carr is a Chartered Certified Accountant with an MSc in Management from London University and is a SLOAN fellow of London Business School (LBS). Ms Carr has over 25 years of experience within the resources sector. She was appointed Finance Director of Cluff Resources in 1993 and has, since that time, held several executive directorships in the resource sector. Her first non-executive role was for Banro Corp in 1998 and more recently was a non-executive director for Talvivaara Mining Company Plc, the former Finnish nickel miner. Ms Carr is also a non-executive director of Nobel Holdings Investments Ltd, a Russian oil and gas company.

**Special responsibilities:**

Member of the Audit Committee

## COMPANY SECRETARY

The Company Secretary role is held by Conyers Corporate Services (Bermuda) Limited (previously known as Codan Services Limited) and they are assisted by E Carr.

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was the low cost extraction of PGMs from chrome dumps and current arisings as well as investment in mineral exploration. Further information is provided in the CEO's review.

# BUSINESS **REVIEW**

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group is subject to a variety of risks, specifically those relating to the mining and exploration industry. The CEO, assisted by the senior management, undertakes on-going risk assessments to identify and consider major internal and external risks to the business model of the Group. Risks identified are linked to the Group deliverables in order to ensure continuous mitigation of these risks, which is aligned with corporate objectives.

Outlined below is a description of the principal risk factors that the Board feel may affect performance. The risks detailed below are not exhaustive and further risks and uncertainties may exist which are currently unidentified or considered to be immaterial. The risks are not presented in any order of priority.

| | Risk and impact | Mitigation |
|---|---|---|
| **Commodity price** | Commodity prices are subject to high levels of volatility and are impacted by numerous factors that are outside of the control of the Group. A low PGM basket price may affect the ability of the Group to fund future growth. The Group's ability to raise sufficient capital, through debt or equity, for further exploration, investment or development is limited. | The Board and management constantly monitor the market in which the Group operates. Long term financial planning is undertaken on a regular basis and production is focussed on the extraction of low cost ounces. Any expansion of existing operations will be funded out of surplus cash and/or pipeline finance. Any major development capital for the Northern Limb and Volspruit projects remains on hold until the market improves significantly and/or mining rights are obtained and will be reassessed by the Board on an on-going basis. |
| **Sustained Resources** | The retreatment of dump material has a finite life and it is essential for the long-term continuation of the SDO that additional feed material is found and committed to the plants. | The majority of operations have dump resources which will provide several years of production. The risk is further mitigated by the current arisings from the host mines which are fed through the SDO. These feed sources will be available to the Group for the life of the mine and are currently not at risk. A new expansion project is underway and is expected to extend the life of the SDO and maintain ounce production.<br><br>Opportunities to acquire additional resources and the ability to expand the life of the SDO are continually being investigated by the Board and senior management. |
| **Capital project selection** | It is essential that the selection of projects on which to spend the limited capital that is available, must provide investors with the required returns and strategic outcomes. Incorrect decision making and large capital overruns could have a significant impact on the sustainability of the Group. | Detailed analysis and due diligence is performed on all potential capital projects and are only considered where the Internal Rate of Return (IRR) is at least 20%. |
| **Failure to attract and retain key staff** | The Group relies on a small team of experienced professionals for its success. The loss of key personnel and the failure to attract appropriate staff may cause short-term disruption to the business. | In order to reduce this risk, key employees have been given longer notice periods and bonus share awards are made at the discretion of the Board. Succession planning also features on the agenda at Board meetings. |
| **Country Risk** | The Group's operations are all in South Africa. The mining labour environment as well as community unrest in South Africa continues to be a concern for the sector in general. Availability and access to power is also a limiting factor in the areas in which the Company operates | Directors and management place great emphasis on maintaining constructive relations with labour through ongoing communication, engagement and awareness within the communities within which the Group operates. Where power has been identified as a potential risk to plant uptime, the operations have installed alternate power sources. |

## GROUP FINANCIAL RESULTS

### RESULTS FOR THE YEAR

| | | 2017 | 2016 | +- % Change |
|---|---|---|---|---|
| Revenue | $ 000 | 50,497 | 39,511 | 28% |
| Gross profit | $ 000 | 14,256 | 7,730 | 84% |
| General administration costs | $ 000 | (1,981) | (2,260) | -12% |
| Operating profit before income tax expense | $ 000 | 13,206 | 5,974 | 121% |
| Group EBITDA | $ 000 | 18,327 | 11,083 | 65% |
| Gross basket price | $/oz | 935 | 850 | 10% |
| Cash generated from operations | $ 000 | 18,772 | 11,545 | 63% |
| (before working capital changes) | $ 000 | (3,054) | (6,255) | -51% |
| Changes in working capital | $ 000 | 575 | 199 | 189% |
| Net finance income received | $ 000 | (4,218) | (3,560) | 18% |
| **Net increase/(decrease) in cash and cash equivalents** | $ 000 | 7,651 | (876) | 973% |
| **Effect of exchange fluctuations on cash held** | $ 000 | 963 | (833) | 216% |
| **Cash and cash equivalents, end of year** | $ 000 | 15,321 | 6,707 | 128% |
| **PRODUCTION** | | | | |
| Plant feed | T | 2,137,007 | 2,179,468 | -2% |
| Total 3E and Au | Oz | 70,869 | 60,643 | 17% |
| PGM plant recovery | % | 46 | 43 | 7% |
| **CAPITAL EXPENDITURE** | | | | |
| Property, plant and equipment | $ 000 | 3,993 | 1,497 | 167% |
| Exploration and evaluation assets | $ 000 | 676 | 283 | 139% |

Revenue increased 28% on the prior year as a result of the higher ounce production at the SDO. This was further boosted by the slightly higher gross basket price of $935/oz against $850/oz in the prior year.

The consolidated profit before tax of the Group at 30 June 2017 was $13.2 million (FY2016: $6.0 million), a 121% improvement on the prior year. Strict cost controls at the operations and over general and administration spend as well as the increased revenue all contributed to the increase in profits. The operating costs increased 14% year-on-year, however this is as a result of the higher ounce production and the cash cost per ounce produced decreased by 4% in dollar terms from $470/oz to $453/oz (8% reduction in SA Rand terms from R6,309/oz to R5,802/oz). Group EBITDA for the year was $18.3 million, a 65% improvement on the prior year.

Capital spend increased during the current financial year from $1.7 million in the prior year to $4.7 million. A large portion of this spend is on Project ECHO and building of the new tailings facility at Millsell. The cost of the Grasvally bulk sampling to upgrade the resource accounts for the majority of the $0.7 million exploration expenditure.

The cash balance at 30 June 2017 was $15.3 million (FY2016: $6.7 million). Cash generated from operations before working capital movements was $18.8 million, with net changes in working capital amounting to a reduction of $3.1 million and $0.6 million net finance income received. A further $4.2 million in tax payments was made during the year. A net amount of $0.4 million was received from the insurers after a review of the underlying investment for the rehabilitation insurance guarantee (FY2016: $0.3 million spent). Major spend items include $0.7 million on exploration activities (FY2016: $0.3 million), $3.5 million on stay in business capital and capital projects for the SDO plants (FY2016: $1.2 million) and $0.4 million on an investment in a joint venture R&D project. A repayment of $0.6 million was received from Ironveld Holdings (Pty) Ltd under the terms of the loan agreement with Ironveld Plc (the full capital outstanding of ZAR15.0 million was settled by Ironveld subsequent to year end) and $0.6 million spent on share transactions (FY2016: $1.1 million). The impact of exchange rate fluctuations on cash held at year end was $1.0 million gain (FY2016: $0.8 million loss).

For more details on the financial performance of the Group please refer to the financial statements.

**REVIEW OF OPERATIONS AND EXPLORATION**

A detailed review of operations and exploration activities has been included in the CEO's review.

## CORPORATE MATTERS

### SHARE BUY-BACKS

During the year, a total of 4,735,000 ordinary shares of $0.01 each in Sylvania Platinum Limited were repurchased at prices ranging from 7.56 to 8.78 pence per share.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Additional comments on expected results of operations of the Group are included in the operational performance and outlook section in the CEO's review.

### ENVIRONMENTAL LEGISLATION

The Group is subject to significant environmental legal regulations in respect of its exploration and evaluation activities in South Africa. There have been no known significant breaches of these regulations and principles by the Group.

### MEETINGS OF DIRECTORS

During the financial year under review, there were three formal directors' meetings and a strategy session. All other matters that required formal Board resolutions were dealt with via written circular resolutions and through the holding of conference calls. In addition, the directors met on an informal basis at regular intervals during the year to discuss the Group's affairs and made an annual plant visit.

The number of formal meetings of the Group's Board of directors attended by each director was:

| | Board meetings | | Audit committee meetings | | Remuneration committee meetings | |
|---|---|---|---|---|---|---|
| | Number of meetings eligible to attend | Number of meetings attended | Number of meetings eligible to attend | Number of meetings attended | Number of meetings eligible to attend | Number of meetings attended |
| TM McConnachie | 3 | 3 | – | – | – | – |
| SA Murray | 3 | 3 | – | – | 2 | 2 |
| RA Williams | 3 | 3 | 4 | 4 | 2 | 2 |
| E Carr | 3 | 3 | 4 | 4 | – | – |

### DIRECTORS' INTEREST IN SHARES AND OPTIONS

The following relevant interests in the shares and options of the Company or related body corporate were held by the directors as at the reporting date:

***Shares and options***

| 2017 | Common Shares | Share options |
|---|---|---|
| TM McConnachie | 4,815,000 | 200,000 |
| SA Murray | 600,000 | 400,000 |
| RA Williams | 987,000 | 80,000 |

## DIRECTORS AND KEY MANAGEMENT PERSONNEL

The key management personnel of the Group are the directors of the Company and those executives that report directly to the Chief Executive Officer or as determined by the Board. Details of directors and key personnel remuneration is as follows:

### DIRECTORS AND KEY MANAGEMENT REMUNERATION

| | Short Term Benefits | | | Share-based payment | |
|---|---|---|---|---|---|
| | Cash salary/ Consulting fees | Bonus[1] | Directors' fees | Equity shares/ share options[2] | Total |
| 2017 | $ | $ | $ | $ | $ |
| Directors | | | | | |
| TM McConnachie | 425,761 | – | 60,000 | 8,689 | **494,450** |
| SA Murray | – | – | 100,000 | 15,876 | **115,876** |
| RA Williams | – | – | 60,000 | 3,476 | **63,476** |
| E Carr | 24,000 | – | 60,000 | – | **84,000** |
| | **449,761** | **–** | **280,000** | **28,041** | **757,802** |
| Other key management | 854,358 | 270,276 | – | 158,106 | **1,282,740** |
| | **1,304,119** | **270,276** | **280,000** | **186,147** | **2,040,542** |

[1] *Cash bonuses were awarded to directors and key personnel based on individual performance.*

[2] *Share-based payments includes share options and bonus shares granted – refer to note 21*

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Company paid premiums in respect of a contract insuring all directors and officers of the Company against liabilities incurred as directors or officers. Due to confidentiality clauses in the contract the amount of the premium has not been disclosed. The Company has no insurance policy in place that indemnifies the Company's auditors.

### GOING CONCERN

Details of the financial and operating performance and cash flows of the Group are set out in the CEO's review. In addition, the Group's financial risk management objectives and policies are detailed in note 22 and available borrowing facilities are set out in note 11. After reviewing the financial position, operational performance, budgets and forecasts as well as timing of cash flows and sensitivity analyses, the directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. It is for this reason that the consolidated financial statements have been prepared on the going concern basis.

### EVENTS AFTER THE REPORTING PERIOD

On 31 July 2017, the Group entered into a conditional agreement with Pan African Resources Plc (PAR) to acquire 100% of the shares in and claims against Phoenix Platinum Mining Proprietary Limited (Phoenix) for a purchase price of R89 million (~$6.6 million), settled in cash.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Signed in accordance with a resolution of the directors.

**TM McConnachie**
Chief Executive Officer
18 August 2017

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Company, being listed on AIM, is not required to comply with the UK Corporate Governance Code (the Code), however the directors support the objectives of the Code and intend to comply with those aspects that they consider relevant to the Group's size and circumstances.

## THE BOARD OF DIRECTORS

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the corporate and operational strategy and holds regular Board meetings to review planning, operational and financial performance. The Board is responsible for setting the Group's values and standards and ensuring that its obligations to shareholders and others are met.

The Board comprises four members being the independent non-executive Chairman, two independent non-executive directors, and one executive director; the details of whom are outlined in the Director's report. There is a clear division of responsibilities at the head of the Group through the separation of the positions of Chairman and the Chief Executive Officer.

The Board currently comprises:

| | |
|---|---|
| SA Murray | (Independent Non-executive Chairman) |
| TM McConnachie | (Chief Executive Officer) |
| RA Williams | (Independent Non-executive Director) |
| E Carr | (Independent Non-executive Director) |

## RISK ASSESSMENT

The Board undertakes on-going risk assessment to identify and consider major internal and external risks to the business model of the Group. Principal risks and uncertainties are detailed in the Directors' report.

## SHAREHOLDER RELATIONS

Management and the Chairman meet regularly with major shareholders to develop a balanced understanding of the issues and concerns of shareholders. The Chairman ensures that the views of shareholders are communicated to the Board as a whole.

The directors have established Audit and Remuneration Committees. Board appointments, succession planning, Corporate Governance and sustainability issues are dealt with by the full Board of directors.

The Audit Committee met four times during the year to consider the following agenda items:

| AUGUST 2016 | NOVEMBER 2016 | FEBRUARY 2017 | MAY 2017 |
|---|---|---|---|
| • Annual Report for the year ended 30 June 2016<br>• External audit report on the Group Annual Financial Statements for the year ended 30 June 2016<br>• Going concern and working capital requirement/cash forecast<br>• Impairment<br>• Subsequent events<br>• Taxation | • External auditors strategy and planning report for the Interim review<br>• Directors and Officers Liability Insurance | • Half year results and report to 31 December 2016<br>• External audit report on half year<br>• Impairment<br>• Going concern assessment<br>• Review of Treasury and Non-Audit Service policies<br>• Whistleblower process review<br>• Audit Committee self-assessment<br>• Non-GAAP Reporting | • External audit strategy and plan for the 30 June 2017 year-end audit<br>• Short-term Insurance |

All press releases, including quarterly results, are approved by the entire Board.

## AUDIT COMMITTEE

The membership of the Audit Committee comprises Roger Williams (chairman) and Eileen Carr, both of whom are qualified accountants. The Audit Committee invites representatives of the external auditor as well as management to all committee meetings. The Audit Committee is satisfied that the Group's auditors are independent.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises Roger Williams, who is the chairman, and Stuart Murray. During the year under review, the Remuneration Committee met formally twice.

Under its terms of reference, the Remuneration Committee assists the Board to determine the remuneration arrangements and contracts of the executive directors and senior employees. It also reviews the Board and executives' key performance indicators, as well as performance-related pay and share option allocations.

No director is involved in reviewing his own remuneration. The directors' remuneration report, which includes details of the directors' interests in options and shares is set out in the Director's report.

The independent non-executive directors may, if needed, seek independent professional advice, at the Group's expense, in the execution of their duties.

## NOMINATIONS COMMITTEE

The role of the Nominations Committee is undertaken by the full Board of directors. The Nominations Committee is charged with finding suitable candidates for nomination for appointment to the Board of directors.

## INTERNAL CONTROLS

The effectiveness of the internal controls is overseen by the Board of directors and is operationally monitored by the management on various organisational levels. The Group's financial control function is responsible for periodically testing the controls and overseeing the commitments entered into in connection with the operations of the Group.

The Group does not have a separate internal audit function to evaluate and test the operating procedures and processes relating to internal controls. The establishment of an internal audit function is considered by the Audit Committee and the Board of directors annually and is regularly discussed with the Group's external auditors. The stage of development and operational scope of the Group have, in the Board of directors' view, not yet warranted the establishment of an internal audit function.

# DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors have elected to prepare the Group financial statements under the International Financial Reporting Standards (IFRSs).

International Accounting Standard I requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

The directors are also responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Group and the undertakings included in the consolidation taken as a whole; and
2. the sections of the annual report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Terry McConnachie**
Chief Executive Officer

18 August 2017

# INDEPENDENT AUDITOR'S REPORT

KPMG

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## TO THE SHAREHOLDERS OF SYLVANIA PLATINUM LIMITED

### OPINION

We have audited the consolidated financial statements of Sylvania Platinum Limited and its subsidiaries (the "Group1") set out on pages 28 to 74, which comprise the consolidated statement of financial position at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sylvania Platinum Limited at 30 June 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context ofour audit ofthe consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Assessment of exploration and evaluation assets for impairment*

(Refer to note 2.3 (k) for the accounting policies, note 2.2 for the significant accounting judgements, estimates and assumptions and note 9 for the notes to the consolidated financial statements)

| *Why this was a key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| Exploration and evaluation assets are the Group's most significant assets, comprising 44.5% of the total assets of the Group.<br><br>As required by International Financial Reporting Standards, an entity is required to perform an impairment test when the specific facts and circumstances as outlined in the applicable accounting standard (IFRS 6 Exploration for and Evaluation of Mineral Resources and IAS 36 Impairment of Assets) indicate an impairment test is required. At year end, there were indicators of impairment as a result of a low platinum price to which the Group is exposed, as well as the Group's low market capitalisation.<br><br>When performing an impairment test, the directors are required to assess the recoverability of the carrying value of exploration and evaluation assets when facts and circumstances suggest the carrying amount may exceed the recoverable amount. The recoverable amount is determined on a Cash Generating Unit (CGU) basis using the higher of fair value less costs to sell and value in use. As disclosed in note 2.2, this determination of an impairment is highly subjective as there are a number of key significant and sensitive judgements required by the directors in determining the fair value less cost to sell or the value in use as appropriate. The value in use is based on the discounted cash flow forecast model for the CGU and requires the modelling of assumptions. The directors engaged an external valuation specialist to assist with the valuation of the exploration and evaluation assets.<br><br>Due to the significance of the exploration and evaluation assets to the consolidated financial statements, the complexity of the impairment calculation and the significant judgements involved in this calculation, the evaluation of exploration and evaluation assets for impairment is a key audit matter. | Our audit procedures included the following:<br>• We assessed the competence, capabilities and objectivity of the directors' independent external valuator by understanding the scope of their engagement and evaluating their qualifications;<br>• We assessed the methodology used by the directors to calculate the recoverable amount and evaluated if it complies with the requirements of International Financial Reporting Standards;<br>• We assessed the viability of the exploration and evaluation asset by analysing the future projected cash flows used in the value in use calculations for the CGU to determine whether the assumptions used by the directors in projecting the cash flows are reasonable and supportable given the current macroeconomic climate;<br>• We used our own internal valuation specialist as part of our audit team to assist us with challenging the key assumptions used by the directors to calculate the discount rate by assessing the key assumptions against market data and company specific risks and recalculating the discount rate;<br>• We subjected the key assumptions used by the directors to sensitivity analysis; and<br>• We assessed the presentation and disclosure in respect of the impairment of exploration and evaluation assets in the consolidated financial statements and considered whether the disclosures reflected the risks inherent in the accounting for the impairment of exploration and evaluation assets. |

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### *Assessment of property, plant and equipment (PPE) for impairment*

(Refer to note 2.3 (k) for the accounting policies, note 2.2 for the significant accounting judgements, estimates and assumptions and note 10 for the notes to the consolidated financial statements)

| *Why this was a key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| PPE, which consists of six retreatment processing plants classified as Cash Generating Units (CGUs), is the second most significant asset of the Group, comprising 24.93% of the total assets of the Group.<br><br>As required by International Financial Reporting Standards, an entity is required to assess whether there is any indicator that an asset may be impaired at year end. If there is an indicator of impairment, the directors are required to conduct an impairment test to assess the recoverability of the carrying value of PPE. At year end, there were indicators of impairment as a result of a low platinum price, to which the Group is exposed, as well as the Group's low market capitalisation.<br><br>In order to establish whether an impairment exists, the higher of fair value less costs to sell or the value in use is determined and compared to the net book value of PPE on a CGU basis. As disclosed in note 2.2, this determination is highly subjective as there are a number of key significant and sensitive judgements required to be made by the directors in determining the fair value less costs to sell and the value in use of PPE as appropriate. The value in use is based on the discounted cash flow forecast model for the CGUs and requires the modelling of assumptions.<br><br>Given the significance of the PPE to the consolidated financial statements, the complexity of the impairment calculation and the significant judgements involved in this calculation, the evaluation of PPE for impairment is a key audit matter. | Our audit procedures included the following:<br>• We assessed the methodology used by the directors to calculate the value in use of the CGUs and evaluated if it complies with the requirements of International Financial Reporting Standards;<br>• We analysed the future projected cash flows used in the value in use calculation to determine whether the assumptions used by the directors in projecting the cash flows are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGUs;<br>• We compared the projected cash flows to historical performance, market forecasts and approved budgets to assess the reasonableness of the directors' projections;<br>• We used our own internal valuation specialist as part of our audit team to assist us with challenging the key assumptions used by the directors to calculate the discount rate by assessing those assumptions against market data and specific risks relating to Group, and recalculating the discount rate;<br>• We subjected the key assumptions to sensitivity analysis; and<br>• We evaluated whether the assessment of impairment of property, plant and equipment and the related assumptions and judgements are adequately disclosed in the consolidated financial statements. |

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### *Completeness and valuation of provision for rehabilitation*

(Refer to note 2.3 (n) for the accounting policies, note 2.2 for the significant accounting judgements, estimates and assumptions and note 18 for the notes to the consolidated financial statements)

| *Why this was a key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| The provision for rehabilitation is made for the present value of closure, restoration and environmental rehabilitation costs, which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the reporting date.<br><br>As disclosed in note 2.2, this determination of the present value of the provision for rehabilitation is highly subjective as there are a number of key significant and sensitive judgements required by the directors. The present value of the provision for rehabilitation is based on the gross provision for rehabilitation inflated over the life of mine and then discounted using the discount rate, which reflects current market assessment and risks specific to the liability.<br><br>The directors have engaged an external environmental specialist to assist with the determination of the gross provision for rehabilitation.<br><br>Our audit focused on the completeness and valuation of the provision for rehabilitation due to the complexity of this calculation and the significant judgements involved, and we consider this matter to be a key audit matter. | Our audit procedures included the following:<br>• We used our own internal environmental specialist as part of our audit team to assist us with:<br>  • Assessing the competence, capabilities and objectivity of the directors' external environmental specialist by understanding the scope of their engagement and evaluating their qualifications and independence;<br>  • Challenging the methodology used to calculate the gross provision for rehabilitation by evaluating if the methodology is consistent with industry norms;<br>  • Testing the extent of rehabilitation activities by performing site visits, and inspecting the appropriate source documentation such as survey reports, Google Earth and/or site lay-out maps; and<br>  • Testing the projected costs of rehabilitation activities by conducting a year on year comparison of the costs used in the calculation and a comparison to industry costs which were compiled based on models using contract rates,<br>• We evaluated the reasonableness of the discount rate and inflation rate used by the directors comparing these rates to external sources;<br>• We assessed the calculation performed by the directors for compliance with the requirements of International Financial Reporting Standards and recalculated the present value of the provision for rehabilitation; and<br>• We assessed the presentation and disclosure in respect of the provision for rehabilitation in the consolidated financial statements and considered whether the disclosures reflected the risks inherent in the accounting for the provision for rehabilitation. |

### *Recognition of deferred tax assets set off against deferred tax liabilities*

(Refer to note 2.3 (h) for the accounting policies, note 2.2 for the significant accounting judgements, estimates and assumptions and note 5 for the notes to the consolidated financial statements)

| *Why this was a key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| Note 5 explains that the Group has recognised deferred tax assets in respect of certain entities where the directors have determined that it is probable that historical assessed tax losses will be realised. These deferred tax assets have been set off against the Group's deferred tax liabilities, as disclosed in the note.<br><br>The recognition of deferred tax assets is highly subjective and requires the directors to make significant judgements in estimating future taxable income.<br><br>Due to the significant judgements involved in the recognition of the deferred tax assets, we determined this matter to be a key audit matter. | Our audit procedures included the following:<br>• We used our own internal taxation specialist as part of our audit team to assist us with evaluating the recognition and measurement of the deferred tax assets for certain significant entities based on their knowledge of mining tax legislation;<br>• We evaluated the directors' assessment of the estimated manner in which the timing differences would be realised, including the recoverability of the deferred tax assets, by comparing this assessment to our knowledge of the Group and evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans and minutes of directors meetings; and<br>• We assessed the presentation and disclosure in respect of the deferred tax balances in the consolidated financial statements and whether the offsetting of the deferred tax assets against liabilities met the requirements of IAS 12 Income Taxes. |

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## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other infomiation and we do not express an audit opinion or any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences ofdoing so would reasonably be expected to outweigh the public interest benefits of such communication.

**KPMG Inc.**
Registered Auditor

Per Alwyn van der Lith
Chartered Accountant (SA)
Registered Auditor
Director

21 August 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## For the year ended 30 June 2017

| | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| Revenue | 4(a) | **50,497,045** | 39,510,771 |
| Cost of sales | | **(36,241,259)** | (31,780,332) |
| **Gross profit** | | **14,255,786** | 7,730,439 |
| Other income | 4(b) | **271,852** | 42,985 |
| Profit on sale of property, plant and equipment | | **37,449** | 5,734 |
| Foreign exchange (loss)/gain | | **(22,583)** | 288,528 |
| Profit on sale of financial assets at fair value through profit and loss | | **–** | 729 |
| Loss on sale of available-for-sale financial assets | | **–** | (4,851) |
| Impairment of exploration and evaluation assets | 9 | **–** | (8,280) |
| General and administrative costs | | **(1,980,978)** | (2,259,578) |
| *Operating profit before net finance income and income tax expense* | | **12,561,526** | 5,795,706 |
| Finance income | 4(e) | **888,548** | 396,399 |
| Finance costs | 4(e) | **(244,292)** | (218,270) |
| *Profit before income tax expense* | 4(c)(d) | **13,205,782** | 5,973,835 |
| Income tax expense | 5 | **(4,333,218)** | (2,240,300) |
| **Net profit for the year** | | **8,872,564** | 3,733,535 |
| *Other comprehensive income/(loss)* | | | |
| Items that are or may be subsequently reclassified to profit and loss: | | | |
| Foreign currency translation | 15 | **5,865,078** | (10,010,647) |
| **Total other comprehensive income/(loss) (net of tax)** | | **5,865,078** | (10,010,647) |
| **Total comprehensive income/(loss) for the year** | | **14,737,642** | (6,277,112) |
| *Profit attributable to:* | | | |
| Owners of the parent | | **8,872,564** | 3,733,535 |
| | | **8,872,564** | 3,733,535 |
| *Total comprehensive profit/(loss) attributable to:* | | | |
| Owners of the parent | | **14,737,642** | (6,277,112) |
| | | **14,737,642** | (6,277,112) |

| | | Cents | Cents |
|---|---|---|---|
| Profit per share for profit attributable to the ordinary equity holders of the Company: | | | |
| Basic earnings per share | 6 | **3.06** | 1.28 |
| Diluted earnings per share | 6 | **3.02** | 1.24 |

*The accompanying notes form part of these financial statements.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## At 30 June 2017

| | Notes | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| *Non-current assets* | | | |
| Equity-accounted investees | 7 | **446,104** | – |
| Other financial assets | 8 | **586,271** | 710,055 |
| Exploration and evaluation assets | 9 | **57,587,900** | 55,723,424 |
| Property, plant and equipment | 10 | **32,257,692** | 30,132,591 |
| **Total non-current assets** | | **90,877,967** | 86,566,070 |
| *Current assets* | | | |
| Cash and cash equivalents | 11 | **15,321,117** | 6,707,022 |
| Trade and other receivables | 12 | **19,502,105** | 16,055,698 |
| Other financial assets | 8 | **1,148,327** | 1,343,255 |
| Inventories | 13 | **1,797,930** | 1,693,024 |
| Current tax asset | 20(b) | **756,255** | 80,679 |
| **Total current assets** | | **38,525,734** | 25,879,678 |
| **Total assets** | | **129,403,701** | 112,445,748 |
| **EQUITY AND LIABILITIES** | | | |
| *Shareholders' equity* | | | |
| Issued capital | 14 | **2,979,819** | 2,979,819 |
| Reserves | 15 | **72,623,111** | 66,917,322 |
| Retained profits | 16 | **30,036,689** | 21,164,125 |
| **Total equity** | | **105,639,619** | 91,061,266 |
| *Non-current liabilities* | | | |
| Borrowings | 17 | **323,419** | 171,286 |
| Provisions | 18 | **3,626,989** | 2,809,228 |
| Deferred tax liability | 5 | **14,591,815** | 12,076,899 |
| **Total non-current liabilities** | | **18,542,223** | 15,057,413 |
| *Current liabilities* | | | |
| Trade and other payables | 19 | **5,075,120** | 6,115,147 |
| Borrowings | 17 | **146,739** | 211,922 |
| **Total current liabilities** | | **5,221,859** | 6,327,069 |
| **Total liabilities** | | **23,764,082** | 21,384,482 |
| **Total liabilities and shareholders' equity** | | **129,403,701** | 112,445,748 |

*The accompanying notes form part of these financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the year ended 30 June 2017

| | Issued capital | Share premium reserve | Reserve for own shares | Retained profits | Share-based payment re-serve | Foreign cur-rency transla-tion reserve | Non-controlling interest reserve | Equity reserve | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| *Balance as at 1 July 2016* | 2,979,819 | 175,705,741 | (737,684) | 21,164,125 | 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 profit | – | – | – | – | – | 5,865,078 | – | – | 5,865,078 |
| *Total comprehensive profit 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 as at 30 June 2017** | 2,979,819 | 175,705,741 | (1,063,273) | 30,036,689 | 3,896,700 | (36,395,551) | (39,779,293) | (29,741,213) | 105,639,619 |
| *Balance as at 1 July 2015* | **29,798,190** | **148,887,370** | **(259,184)** | **17,430,590** | **4,052,481** | **(32,249,982)** | **(39,779,293)** | **(29,741,213)** | **98,138,959** |
| Profit for the year | **–** | **–** | | **3,733,535** | **–** | **–** | **–** | **–** | **3,733,535** |
| Other comprehensive profit | **–** | **–** | **–** | **–** | **–** | **(10,010,647)** | **–** | **–** | **(10,010,647)** |
| *Total comprehensive loss for the year* | **–** | **–** | **–** | **3,733,535** | **–** | **(10,010,647)** | **–** | **–** | **(6,277,112)** |
| Share transactions | | | | | | | | | |
| – Treasury shares acquired | **–** | **–** | **(945,759)** | **–** | **–** | **–** | **–** | **–** | **(945,759)** |
| – Share-based payments | **–** | **–** | **–** | **–** | **326,594** | **–** | **–** | **–** | **326,594** |
| – Share options and bonus shares exercised | **–** | **–** | **467,259** | **–** | **(648,675)** | **–** | **–** | **–** | **(181,416)** |
| Reduction in par value | **(26,818,371)** | **26,818,371** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Balance as at 30 June 2016** | **2,979,819** | **175,705,741** | **(737,684)** | **21,164,125** | **3,730,400** | **(42,260,629)** | **(39,779,293)** | **(29,741,213)** | **91,061,266** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the year ended 30 June 2017

| | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Receipts from customers | | **49,244,826** | 34,237,910 |
| Payments to suppliers and employees | | **(33,451,276)** | (29,213,329) |
| Finance income | | **630,144** | 240,005 |
| Realised foreign exchange (loss)/gain | | **(7,533)** | 271,190 |
| Exploration expenditure | | **(68,451)** | (5,168) |
| Finance costs | | **(54,947)** | (41,271) |
| Taxation paid | 20(b) | **(4,218,423)** | (3,560,092) |
| **Net cash inflow from operating activities** | 20(a) | **12,074,340** | 1,929,245 |
| *Cash flows from investing activities* | | | |
| Proceeds from disposal of property, plant and equipment | | **20,359** | – |
| Purchase of property, plant and equipment | | **(3,524,927)** | (1,180,453) |
| Payments for exploration and evaluation assets | | **(676,448)** | (283,128) |
| Payment for rehabilitation insurance guarantee | | **(195,721)** | (265,003) |
| Refund received for rehabilitation insurance guarantee | | **588,030** | – |
| Proceeds from sale of financial assets | | **–** | 13,908 |
| Investment in joint venture | | **(428,115)** | – |
| Receipt of loan repayment from Ironveld Holdings | | **585,031** | 277,200 |
| **Net cash outflow from investing activities** | | **(3,631,791)** | (1,437,476) |
| *Cash flows from financing activities* | | | |
| Repayment of borrowings | | **(226,762)** | (241,079) |
| Payment for treasury shares | | **(525,558)** | (945,759) |
| Payment for settlement of share options and bonus shares | | **(39,462)** | (181,416) |
| **Net cash outflow from financing activities** | | **(791,782)** | (1,368,254) |
| Net increase/(decrease) in cash and cash equivalents | | **7,650,767** | (876,485) |
| **Effect of exchange fluctuations on cash held** | | **963,328** | (832,835) |
| **Cash and cash equivalents, beginning of year** | | **6,707,022** | 8,416,342 |
| **Cash and cash equivalents, end of year** | 11 | **15,321,117** | 6,707,022 |

*The accompanying notes form part of these financial statements.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 1. CORPORATE INFORMATION

The consolidated financial statements of Sylvania Platinum Limited (Sylvania or the Company) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 18 August 2017. Sylvania is a limited company incorporated and domiciled in Bermuda whose shares are publicly traded on the Alternative Investment Market (AIM) of the London Stock Exchange. Sylvania's registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. These consolidated financial statements comprise the Company and its subsidiaries and investments in associates (collectively the Group).

The principal activity of the Group during the financial year was investment in mineral exploration and mineral treatment projects. Operational focus during the financial year was concentrated on the retreatment plants.

The consolidated financial statements represent the ongoing activities of the Sylvania Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

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

#### *Functional and presentation currency*

The consolidated financial information is presented in US Dollars which is the Company's functional currency. The functional currency of the Company changed from Australian Dollars to US Dollars on 1 July 2016 due to the exit from Australia. All amounts have been rounded to the nearest US Dollar, unless otherwise indicated.

#### *Statement of compliance*

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Changes in accounting policies*

The accounting policies adopted are consistent with those in the previous financial year except that in the current year, the Group has adopted all new and revised Standards and Interpretations issued by the IASB and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the accounting period beginning on 1 July 2016, including:

- *IAS 1 Presentation of Financial Statements (amendments)* – apply professional judgement in determining what information to disclose in the financial statements.
- *IAS 16 Property, Plant and Equipment (amendments)* – the principle for the basis of depreciation is the expected pattern of consumption of future economic benefits of an asset.

These changes have had no material effect on the consolidated financial statements.

### 2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period.

Estimates and underlying assumptions are continuously evaluated, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and judgements considered by management in preparing the consolidated financial statements is described below.

#### *Assessment of inter-company loans as net investments in foreign operations*

Settlement of certain inter-company loans to South African entities denominated in US Dollars (2016: Australian Dollars) is neither planned nor likely to occur in the foreseeable future and the loans are therefore considered to be in substance, part of the Group's net investment in the foreign operations. The exchange differences arising on these loans are recognised in the Group's other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

### *Revenue recognition*

The accounting policy for sale of PGM concentrates is set out in note 2.3(b). The determination of revenue from the time of initial recognition of the sale through to final pricing requires management to re-estimate the fair value of the price adjustment feature continuously. Management determines this with reference to estimated forward prices.

### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model, using the assumptions detailed in note 21.

### *Exploration and evaluation carrying values*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves (refer to accounting policy note 2.3(j)). The determination of a Joint Ore Reserves Committee (JORC) resource or South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC) is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available that suggests that the recovery of expenditure is unlikely, the amount capitalised is written off to profit or loss in the period in which the new information becomes available.

### *Impairment of assets*

The Group assesses each asset or cash generating unit (CGU) at the end of each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, future capital requirements, exploration potential, closure and rehabilitation costs and operating performance. These estimates and assumptions are inherently uncertain and could change over time, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash generating units as being an individual mine site or retreatment plant, which is the lowest level for which cash inflows are largely independent of those of other assets.

### *Key assumptions used in the assessment of impairment of assets*

The recoverable amounts of the Group's retreatment plants have been based on cash flow projections as at 30 June 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 12.72% is the weighted average cost of capital.

Commodity price – The Group has used forecast commodity prices obtained from reputable publications and these range for years from 2017 – 2021 between $949 and $1,190/oz (2016: $1,034 and $1,346) for platinum and $661 to $919 (2016: $618 to $763) for palladium. Sensitivities have also been run at lower prices.

## 2. SIGNIFICANT ACCOUNTING POLICIES *continued*

### 2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *continued*

#### *Key assumptions used in the assessment of impairment of assets* continued

Operating costs – Operating costs are calculated on a Rand/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 discounted cash flow model ranges for year from 2017 – 2021 from 12.81 ZAR/$1 to 15.80 ZAR/$1 (2016: 12.02 ZAR/$1 to 15.04 ZAR/$1).

#### *Provision for restoration and rehabilitation and decommissioning of plant and equipment*

The Group assesses its restoration and rehabilitation and decommissioning of plant and equipment provision annually. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision has been calculated by discounting the estimated costs of rehabilitation of $3,704,840 (2016: $2,847,164) over a period of 10 years (2016: 10 years) using a discount rate of 8.8% (2016: 10.75%), which is the risk-free rate in relation to government bonds in South Africa and an inflation rate of 5.1% (2016: 6.1%).

If the change in estimate results in an increase in the restoration and rehabilitation liability and therefore an addition to the carrying value of the asset, the Group is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36.

The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

#### *Recovery of deferred tax assets*

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

#### *Inventories*

Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained PGM ounces based on assay data, and the estimated recovery percentage based on the expected processing method.

Stockpile tonnages are verified by periodic surveys.

#### *Fair value hierarchy*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *(a) Basis of consolidation*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions and any unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where ownership of a subsidiary is less than 100%, and therefore a non-controlling interest/s exists, any losses of that subsidiary are attributed to the non-controlling interest/s even if that results in a deficit balance. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, the carrying amount of any non-controlling interest and other components of equity, including the cumulative translation differences recognised in equity. The consideration received and any investment retained is recognised at fair value and any resulting surplus or deficit is recognised in profit or loss. The parent's share of the components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

*Equity-accounted investees*

The Group's interests in equity-accounted entities comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment is carried in the statement of financial position at cost, including transaction costs plus post acquisition changes in the Group's share of net assets of the investee, until the date on which significant influence or joint control ceases.

The statement of comprehensive income reflects the Group's share of the results of operations of the investee. Where there has been a change recognised directly in other comprehensive income or equity of the investee, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income and the statement of changes in equity.

Unrealised gains resulting from transactions between the Group and the equity-accounted investee are eliminated to the extent of the interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The financial statements of the equity-accounted investees are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in equity-accounted investees. At each reporting date, the Group determines whether there is objective evidence that the investment in the equity-accounted investees is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value, then recognises the loss in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES *continued*

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### *(b) Revenue recognition*

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to be passed to the buyer at the time of delivery of the goods to the customer.

For PGM concentrate sales, the sales are initially recognised at the date of delivery. Adjustments to the sales price occur based on movements in the metal market price up to the date of final pricing. Final pricing is based on the monthly average market price in the month prior to the month of settlement. The period between initial recognition and final pricing is typically four months. Revenue is initially recorded at the estimated fair value of the consideration receivable.

The revenue adjustment mechanism embedded within sales arrangements has the characteristics of a commodity derivative. Accordingly the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value recognised as an adjustment to revenue in profit or loss and trade receivables in the statement of financial position. In all cases, fair value is determined with reference to estimated forward prices.

*Interest income*

For all financial assets measured at amortised cost interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss.

#### *(c) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

#### *(d) Leases*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

*Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs (refer note 2.3(c)).

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

*Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in other income in profit or loss.

### (e) Employee benefits

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

### (f) Share-based payment transactions

*Equity settled transactions*

The Group provides benefits to employees and consultants (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares (equity-settled transactions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit recognised in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The Group does not subsequently reverse the amount recognised for services received from an employee if the vested equity instruments are later forfeited, except for awards where vesting is only conditional upon a market condition or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an award is settled net of withholdings tax and the number of equity instruments equal to the monetary value of the tax obligation is withheld, the entire transaction is classified as equity settled. The payments made are accounted for as a deduction from equity except to the extent that the payment exceeds the fair value of the equity instruments withheld.

The dilutive effect of outstanding shares and options issued is reflected as additional share dilution in the computation of earnings per share (see note 6).

### (g) Foreign currency translation

The Group's consolidated financial statements are presented in US dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency by applying the exchange rates ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All resulting exchange differences are taken to profit and loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017 *continued*

## 2. SIGNIFICANT ACCOUNTING POLICIES *continued*

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### *(g) Foreign currency translation* continued

*Group companies*

As at the reporting date on consolidation, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Monetary assets and liabilities that are receivable from or payable to a foreign subsidiary and for which settlement is neither planned nor likely to occur in the foreseeable future, forms part of the net investment in a foreign operation and the resulting exchange differences are recognised in other comprehensive income. The repayment of such a balance is not considered to be a partial disposal and the cumulative exchange differences recognised in other comprehensive income is not reclassified to profit or loss, until the foreign entity is disposed of.

#### *(h) Income tax*

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all taxable temporary differences, except:

- temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled by the parent or investor and it is probable that the temporary differences will not reverse in the foreseeable future; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised for the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Royalties, resource rent taxes and revenue-based taxes*

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income - rather than based on quantity produced or as a percentage of revenue - after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current liabilities and included in expenses.

### *(i) Property, plant and equipment*

Property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of finance leases are also included within property, plant and equipment.

Upon completion of mine construction, the assets are transferred into property, plant and equipment or mine properties. When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

*Depreciation/amortisation*

Any premium paid in excess of the intrinsic value of land to gain access is amortised over the life of mine.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows (for the current and comparative periods):

- mining properties, plant and equipment – ten years
- leasehold improvements – three years
- computer equipment and software – three years
- furniture and fittings – six years
- office equipment – five years
- equipment and motor vehicles – five years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period, and adjusted prospectively if appropriate.

*Major maintenance and repairs*

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the replacement item will flow to the Group, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day to day maintenance costs are expensed as incurred.

### *(j) Exploration and evaluation assets*

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred when the following conditions are satisfied:

## 2. SIGNIFICANT ACCOUNTING POLICIES *continued*

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (j) Exploration and evaluation assets *continued*

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, gathering exploration data through geophysical studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Where a decision has been made to proceed with development in respect of a particular area of interest and once JORC or SAMREC compliant reserves are established, the relevant exploration and evaluation assets are tested for impairment and the balance is then transferred to mine 'construction in progress'. No amortisation is charged during the exploration and evaluation phase.

Upon transfer of 'exploration and evaluation assets' into 'construction in progress', all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised.

#### (k) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset (or cash-generating unit (CGU)) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. Impairment losses are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses of continuing operations, including impairment of inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. An impairment loss in respect of goodwill is not reversed.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

### (l) Financial instruments – initial recognition and subsequent measurement

#### *Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. For financial assets at fair value through profit or loss, directly attributable transaction costs are recognised in profit or loss as incurred.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as disclosed in the notes and as follows:

#### *Financial assets through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes any derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Impairment of financial assets*

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

## 2. SIGNIFICANT ACCOUNTING POLICIES *continued*

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### *(l) Financial instruments – initial recognition and subsequent measurement* continued

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For an investment in an equity instrument, objective evidence includes a significant or prolonged decline in its fair value below its cost.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial

asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance revenue in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or at amortised cost, as appropriate. Trade and other payables and loans and borrowings are measured at amortised cost. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value less, in the case of financial liabilities at fair value through profit or loss, directly attributable transaction costs.

The Group's other financial liabilities include trade and other payables, and loans and borrowings.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as disclosed in the notes.

*Financial liabilities at amortised cost*

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

*Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how these instruments are measured are provided in note 22.

*Normal purchase or sale exemption*

Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the 'normal purchase or sale exemption' (with the exception of those with quotation period clauses, which result in the recognition of an embedded derivative (refer note 2.3(l) Financial assets –Financial assets at fair value through profit or loss for more information). These contracts and the host part of the contracts containing embedded derivatives are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset.

*Cash and cash equivalents*

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

*Trade and other receivables*

Trade receivables include actual invoiced sales of PGM concentrate as well as sales not yet invoiced for which deliveries have been made and the risks and rewards of ownership have passed. The receivable amount calculated for the PGM concentrate delivered but not yet invoiced is recorded at the fair value of the consideration receivable at the date of delivery. At each subsequent reporting date and at the date of settlement, the receivable is remeasured to reflect the fair value movements in the pricing mechanism which is considered to represent an embedded derivative.

Other receivables are stated at cost less any allowance for uncollectable amounts. An allowance is made when there is objective evidence that the Group will not be able to collect debts. Bad debts are written off when identified.

## 2. SIGNIFICANT ACCOUNTING POLICIES *continued*

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### *(m) Inventories*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- raw materials – purchase cost on a first-in, first-out basis; and
- finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### *(n) Provisions*

Where applicable, provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*Rehabilitation provision*

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit or loss as a finance cost. Changes in rehabilitation costs relating to the asset will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Additional disturbances as a result of producing inventories are treated as a cost of producing inventories and recognised in profit or loss when sold.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

#### *(o) Issued capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares (employee share plan shares) are deducted from equity and no gain or loss is recognised in profit and loss on purchase, sale, issue or cancellation of the Group's own equity instruments.

### *(p) Earnings per share*

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share are calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

## 2.4 NEW STANDARDS AND INTERPRETATIONS

### *Future Accounting Standards*

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 annual reporting period ended on 30 June 2017. None of these are expected to have a significant impact on the Group' consolidated financial statements, with possible exceptions described below.

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| **IFRS 9** | Financial Instruments | IFRS 9 *Financial Instruments* is a new standard that replaces IAS 39 *Financial Instruments: Recognition and Measurement*. 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.<br><br>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. | 1 January 2018 | 1 July 2018 |

## 2. SIGNIFICANT ACCOUNTING POLICIES *continued*

### 2.4 NEW STANDARDS AND INTERPRETATIONS *continued*

***Future Accounting Standards*** *continued*

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| **IFRS 15** | Revenue from Contracts with Customers | IFRS 15 is a new standard that replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 *Arrangements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue: Barter Transactions Involving Advertising Services*.<br><br>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.<br><br>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. | 1 January 2018 | 1 July 2018 |
| **IFRS 16** | Leases | IFRS 16 is a new standard that replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.<br><br>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.<br><br>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. | 1 January 2019 | 1 July 2019 |
| **Amendments to IAS 7** | Statement of Cash Flows | The amendment provides additional disclosure requirements relating to changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes.<br><br>The amendment is not expected to result in any changes to the statement of cash flows, however it is likely that it will result in increased disclosure relating to changes in liabilities. | 1 January 2017 | 1 July 2017 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| **Amendments to IAS 12** | Income Taxes | The amendment clarifies the recognition requirements for deferred tax assets for unrealised losses.<br><br>The amendment is unlikely to have a material impact on the Group's financial position or performance. | 1 January 2017 | 1 July 2017 |
| **IFRIC 23** | Uncertainty over Income Tax Treatments | IFRIC 23 is a new interpretation that specifies how to reflect the effects of uncertainty in accounting for income taxes.<br><br>The interpretation may affect tax amounts raised and therefore may have a material impact on the Group's financial position or performance. | 1 January 2019 | 1 July 2019 |

## 3. SEGMENT REPORTING

### SEGMENT INFORMATION

For management purposes the chief operating decision maker, being the Board of directors of Sylvania Platinum Limited, reports its results per project. The Group currently has the following segments:

- seven operational retreatment processing plants:
  - Millsell
  - Steelpoort
  - Lannex
  - Mooinooi (two plants reported as a single unit)
  - Doornbosch
  - Tweefontein
- an open cast mining exploration project and a Northern Limb exploration project which is currently in the exploration phase.

The operating results of each project are monitored separately by the Board in order to assist them in making decisions regarding resource allocation as well as enabling them to evaluate performance. 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 accounting policies used by the Group in reporting segments internally are the same as those contained in note 2.3 of the financial statements.

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

- finance income;
- finance costs; and
- unallocated income and expenses (note 3(d))

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

## 3. SEGMENT REPORTING *continued*

| 2017 | Millsell $ | Steelpoort $ | Lannex $ | Mooinooi $ | Doorn-bosch $ | Twee-fontein $ | Explora-tion projects $ | Corporate/ Unallocated $ | Consoli-dated $ |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 6,751,737 | 3,354,817 | 8,662,013 | 17,366,197 | 8,666,401 | 14,148,598 | 60,862,348 | 9,591,590 | 129,403,701 |
| Capital expenditure* | 2,682,350 | 923,915 | 5,273,678 | 8,858,239 | 3,563,942 | 7,088,354 | 60,794,007 | 661,107 [(a)] | 89,845,592 |
| Other assets | 4,069,387 | 2,430,902 | 3,388,335 | 8,507,958 | 5,102,459 | 7,060,244 | 68,341 | 8,930,483 [(b)] | 39,558,109 |
| Segment liabilities | 1,069,629 | 751,672 | 1,195,127 | 1,919,533 | 1,058,782 | 1,609,592 | 947,880 | 15,211,867 [(c)] | 23,764,082 |
| Segment revenue | 6,880,659 | 4,071,151 | 6,025,294 | 13,643,719 | 8,048,252 | 11,827,970 | – | 888,548 | 51,385,593 |
| Segment result | 2,527,072 | 78,112 | 666,916 | 3,046,900 | 2,840,078 | 5,233,266 | (327,397) | (5,192,383) [(d)] | 8,872,564 |
| Net profit for the year after tax | | | | | | | | | 8,872,564 |
| Included within the segment results: | | | | | | | | | |
| Depreciation | 384,727 | 499,983 | 1,233,317 | 1,768,030 | 691,748 | 996,768 | – | 135,814 | 5,710,387 [(e)] |
| Direct operating costs | 3,968,860 | 3,492,869 | 4,125,061 | 8,828,789 | 4,517,357 | 5,597,936 | – | – | 30,530,872 [(f)] |
| Profit/(loss) on disposal of property, plant and equipment | – | (187) | – | – | 931 | – | – | 36,705 | 37,449 |
| Other items: | | | | | | | | | |
| Income tax expense | – | – | – | – | – | – | – | 4,333,218 | 4,333,218 |
| Capital expenditure additions | 1,810,758 | 43,205 | 136,752 | 442,421 | 594,833 | 537,500 | 686,781 | 416,805 | 4,669,055 |

** Capital expenditue consists of property, plant and equipment and exploration and evaluation assets.*

| 2016 | Millsell $ | Steelpoort $ | Lannex $ | Mooinooi $ | Doorn-bosch $ | Twee-fontein $ | Explora-tion projects $ | Corporate/ Unallocated $ | Consoli-dated $ |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 4,478,061 | 3,635,269 | 8,561,748 | 15,154,622 | 7,371,062 | 11,548,769 | 58,644,297 | 3,051,920 | 112,445,748 |
| Capital expenditure* | 1,052,936 | 1,236,290 | 5,666,261 | 9,042,050 | 3,236,452 | 6,683,398 | 58,563,982 | 374,646 [(a)] | 85,856,015 |
| Other assets | 3,425,125 | 2,398,979 | 2,895,487 | 6,112,572 | 4,134,610 | 4,865,371 | 80,315 | 2,677,274 [(b)] | 26,589,733 |
| Segment liabilities | 1,092,982 | 901,669 | 1,513,175 | 2,050,782 | 1,076,449 | 1,307,136 | 846,099 | 12,596,190 [(c)] | 21,384,482 |
| Segment revenue | 6,531,278 | 3,092,060 | 3,482,629 | 10,641,089 | 7,357,839 | 8,405,876 | – | 396,399 | 39,907,170 |
| Segment result | 2,844,634 | (823,351) | (1,618,844) | 1,237,572 | 2,930,090 | 3,227,673 | (303,067) | (3,761,172) [(d)] | 3,733,535 |
| Net profit for the year after tax | | | | | | | | | 3,733,535 |
| Included within the segment results: | | | | | | | | | |
| Depreciation | 408,926 | 474,625 | 1,112,664 | 1,617,251 | 637,758 | 922,384 | – | 67,335 | 5,240,943 [(e)] |
| Direct operating costs | 3,277,718 | 3,440,786 | 3,988,809 | 7,786,266 | 3,789,991 | 4,255,819 | – | – | 26,539,389 [(f)] |
| Profit/(loss) on disposal of property, plant and equipment | – | – | – | – | – | – | 8,280 | – | 8,280 |
| Other items: | | | | | | | | | |
| Income tax expense | – | – | – | – | – | – | – | 2,240,300 | 2,240,300 |
| Capital expenditure additions | 49,299 | 62,908 | 237,171 | 706,124 | 58,949 | 165,119 | 291,095 | 209,375 | 1,780,040 |

** Capital expenditure consists of property, plant and equipment and exploration and evaluation assets.*

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Major items included in corporate/unallocated* | | |
| (a) Capital expenditure | | |
| Property, plant and equipment | **661,107** | 374,646 |
| | **661,107** | 374,646 |
| (b) Other assets | | |
| Cash and cash equivalents | **5,953,926** | 852,470 |
| Current tax asset | **756,255** | 80,679 |
| Investment in joint venture | **446,104** | – |
| Other financial assets | **1,306,884** | 1,343,255 |
| Other receivables | **467,314** | 400,870 |
| | **8,930,483** | 2,677,274 |
| (c) Liabilities | | |
| Deferred tax | **14,591,815** | 12,076,899 |
| Borrowings | **286,321** | 267,004 |
| VAT payable | **292,663** | 213,536 |
| Other | **41,068** | 38,751 |
| | **15,211,867** | 12,596,190 |
| (d) Unallocated income and expenses | | |
| Administrative salaries and wages | **1,164,233** | 1,135,450 |
| Auditors' remuneration | **57,714** | 81,959 |
| Consulting fees | **112,430** | 261,550 |
| Depreciation | **191,207** | 122,228 |
| Finance income | **(888,548)** | (396,399) |
| Finance costs | **244,292** | 218,270 |
| Foreign exchange loss/(gain) | **22,583** | (288,528) |
| Legal expenses | **38,733** | 149,214 |
| Other income | **(271,852)** | (42,985) |
| Overseas travelling expenses | **205,129** | 170,827 |
| Premises leases | **37,554** | 37,982 |
| Profit on disposal of property, plant and equipment | **(36,705)** | – |
| Share-based payments | **405,731** | 326,594 |
| Income tax expense | **4,333,218** | 2,240,300 |
| Other | **(423,336)** | (255,290) |
| | **5,192,383** | 3,761,172 |

## 3. SEGMENT REPORTING *continued*

| | 2017 $ | 2016 $ |
|---|---|---|
| *Reconciliations of total segment amounts to corresponding amount for the Group* | | |
| (e) Depreciation | | |
| Included within cost of sales | **5,710,387** | 5,240,943 |
| Included within general and administrative costs | **55,393** | 54,893 |
| | **5,765,780** | 5,295,836 |
| (f) Cost of sales | | |
| Direct operating costs | **30,530,872** | 26,539,389 |
| Depreciation | **5,710,387** | 5,240,943 |
| | **36,241,259** | 31,780,332 |
| *Total segment revenue* | | |
| Sales | **50,497,045** | 39,510,771 |
| Finance income | **888,548** | 396,399 |
| Total revenue | **51,385,593** | 39,907,170 |
| Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Group does not have external revenues from external customers that are attributable to any foreign country other than as shown. | | |
| South Africa | **50,497,045** | 39,510,771 |
| Finance income by geographical location is detailed below: | | |
| Australia | **11** | 2,509 |
| South Africa | **888,537** | 393,890 |
| Total finance income | **888,548** | 396,399 |
| Total revenue | **51,385,593** | 39,907,170 |
| The majority of sales of concentrate is to one specific customer. Revenue is split according to segment as detailed below: | | |
| Customer 1 | **50,497,045** | 39,582,811 |
| Customer 2 | **–** | (72,040) |
| | **50,497,045** | 39,510,771 |
| The contract for customer 2 was terminated in May 2015. | | |
| *Analysis of location of non-current assets:* | | |
| South Africa | **90,877,967** | 86,566,070 |
| Total non-current assets | **90,877,967** | 86,566,070 |

## 4. REVENUE AND EXPENSES

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *(a) Revenue* | | |
| Sale of goods | **50,497,045** | 39,510,771 |
| | **50,497,045** | 39,510,771 |
| *(b) Other income* | | |
| Scrap sales | **2,318** | 4,320 |
| Insurance claims | **253,979** | – |
| Recoveries | **–** | 19,480 |
| Rent received | **15,555** | 19,185 |
| | **271,852** | 42,985 |
| *(c) Expenses* | | |
| Profit from ordinary activities before income tax expense includes the following specific expenses: | | |
| Included in cost of sales: | | |
| Depreciation – plant and equipment | **5,710,387** | 5,240,943 |
| Write-off of property, plant and equipment | **–** | 34,137 |
| Included in general and administrative costs: | | |
| Consulting | **112,430** | 282,756 |
| Depreciation – other assets | **55,394** | 54,893 |
| Operating lease payments | **76,861** | 85,268 |
| Prospecting expenses | **68,451** | 5,168 |
| *(d) Staff costs* | | |
| Salaries and wages included in cost of sales | **11,141,917** | 9,995,030 |
| Salaries and wages included in general and administrative costs | **1,226,170** | 1,191,160 |
| Share-based payments | **405,731** | 326,594 |
| | **12,773,818** | 11,512,784 |
| *(e) Net finance income* | | |
| Interest income on loans and receivables | **888,548** | 396,399 |
| **Finance income** | **888,548** | 396,399 |
| Interest expense on financial liabilities measured at amortised cost | **(54,948)** | (41,271) |
| Unwinding of discount on rehabilitation and restoration provision | **(189,344)** | (176,999) |
| **Finance costs** | **(244,292)** | (218,270) |
| **Net finance income recognised in profit or loss** | **644,256** | 178,129 |

## 5. INCOME TAX EXPENSE

| | 2017 $ | 2016 $ |
|---|---|---|
| *Major components of tax expense for the years ended 30 June 2017 and 2016* | | |
| Income tax recognised in profit or loss | | |
| Current income tax: | | |
| Current income tax charge | **3,958,224** | 3,473,266 |
| Adjustments in respect of current income tax of previous year | **(377,724)** | (3,677) |
| Deferred income tax: | | |
| Relating to recognition, origination and reversal of temporary differences | **752,718** | (1,229,289) |
| **Total tax expense** | **4,333,218** | 2,240,300 |
| *The prima facie income tax expense on pre-tax accounting profit or loss from operations reconciles to the income tax expense in the financial statements as follows:* | | |
| Accounting profit before income tax | **13,205,782** | 5,973,835 |
| Tax expense at rate of 28% | **3,697,619** | 1,672,674 |
| Non-deductible expenses | **669,053** | 205,040 |
| Over provision in respect of prior year | **(377,724)** | (3,677) |
| Benefit of tax losses and temporary differences not brought to account | **345,011** | 367,788 |
| Assessed loss utilised | **(741)** | (1,525) |
| **Income tax expense** | **4,333,218** | 2,240,300 |

Sylvania Platinum Limited is a Bermudan incorporated company and has no tax liability under that jurisdiction with respect to income derived. Certain foreign subsidiaries generated income that is subject to the applicable tax in the countries from which such income is derived.

The tax rate used in the above reconciliation is the corporate tax rate of 28% payable by South African entities on taxable profits under South African tax law.

| | 2017 $ | 2016 $ |
|---|---|---|
| *Deferred tax assets comprise:* | | |
| Unrealised gains and losses on foreign exchange | **3,535,369** | 5,267,435 |
| Provision for rehabilitation | **758,329** | 559,448 |
| Other | **372,361** | 462,856 |
| | **4,666,059** | 6,289,739 |
| Set-off against deferred tax liabilities | **(4,666,059)** | (6,289,739) |
| | **–** | – |
| *Deferred tax liabilities comprise:* | | |
| Exploration and evaluation assets | **11,598,513** | 11,598,513 |
| Property, plant and equipment | **7,618,785** | 6,754,758 |
| Other | **40,576** | 13,367 |
| | **19,257,874** | 18,366,638 |
| Set-off deferred tax assets | **(4,666,059)** | (6,289,739) |
| **Deferred tax liabilities net** | **14,591,815** | 12,076,899 |

The Group has estimated tax losses arising in Australia of $ Nil (2016: $14,546,638) and capital losses of $ Nil (2016: $9,356,418) that are available for offset against future taxable profits of the tax consolidated group in Australia. The Australian subsidiaries are in the process of being liquidated and deregistered and therefore the tax and capital losses are no longer going to be available for set off against future taxable income. In addition, the Group has estimated tax losses arising in South Africa of $4,956,363 (2016: $4,043,252) and unredeemed capital expenditure of $11,044,557 (2016: $8,959,842) that are available indefinitely for offset against future taxable profits of the company in which the losses arose.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Unrecognised deferred tax assets* | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Deductible temporary differences | **2,815,329** | 9,316,765 |
| Tax losses | **1,387,782** | 5,205,169 |
| Capital losses | **–** | 2,619,797 |
| | **4,203,111** | 17,141,731 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because at this time it is not probable that future tax profits will be available against which the Group can utilise the benefits thereof.

## TAX CONSOLIDATION

Sylvania Resources Pty Ltd and its 100% owned Australian resident controlled entities have formed a tax consolidated group with effect from 1 July 2003. Sylvania Resources is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entity on a pro rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the reporting date, the possibility of default is remote.

**_Reconciliation of deferred tax assets/(liabilities):_**

| 2017 | Opening balance<br>$ | Charged to profit or loss<br>$ | Exchange differences<br>$ | Closing balance<br>$ |
|---|---|---|---|---|
| Other temporary differences | **449,489** | **(143,376)** | **25,672** | **331,785** |
| Provision for rehabilitation | **559,448** | **119,731** | **79,150** | **758,329** |
| Unrealised gains and losses on foreign exchange | **5,267,435** | **(731,977)** | **(1,000,089)** | **3,535,369** |
| Plant and equipment | **(6,754,758)** | **2,904** | **(866,931)** | **(7,618,785)** |
| Exploration and evaluation assets | **(11,598,513)** | **–** | **–** | **(11,598,513)** |
| | **(12,076,899)** | **(752,718)** | **(1,762,198)** | **(14,591,815)** |
| 2016 | | | | |
| Other temporary differences | 157,694 | 324,325 | (32,530) | 449,489 |
| Provision for rehabilitation | 558,089 | 100,595 | (99,236) | 559,448 |
| Unrealised gains and losses on foreign exchange | 4,292,250 | – | 975,185 | 5,267,435 |
| Plant and equipment | (9,117,535) | 804,369 | 1,558,408 | (6,754,758) |
| Exploration and evaluation assets | (11,981,342) | – | 382,829 | (11,598,513) |
| | (16,090,844) | 1,229,289 | 2,784,656 | (12,076,899) |

## 6. EARNINGS PER SHARE

| | 2017 Cents per share | 2016 Cents per share |
|---|---|---|
| Basic earnings per share | **3.06** | 1.28 |
| Diluted earnings per share | **3.02** | 1.24 |

| | $ | $ |
|---|---|---|
| *Reconciliation of earnings used in calculating earnings per share* | | |
| Earnings attributable to the ordinary equity holders of the company used in calculating basic earnings per share | **8,872,564** | 3,733,535 |
| Earnings attributable to the ordinary equity holders of the company used in calculating diluted earnings per share | **8,872,564** | 3,733,535 |

| | 2017 Number of shares | 2016 Number of shares |
|---|---|---|
| *Weighted average number of shares used as the denominator* | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **289,942,646** | 292,414,880 |
| Effect of dilution: | | |
| Share options | **4,182,274** | 7,943,333 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **294,124,920** | 300,358,213 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 7. EQUITY-ACCOUNTED INVESTEES

| | 2017 $ | 2016 $ |
|---|---|---|
| Investment in joint venture | **446,104** | – |
| | **446,104** | – |

### (a) CHROME TAILINGS RETREATMENT PROJECT (CTRP)

The Group has a 25% interest in CTRP, which operates a chrome tailings retreatment plant at Kroondal in South Africa (2016: 25%). The Group's interest in CTRP is accounted for using the equity method in the consolidated financial statements.

The plant remains on care and maintenance and there is no agreement between the parties or plan to restart the operation. The Group ceased to recognise its share of losses of CTRP from the date of impairment.

#### *Unrecognised losses*

The Group has not recognised cumulative losses totalling $300,879 (2016: $203,735) in relation to its interests in associates.

### (b) TIZER SYLVANIA CONSORTIUM

The Group entered into an agreement in November 2016 to establish the Tizer Sylvania Consortium (TS Consortium), which operates a pilot pelletiser plant in South Africa. In terms of the agreement the Group has a 50% interest in the TS Consortium for an initial contribution of $459,336, of which $446,104 has been settled in cash at 30 June 2017. The Group's interest in TS Consortium is accounted for using the equity method in the consolidated financial statements.

The following table summarises the financial information of TS Consortium as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in TS Consortium.

| | 2017 $ |
|---|---|
| Non-current assets | **1,022,493** |
| Current liabilities | **(130,285)** |
| **Net assets (100%)** | **892,208** |
| Group's share of net assets (50%) | **446,104** |
| **Carrying amount of investment in joint venture** | **446,104** |

The joint venture has not earned any income or incurred any expenses for the year ended 30 June 2017.

***Unrecognised losses***

The Group has not recognised cumulative losses totalling $ Nil in relation to its interest in joint venture.

***Contingencies and commitments***

The investments in associate and joint venture had no contingent liabilities or capital commitments as at 30 June 2017.

## 8. OTHER FINANCIAL ASSETS

| | 2017 $ | 2016 $ |
|---|---|---|
| *Loans and receivables* | | |
| Loans receivable | **1,306,885** | 1,343,255 |
| Rehabilitation insurance guarantee | **427,713** | 710,055 |
| **Total** | **1,734,598** | 2,053,310 |
| Non-current assets | **586,271** | 710,055 |
| Current assets | **1,148,327** | 1,343,255 |

Loans and receivables consist of loans granted to Ironveld Holdings (Pty) Ltd from Sylvania Metals (Pty) Ltd (Sylvania Metals), a South African subsidiary of the Group and TS Consortium. An addendum to the facility agreement with Ironveld was entered into on 25 October 2016 amending the terms of the loan. The loan now bore interest at the rate of 4% above the prime lending rate in South Africa (prior to 25 October 2016: prime rate) and was repayable on 30 June 2017. A partial payment was received during the year and the capital balance of the loan has been received subsequent to the reporting date. Refer to note 22 for further details.

The loan to TS Consortium is unsecured, bears no interest and has no fixed date of repayment.

## 9. EXPLORATION AND EVALUATION ASSETS

| 2017 | Mineral rights $ | Deferred exploration expenditure $ | Total $ |
|---|---|---|---|
| Balance at beginning of financial year | **2,251,110** | **53,472,314** | **55,723,424** |
| Foreign currency movements | **301,064** | **886,964** | **1,188,028** |
| Direct expenditure for the year | **67,231** | **609,217** | **676,448** |
| Balance at end of financial year | **2,619,405** | **54,968,495** | **57,587,900** |
| 2016 | | | |
| Balance at beginning of financial year | 2,652,301 | 56,133,128 | 58,785,429 |
| Foreign currency movements | (461,364) | (2,875,489) | (3,336,853) |
| Direct expenditure for the year | 60,173 | 222,955 | 283,128 |
| Impairment | – | (8,280) | (8,280) |
| Balance at end of financial year | 2,251,110 | 53,472,314 | 55,723,424 |

## 9. EXPLORATION AND EVALUATION ASSETS *continued*

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.

### IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets relating to the Group's Everest North project was impaired during the prior financial years, resulting in an impairment loss of $ Nil (2016: $8,280).

Given the low platinum price and the Group's low market capitalisation, the directors performed an impairment assessment of the Group's exploration and evaluation assets at year end. No impairment was considered necessary in the current year.

## 10. PROPERTY, PLANT AND EQUIPMENT

| 2017 | Property $ | Mining property $ | Construction in progress $ | Plant and Equipment $ | Equipment $ | Leasehold improve-ments $ | Computer equipment and software $ | Furniture and fittings $ | Office equipment $ | Motor vehicles $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *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) |
| Net 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 net 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) |
| Closing net 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) |
| **Net 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 |

| 2016 | Property $ | Mining property $ | Plant and Equipment $ | Equipment $ | Leasehold improve-ments $ | Computer equipment and software $ | Furniture and fittings $ | Office equipment $ | Motor vehicles $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|---|
| *At 1 July 2015* | | | | | | | | | | |
| Cost | 3,470,767 | 2,682,354 | 63,863,401 | 629,624 | 23,769 | 401,905 | 57,739 | 90,139 | 496,426 | 71,716,124 |
| Accumulated depreciation | (53,064) | (1,270,445) | (28,142,646) | (482,005) | (23,157) | (293,865) | (56,018) | (69,973) | (340,269) | (30,731,442) |
| Net carrying value | 3,417,703 | 1,411,909 | 35,720,755 | 147,619 | 612 | 108,040 | 1,721 | 20,166 | 156,157 | 40,984,682 |
| *Year ended 30 June 2016* | | | | | | | | | | |
| Opening net carrying value | 3,417,703 | 1,411,909 | 35,720,755 | 147,619 | 612 | 108,040 | 1,721 | 20,166 | 156,157 | 40,984,682 |
| Exchange differences | (592,159) | (239,721) | (6,102,508) | (24,871) | (98) | (18,326) | (298) | (3,526) | (30,714) | (7,012,221) |
| Additions | – | – | 1,223,384 | 10,107 | – | 24,747 | 933 | 7,401 | 230,340 | 1,496,912 |
| Disposals | (500) | – | (11,888) | – | – | – | – | – | (28,558) | (40,946) |
| Depreciation charge | (17,582) | (207,614) | (4,928,707) | (39,650) | (311) | (41,349) | (931) | (6,213) | (53,479) | (5,295,836) |
| Closing net carrying value | 2,807,462 | 964,574 | 25,901,036 | 93,205 | 203 | 73,112 | 1,425 | 17,828 | 273,746 | 30,132,591 |
| *At 30 June 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) |
| **Net carrying value** | 2,807,462 | 964,574 | 25,901,036 | 93,205 | 203 | 73,112 | 1,425 | 17,828 | 273,746 | 30,132,591 |

## LEASED ASSETS

Plant and equipment, motor vehicles and computer equipment include the following amounts where the Group is a lessee under a finance lease:

| | 2017 $ | 2016 $ |
|---|---|---|
| *Plant and equipment* | | |
| Cost | **122,977** | 322,994 |
| Accumulated depreciation | **(64,869)** | (58,774) |
| | **58,108** | 264,220 |
| *Motor vehicles* | | |
| Cost | **533,590** | 407,826 |
| Accumulated depreciation | **(117,306)** | (114,080) |
| | **416,284** | 293,746 |

During the year, the Group acquired under finance lease plant and equipment of $31,935 (2016: $ Nil) and motor vehicles of $258,886 (2016: $225,489).

## NON-CURRENT ASSETS PLEDGED AS SECURITY

Leased assets are pledged as security for the related finance lease liability (refer to note 17). No other non-current assets are pledged as security for any liabilities.

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Given the low platinum price and the Group's low market capitalisation, the directors performed an impairment assessment of the Group's property, plant and equipment at year end. No impairment was considered necessary in the current year.

## 11. CASH AND CASH EQUIVALENTS

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash at bank and on hand | **6,269,257** | 2,601,984 |
| Short-term deposits | **8,110,942** | 3,274,583 |
| Short-term deposits – restricted cash | **940,918** | 830,455 |
| | **15,321,117** | 6,707,022 |

Cash at banks earns interest at floating rates on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is $15,321,117 (2016: $6,707,022).

At 30 June 2017, the Group had available $2,193,238 (2016: $2,413,239) of undrawn borrowing facilities.

The Group only deposits cash surpluses with major banks of high quality credit standing.

The Group has pledged part of its short-term deposits with a carrying value of $940,918 (2016: $830,455) in order to fulfil collateral requirements for the guarantees held below.

Bank guarantees are held as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Eskom | **915,656** | 808,537 |
| The Department of Mineral Resources | **18,220** | 16,089 |

## 12. TRADE AND OTHER RECEIVABLES

| | 2017 $ | 2016 $ |
|---|---|---|
| Trade receivables | **19,130,320** | 15,741,013 |
| Other receivables | **371,785** | 314,685 |
| | **19,502,105** | 16,055,698 |

Trade receivables are due from a major minerals mining and processing company. None of the amounts are past due or impaired. At 30 June 2017, gross sales of $13,722,018 (2016: $11,488,148) were subject to price adjustments.

Other receivables are non-interest bearing and are generally on 30-90 day terms. No other receivables are past due nor impaired.

## 13. INVENTORIES

| | 2017 $ | 2016 $ |
|---|---|---|
| Stores and materials | **1,187,884** | 906,165 |
| Finished goods in transit | **610,046** | 786,859 |
| | **1,797,930** | 1,693,024 |

Inventories of $1,478,890 (2016: $1,257,202) were recognised as an expense during the current year and included in cost of sales.

### STORES AND MATERIALS

Spares are held in stock for engineering breakdowns.

## 14. ISSUED CAPITAL

### AUTHORISED CAPITAL

| | 2017 No of shares | 2017 $ | 2016 $ |
|---|---|---|---|
| Ordinary shares with a par value of $0.01 | **1,000,000,000** | **10,000,000** | 10,000,000 |

### ISSUED CAPITAL

| | 2017 No of shares | 2016 No of shares | 2017 $ | 2016 $ |
|---|---|---|---|---|
| *Share capital* | | | | |
| **Ordinary shares** | | | | |
| Ordinary shares fully paid | **297,981,896** | 297,981,896 | **2,979,819** | 2,979,819 |

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

### MOVEMENTS IN ORDINARY SHARE CAPITAL

| Date | Details | Number of shares | $ |
|---|---|---|---|
| 1 July 2016 | Opening balance | 297,981,896 | 2,979,819 |
| 30 June 2017 | Closing balance | 297,981,896 | 2,979,819 |
| 1 July 2015 | Opening balance | 297,981,896 | 29,798,190 |
| | Reduction in par value [1] | – | (26,818,371) |
| 30 June 2016 | Closing balance | 297,981,896 | 2,979,819 |

[1] *The par value of each authorised ordinary share in Sylvania Platinum Limited was reduced from $0.10 to $0.01 per share. This took effect from 30 October 2015.*

The following ordinary shares in Sylvania Platinum Limited were repurchased during the year. The shares are being held to be issued as bonus shares to senior management in recognition of the achievement of performance criteria. Refer to note 21 for further details.

| Date | Number of shares | Price per share GBP |
|---|---|---|
| Opening balance at 1 July 2016 | 5,442,143 | |
| Shares repurchased | | |
| 1 September 2016 | 830,000 | 7.56 pence |
| 2 September 2016 | 409,300 | 7.88 pence |
| 9 September 2016 | 1,260,700 | 8.50 pence |
| 13 September 2016 | 1,635,000 | 8.78 pence |
| 28 December 2016 | 600,000 | 7.67 pence |
| Share options and bonus shares exercised | (2,071,256) | |
| | 8,105,887 | |

## 14. ISSUED CAPITAL *continued*

### SHARE OPTIONS

| | 2017 Number of options | 2016 Number of options |
|---|---|---|
| Employee option plan options | | |
| – At $Nil per share on or before 29 December 2021 | **2,010,000** | 2,970,000 |
| – At $Nil per share on or before 11 June 2023 | **400,000** | 800,000 |
| – At $Nil per share on or before 29 August 2023 | **840,000** | 1,360,000 |
| | **3,250,000** | 5,130,000 |

Information relating to the employee option plan, including details of options issued under the plan, is set out in note 21.

## 15. RESERVES

### NATURE AND PURPOSE OF RESERVES

- ***Reserve for own shares***

The reserve comprises the cost of the Company's shares held by the Group as treasury shares. Refer to notes 14 and 21 for further details.

- ***Foreign currency translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign controlled entities.

- ***Share-based payment reserve***

This reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration. Refer note 21.

- ***Non-controlling interests reserve***

This reserve is used to record differences between the carrying value of non-controlling interests and the consideration paid/received, where there has been a transaction involving non-controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

- ***Equity reserve***

This reserve arises from the reinstatement of the recyclable reserves in the former parent (Sylvania Resources Proprietary Limited) as at the date of the insertion of Sylvania Platinum Limited as the ultimate holding company.

| | Share premium reserve | Reserve for own shares | Share-based payments reserve | Foreign currency translation reserve | Non-controlling interest reserve | Equity reserve | Total Reserves |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| *Balance as at 1 July 2016* | 175,705,741 | (737,684) | 3,730,400 | (42,260,629) | (39,779,293) | (29,741,213) | 66,917,322 |
| *Included in other comprehensive profit:* | | | | | | | |
| Foreign currency translation | – | – | – | 5,865,078 | – | – | 5,865,078 |
| *Total other comprehensive profit* | – | – | – | 5,865,078* | – | – | 5,865,078 |
| Share-based payments | – | – | 405,731 | – | – | – | 405,731 |
| Share options and bonus shares exercised | – | 199,969 | (239,431) | – | – | – | (39,462) |
| Treasury shares acquired | – | (525,558) | – | – | – | – | (525,558) |
| Balance as at 30 June 2017 | 175,705,741 | (1,063,273) | 3,896,700 | (36,395,551) | (39,779,293) | (29,741,213) | 72,623,111 |
| *Balance as at 1 July 2015* | 148,887,370 | (259,184) | 4,052,481 | (32,249,982) | (39,779,293) | (29,741,213) | 50,910,179 |
| *Included in other comprehensive loss:* | | – | | | | | |
| Foreign currency translation | – | – | – | (10,010,647) | – | – | (10,010,647) |
| *Total other comprehensive loss* | – | – | – | (10,010,647)* | – | – | (10,010,647) |
| Share-based payments | – | – | 326,594 | – | – | – | 326,594 |
| Share options and bonus shares exercised | – | 467,259 | (648,675) | – | – | – | (181,416) |
| Treasury shares acquired | – | (945,759) | – | – | – | – | (945,759) |
| Reduction in par value | 26,818,371 | – | – | – | – | – | 26,818,371 |
| Balance as at 30 June 2016 | 175,705,741 | (737,684) | 3,730,400 | (42,260,629) | (39,779,293) | (29,741,213) | 66,917,322 |

* *The following exchange rates where used to translate the Statement of Financial Position at 30 June 2016 and 2017 respectively. USD:ZAR – $1:R14.79 & $1:R13.06; USD:AUD $1:A$1.34 & $1:A$1.30.*

## 16. RETAINED PROFITS

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Balance as at 1 July | 21,164,125 | 17,430,590 |
| Profit for the year | 8,872,564 | 3,733,535 |
| Balance as at 30 June | 30,036,689 | 21,164,125 |

Repatriation of funds from South Africa is subject to regulatory approval.

## 17. BORROWINGS

| | Future minimum lease payments due $ | Finance charges $ | Present value of minimum lease payments due $ |
|---|---|---|---|
| *Finance lease liabilities* | | | |
| **At 30 June 2017** | | | |
| Due within one year | **190,531** | **(43,792)** | **146,739** |
| Due between one and five years | **368,240** | **(44,821)** | **323,419** |
| | **558,771** | **(88,613)** | **470,158** |
| At 30 June 2016 | | | |
| Due within one year | 218,109 | (6,187) | 211,922 |
| Due between one and five years | 220,430 | (49,144) | 171,286 |
| | 438,539 | (55,331) | 383,208 |

| | 2017 $ | 2016 $ |
|---|---|---|
| *Secured* | | |
| Current liabilities | **146,739** | 211,922 |
| Non-current liabilities | **323,419** | 171,286 |

These borrowings are secured over various motor vehicles, plant and equipment and computer equipment, are repayable in monthly instalments of $16,949 (2016: $26,420) and bear interest at rates varying between 9.5% and 11% (2016: 9.25% and 11%) p.a. Refer to note 10 for further detail on non-current assets pledged as security.

## 18. PROVISIONS

| | 2017 $ | 2016 $ |
|---|---|---|
| *Provision for rehabilitation* | **3,626,989** | 2,809,228 |
| *Movement in provision* | | |
| Balance at beginning of financial year | **2,809,228** | 2,974,536 |
| Foreign currency movements | **390,149** | (524,574) |
| Unwinding of discount factor | **189,344** | 176,999 |
| Arising during the year | **238,268** | 182,267 |
| Balance at end of financial year | **3,626,989** | 2,809,228 |

Provision is made for the present value of closure, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the reporting date. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend on future market prices for the rehabilitation work required.

Rehabilitation is performed and paid for on an on-going basis as mining properties are depleted. The majority of the rehabilitation will be undertaken progressively over the life of the mine during the depletion of each respective mining property. It is expected that the life of each mine could vary therefore, the timing of rehabilitation work is inherently uncertain.

## 19. TRADE AND OTHER PAYABLES

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Trade payables | **2,542,753** | 3,894,076 |
| Accrued expenses | **2,239,703** | 1,996,733 |
| Other trade payables | **292,664** | 224,338 |
| | **5,075,120** | 6,115,147 |

Trade and other payables are non-interest bearing and are normally settled on 60 day terms, predominately payable in ZAR and located in South Africa.

## 20. NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| (a) Reconciliation of profit before tax to net cash flow from operating activities | | |
| Profit before income tax expense | **13,205,782** | 5,973,835 |
| *Adjusted for:* | | |
| Profit on sale of property, plant and equipment | **(37,449)** | (5,734) |
| Write-off of property, plant and equipment | **–** | 34,137 |
| Foreign exchange loss/(gain) | **15,050** | (17,338) |
| Loss on sale of financial assets | **–** | 4,122 |
| Impairment of exploration and evaluation assets | **–** | 8,280 |
| Finance income | **(888,548)** | (396,399) |
| Finance costs | **244,292** | 218,270 |
| Depreciation | **5,765,780** | 5,295,836 |
| Provisions | **61,247** | 103,841 |
| Share-based payments | **405,731** | 326,594 |
| Net operating profit before working capital changes | **18,771,885** | 11,545,444 |
| *Changes in working capital:* | | |
| Increase in trade receivables | **(1,252,219)** | (5,272,861) |
| Decrease/(increase) in inventories | **114,581** | (917,886) |
| Decrease in trade and other payables | **(1,916,681)** | (64,094) |
| *Cash generated from operating activities* | **15,717,566** | 5,290,603 |
| Finance income received | **630,144** | 240,005 |
| Finance costs paid | **(54,947)** | (41,271) |
| Taxation paid | **(4,218,423)** | (3,560,092) |
| **Net cash inflow from operating activities** | **12,074,340** | 1,929,245 |
| (b) Taxation paid | | |
| Balance receivable/(owing) at the beginning of the year | **80,679** | (9,191) |
| Income tax recognised in profit or loss | **(3,580,500)** | (3,469,589) |
| Interest received | **154** | – |
| Foreign currency movements | **37,499** | (633) |
| | **(3,462,168)** | (3,479,413) |
| *Less:* Balance receivable at the end of the year | **(756,255)** | (80,679) |
| Taxation paid | **(4,218,423)** | (3,560,092) |

## 21. SHARE-BASED PAYMENT PLAN

### EXPENSE RECOGNISED THROUGH PROFIT AND LOSS

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Expense arising from equity-settled share-based payment transactions | **405,731** | 326,594 |
| **Total expense** | **405,731** | 326,594 |

### EMPLOYEE OPTION PLAN

On 29 December 2011, an employee incentive option plan (the Sylvania Platinum Option Plan) was approved by the shareholders at the AGM.

Participants of the option plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers the length of service, seniority and position, record of employment, potential contribution and any other relevant matters in determining eligibility of potential participants. The Board has sole responsibility to determine the number of options and terms and conditions of options granted to any participant.

The options issued under the option plan will be granted free of charge. The exercise price (if any) for the options is to be determined by the Board at its absolute discretion.

The expiry date of the options, unless otherwise determined by the Board, is ten years after the grant date and will also lapse within one month of the participant ceasing to be a director, employee or consultant of the Company or a controlled entity during the exercise period (subject to certain exceptions); or immediately if the participant ceases to be a director, employee or consultant prior to the commencement of the exercise period. The Board at its discretion may apply certain vesting conditions upon any options issued under the plan.

Subject to any vesting conditions applied by the Board, the options can only be exercised after the expiry of the following periods:

- as regards 20% of those options granted, the date which is two years after the grant date,
- as regards 40% of those options granted, the date which is three years after the grant date, and
- as regards the remaining 40% of those options granted, the date which is four years after the grant date.

The options are not transferable without prior written approval from the Board.

On 29 December 2011, 13,000,000 share options were granted to directors, employees and consultants under the Sylvania Platinum Option Plan, 1,000,000 of which were forfeited in prior years, with a nil exercise price and an expiry date of 29 December 2021. Exercise of the options is subject to time-based vesting with 20% of the options having vested on 30 December 2013, a further 40% of the options vested on 30 December 2014 and the remaining 40% of the options vested on 30 December 2015, subject to the participant's continued employment. On 11 June 2013, a further 1,000,000 share options were granted with a nil exercise price and an expiry date of 11 June 2023. Exercise of the options is subject to time-based vesting with 20% of the options having vested on 12 June 2015, a further 40% of the options vested on 12 June 2016 and the remaining 40% of the options vested on 12 June 2017, subject to the participant's continued employment. On 29 August 2013, 1,600,000 share options were granted with a nil exercise price and an expiry date of 29 August 2023. Exercise of the options is subject to time-based vesting with 20% of the options having vested on 30 August 2015, a further 40% of the options vested on 30 August 2016 and the remaining 40% of the options vesting on 30 August 2017, subject to the participant's continued employment.

On 24 August 2016, 400,000 ordinary shares of $0.01 each in Sylvania Platinum Limited, with a nil exercise price and an expiry date of 24 August 2026, were allocated to certain employees and senior management under the Sylvania Platinum Option Plan. These shares vested immediately.

The fair values of the options granted are determined at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted (the exercise price, the term of the option), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The following assumptions were used to estimate the fair value of the options granted during the year ended June 2017:

| | 2017 | 2016 |
|---|---|---|
| Expected volatility (%) | 41.01 | – |
| Risk-free rate (%) | 7.00 | – |
| Expected life (years) | 1 | – |
| Share price ($) | 0.08 | – |
| Exercise price ($) | Nil | – |
| Expected dividend yield ($) | Nil | – |

## OPTIONS

| Grant date | Expiry date | Exercise price | Fair value at grant date | Balance at start of the year | Granted during the year | Exercised during the year | Balance at the end of the year | Vested and exercisable at end of year |
|---|---|---|---|---|---|---|---|---|
| 2017 | | | $ | Number | Number | Number | Number | Number |
| 29 Dec 2011 | 29 Dec 2021 | Nil | 0.33 | 2,970,000 | – | (960,000) | 2,010,000 | 2,010,000 |
| 11 Jun 2013 | 11 Jun 2023 | Nil | 0.17 | 800,000 | – | (400,000) | 400,000 | 400,000 |
| 29 Aug 2013 | 29 Aug 2023 | Nil | 0.13 | 1,360,000 | – | (120,000) | 1,240,000 | 600,000 |
| 24 Aug 2016 | 24 Aug 2026 | Nil | 0.10 | – | 400,000 | (400,000) | – | – |
| Total | | | | 5,130,000 | 400,000 | (1,880,000) | 3,650,000 | 3,010,000 |
| Weighted average exercise price | | | | – | – | – | – | – |
| 2016 | | | | | | | | |
| 29 Dec 2011 | 29 Dec 2021 | Nil | 0.33 | 6,750,000 | – | (3,780,000) | 2,970,000 | 2,970,000 |
| 11 Jun 2013 | 11 Jun 2023 | Nil | 0.17 | 1,000,000 | – | (200,000) | 800,000 | 400,000 |
| 29 Aug 2013 | 29 Aug 2023 | Nil | 0.13 | 1,600,000 | – | (240,000) | 1,360,000 | 80,000 |
| Total | | | | 9,350,000 | – | (4,220,000) | 5,130,000 | 3,450,000 |
| Weighted average exercise price | | | | – | – | – | – | – |

The options outstanding at 30 June 2017 had an exercise price of $Nil (2016: $Nil) and a weighted average remaining contractual life of 5 years (2016: 6 years).

The weighted average share price at the date of exercise of options during the year ended 30 June 2017 was $ Nil (2016: $ Nil).

## SHARE BONUS AWARD

On 21 August 2014, 2,545,584 ordinary shares of $0.10 each in Sylvania Platinum Limited were allocated to senior management in recognition of the achievement of performance criteria. These shares vested on 19 August 2015.

On 24 August 2016, 4,095,000 ordinary shares of $0.01 each in Sylvania Platinum Limited were allocated to certain employees and senior management in recognition of the achievement of performance criteria. These shares vest on 24 August 2017.

## 21. SHARE-BASED PAYMENT PLAN *continued*

### BONUS SHARES

| Issue date 2017 | Fair value at issue date $ | Balance at start of the year Number | Issued during the year Number | Exercised during the year Number | Balance at the end of the year Number | Vested and exercisable at end of year Number |
|---|---|---|---|---|---|---|
| 24 August 2016 | 0.10 | – | 4,095,000 | – | 4,095,000 | – |
| Total | | – | 4,095,000 | – | 4,095,000 | – |

| Issue date 2016 | Fair value at issue date $ | Balance at start of the year Number | Issued during the year Number | Exercised during the year Number | Balance at the end of the year Number | Vested and exercisable at end of year Number |
|---|---|---|---|---|---|---|
| 21 August 2014 | 0.10 | 2,545,584 | – | (2,545,584) | – | – |
| Total | | 2,545,584 | – | (2,545,584) | – | – |

The fair values of the bonus shares granted are determined at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the bonus shares were granted (the exercise price, the term of the bonus shares), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the bonus shares. The following assumptions were used to estimate the fair value of the bonus shares granted during the year ended 30 June 2017.

| | 2017 | 2016 |
|---|---|---|
| Expected volatility (%) | 41.01 | – |
| Risk-free rate (%) | 7.00 | – |
| Expected life (years) | 1 | – |
| Share price ($) | 0.08 | – |
| Exercise price ($) | Nil | – |
| Expected dividend yield ($) | Nil | – |

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term of the options.

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables and interest-bearing loans and borrowings. The main purpose of these financial instruments is to manage short term cash flow and raise finance for the Group's capital expenditure program. The Group has various financial assets such as trade and other receivables and cash and short-term deposits, which arise directly from its operations.

### RISK EXPOSURES AND RESPONSES

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks (comprising commodity price risk, foreign currency risk, interest rate risk and equity price risk), liquidity risk and credit risk.

The Group's senior management oversees the management of financial risks. The Board ensures that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and the Group's risk appetite. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. At this stage, the Group does not currently apply any form of hedge accounting.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates on the debt and the proportion of financial instruments in foreign currencies are all constant.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity relates to receivables subject to commodity price risk and interest-bearing borrowings.
- The impact on equity is the same as the impact on profit before tax, unless stated otherwise.

## CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that all companies within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Due to the inherent risks involved in mining, the directors prefer not to utilise funding from financing institutions.

The Group's overall strategy remains unchanged during the years ended 30 June 2017 and 30 June 2016.

The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and retained profits (Refer to notes 14, 15 and 16).

None of the Group's companies are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

## CATEGORIES OF FINANCIAL INSTRUMENTS

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Financial assets* | | |
| Loans and receivables | | |
| Trade and other receivables * | **19,326,376** | 15,901,561 |
| Cash and cash equivalents | **15,321,117** | 6,707,022 |
| Loans receivable | **1,734,598** | 2,053,310 |
| | **36,382,091** | 24,661,893 |
| *Financial liabilities* | | |
| Other financial liabilities at amortised cost | | |
| Finance lease liabilities | **(470,158)** | (383,208) |
| Trade and other payables | **(5,075,120)** | (6,115,147) |
| | **(5,545,278)** | (6,498,355) |

* *Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.*

## MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk, and currency risk. Financial instruments affected by market risk include receivables, loans, borrowings and deposits.

There has been no change at the reporting date to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

## COMMODITY PRICE RISK

The Group is exposed to the risk of commodity price fluctuations, in particular movements in the price of PGMs. The Group regularly measures exposure to commodity price risk by stress testing the Group's forecast financial position to changes in PGM prices. The Group does not hedge commodity prices.

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

The financial instruments exposed to movements in metal prices are as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial assets** | | |
| Trade receivables | **13,722,018** | 11,488,148 |

These receivables contain quotational period embedded derivatives that are carried at fair value in accordance with the policy set out in Note 2.3(l).

The following table summarises the sensitivity of financial instruments held at reporting date to movements in the relevant forward commodity price, with all other variables held constant. The sensitivities are based on reasonably possible changes, over a financial year, using observed ranges of actual historical rates.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Profit/<br>(loss)<br>$ | Equity<br>increase/<br>(decrease)<br>$ | Profit/<br>(loss)<br>$ | Equity<br>increase/<br>(decrease)<br>$ |
| 10% (2016: 10%) increase in PGM prices | **987,985** | **987,985** | 827,147 | 827,147 |
| 10% (2016: 10%) decrease in PGM prices | **(987,985)** | **(987,985)** | (827,147) | (827,147) |

### FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises from cash balances, loans receivable and interest-bearing loans and borrowings, relating to finance leases on motor vehicles and equipment.

Cash and cash equivalents are exposed to ZAR deposit rates.

The Group does not engage in any hedging transactions to manage interest rate risk. In conjunction with external advice, management consideration is given on a regular basis to alternative financing structures with a view to optimising the Group's funding structure. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate liquid funds.

The financial instruments exposed to movements in variable interest rates are as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Financial assets* | | |
| Cash and cash equivalents | **9,051,860** | 4,105,038 |
| Loans receivable | **1,148,327** | 2,053,310 |
| *Financial liabilities* | | |
| Borrowings | **(470,158)** | (383,208) |

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, there would have been a decrease/increase in profit before tax of $53,352 (2016: $32,708). The impact on equity would have been the same.

### CREDIT RISK

Credit risk is the risk that a contracting entity will not meet its obligation under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions and its operating activities, primarily for trade receivables. The carrying amount of these financial assets represents the maximum credit exposure. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At reporting date, there is a significant concentration of credit risk represented in the cash and trade receivables balance. With respect to trade receivables, this is due to the fact that the majority of sales are made to one specific customer as per contractually agreed terms. The customer has complied with all contractual sales terms and has not at any stage defaulted on amounts due. The Group manages its credit risk on trade debtors, cash and financial instruments by predominantly dealing with counterparties with a credit rating equal to or better than the Group.

Included in loans receivable is a loan granted to Ironveld Holdings (Pty) Ltd, a subsidiary of Ironveld Plc (Ironveld) from Sylvania Metals (Pty) Ltd, a South African subsidiary of Sylvania. As security for the amount due, Ironveld issued to Sylvania warrants to subscribe for up to £1.5 million ($2.3 million) of ordinary shares in Ironveld at a price equal to the 90 day VWAP on the business day preceding the exercise of the warrants. The warrants are exercisable only if the facility is not fully repaid by 30 June 2016 and may be exercised post 30 June 2016 up until the date that is five years from admission (although the warrants will lapse once repayment has been made). Any proceeds derived from the exercise of the warrants will be used by Ironveld to repay the facility. An addendum to the facility agreement was entered into on 25 October 2016 and the terms of the loan have been amended. The loan was now repayable on 30 June 2017. Subsequent to 30 June 2017, the full capital balance of the loan was repaid.

### LIQUIDITY RISK

Ultimate responsibility for liquidity risk management rests with the Board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 – 5 years | Total |
|---|---|---|---|---|---|
| **2017** | $ | $ | $ | $ | $ |
| Trade and other payables | **5,075,120** | **5,075,120** | **5,075,120** | **–** | **5,075,120** |
| Finance lease liability | **470,158** | **558,771** | **190,531** | **368,240** | **558,771** |
| | **5,545,278** | **5,633,891** | **5,265,651** | **368,240** | **5,633,891** |
| **2016** | | | | | |
| Trade and other payables | 6,115,147 | 6,115,147 | 6,115,147 | – | 6,115,147 |
| Finance lease liability | 383,208 | 438,539 | 218,109 | 220,430 | 438,539 |
| | 6,498,355 | 6,553,686 | 6,333,256 | 220,430 | 6,553,686 |

### FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial assets and financial liabilities not measured at fair value, the net 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 carrying amount exceeds net 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 30 June 2017 the carrying amounts of such receivables and borrowings were not materially different from their calculated fair values.

## 23. COMMITMENTS AND CONTINGENCIES

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Operating lease commitments* | | |
| Future minimum lease payments (net of VAT) under non-cancellable leases as at 30 June are as follows: | | |
| *Office premises* | | |
| The Group has a commercial lease arrangement whereby it leases its current office premises, in Johannesburg. This lease has an average life of five years with an option to renew at the end of the lease term and with rentals escalating at 9% per annum. | | |
| Within one year | **83,316** | 66,662 |
| After one year but not more than five years | **409,257** | 17,017 |
| | **492,573** | 83,679 |
| *Office equipment* | | |
| The Group has a number of lease agreements during the period in respect to office equipment. These leases have an average life of five years and no renewal option included in the contract and with rentals escalating between 0% and 15% per annum. | | |
| Within one year | **13,236** | 11,688 |
| After one year but not more than five years | **26,472** | 35,063 |
| | **39,708** | 46,751 |

### FINANCE LEASE COMMITMENTS

The Group has instalment sale agreements for various items of motor vehicles, plant and equipment and computer equipment. Refer to notes 10 and 17 for further details on finance lease commitments.

### COMMITMENTS FOR PLANT CONSTRUCTION

At 30 June 2017, there were no commitments signed for continued improvements of the plants.

## 24. KEY MANAGEMENT DISCLOSURE

### SHAREHOLDING OF KEY MANAGEMENT PERSONNEL

The number of shares in the Company held during the year by each director of the Group is set out below:

| Director<br>2017 | Balance at the start of the year | Issued under share and option plan | Balance at the end of the year |
|---|---|---|---|
| T M McConnachie | **4,615,000** | **200,000** | **4,815,000** |
| R A Williams | **907,000** | **80,000** | **987,000** |
| S A Murray | **200,000** | **400,000** | **600,000** |
| 2016 | | | |
| T M McConnachie | 3,715,000 | 900,000 | 4,615,000 |
| R A Williams | 667,000 | 240,000 | 907,000 |
| S A Murray | – | 200,000 | 200,000 |

All equity transactions with key management personnel other than those arising under the Group's Share Option Plan and bonus shares granted have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

The number of options in the Company held during the year by each director of the Group is set out below:

| Director 2017 | Balance at the start of the year | Exercised during the year | Balance at the end of the year |
|---|---|---|---|
| T M McConnachie | 400,000 | (200,000) | 200,000 |
| R A Williams | 160,000 | (80,000) | 80,000 |
| S A Murray | 800,000 | (400,000) | 400,000 |
| **2016** | | | |
| T M McConnachie | 1,300,000 | (900,000) | 400,000 |
| R A Williams | 400,000 | (240,000) | 160,000 |
| S A Murray | 1,000,000 | (200,000) | 800,000 |

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in note 21.

### KEY MANAGEMENT PERSONNEL COMPENSATION

| | 2017 $ | 2016 $ |
|---|---|---|
| Short-term | 1,854,395 | 1,561,266 |
| Share-based payments | 186,147 | 217,459 |
| Total | 2,040,542 | 1,778,725 |

## 25. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Sylvania Platinum Limited and the controlled entities listed in the following table:

| Name of Entity | Country of incorporation | Class of shares | Equity Holding 2017 % | Equity Holding 2016 % |
|---|---|---|---|---|
| Sylvania Resources Pty Ltd [2] | Australia | Ordinary | 100 | 100 |
| Twinloop Nominees Pty Ltd [1] | Australia | Ordinary | – | 100 |
| Great Australian Resources Pty Ltd [1] | Australia | Ordinary | – | 100 |
| SA Metals Pty Ltd [2] | Australia | Ordinary | 100 | 100 |
| Sylvania Holdings Limited | Mauritius | Ordinary | 100 | 100 |
| Aralon Holdings Limited | Mauritius | Ordinary | 100 | 100 |
| Sylvania (Mauritius) Limited | Mauritius | Ordinary | 100 | 100 |
| Sylvania South Africa (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Sylvania Metals (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Sylvania Properties (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Sylvania Mining (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Sylvania Northern Platinum (Pty) Ltd | South Africa | Ordinary | 74 | 74 |
| Sylvania Resources (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Great Australian Resources South Africa (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Hacra Mining and Exploration Company (Pty) Ltd | South Africa | Ordinary | 67 | 69 |
| Pan Palladium South Africa (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Volspruit Mining Company (Pty) Ltd | South Africa | Ordinary | 74 | 74 |
| Zoetveld Properties (Pty) Ltd | South Africa | Ordinary | 100 | 100 |
| Grasvally Chrome Mine (Pty) Ltd | South Africa | Ordinary | 74 | 74 |

[1] *The liquidation of Twinloops Nominees Pty Ltd and Great Australian Resources Pty Ltd was finalised on 9 May 2017 and is expected to be deregistered in August 2017.*

[2] *The liquidation of Sylvania Resources Pty Ltd and SA Metals Pty Ltd had not yet been finalised by 30 June 2017.*

## 25. RELATED PARTY TRANSACTIONS *continued*

Sylvania Platinum Limited is the ultimate parent of the Group. Transactions between Sylvania Platinum Limited and its controlled entities during the year consisted of loan advances between Group companies. All intergroup transactions and balances are eliminated on consolidation.

### NON-CONTROLLING INTERESTS

The non-controlling interests are all held by BEE participants.

### OTHER RELATED PARTIES RELATIONSHIPS

Entities controlled or significantly influenced by key management

- Indian Ocean Smelters (Pty) Ltd (Previously Summer Sun Trading 210 (Pty) Ltd)

### TERMS AND CONDITIONS WITH CONTROLLED ENTITIES

All loans are unsecured, bear no interest and have no fixed terms of repayment.

### INVESTMENTS IN ASSOCIATES

The Group has a 25% (2016: 25%) interest in the assets, liabilities and output of an entity, CTRP, which operates a chrome tailings retreatment plant at Kroondal in South Africa. The investment in CTRP has been fully impaired in prior years and remains on care and maintenance.

### INVESTMENTS IN JOINT VENTURES

The Group has a 50% interest in the net assets of TS Consortium, which operates a pilot pelletiser plant in South Africa (2016: Nil).

### TERMS AND CONDITIONS WITH INVESTMENTS IN JOINT VENTURES

The loan to TS Consortium is unsecured, bears no interest and has no fixed date of repayment.

### TRANSACTIONS WITH RELATED PARTIES

Administration recoveries were received from and service fees paid to the following related parties during the year ended 30 June for expenses incurred on their behalf:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Service fees paid to related parties* | | |
| Summer Sun Trading 210 (Pty) Ltd | **(4,512)** | (5,215) |

### LOANS TO/(FROM) RELATED PARTIES

| | 2017<br>$ |
|---|---|
| *Balance outstanding at 30 June 2017* | |
| Loan to joint venture | **130,285** |

## 26. CLOSED GROUP CLASS ORDER DISCLOSURE

The consolidated financial statements of Sylvania Platinum Limited includes its wholly owned subsidiary Sylvania Resources Proprietary Limited (Sylvania Resources).

| | | Equity interest | | Investment | |
|---|---|---|---|---|---|
| | Country of | 2017 | 2016 | 2017 | 2016 |
| Name | incorporation | % | % | % | % |
| Sylvania Resources Proprietary Limited | Australia | **100** | 100 | **141,642,417** | 141,642,417 |

Pursuant to Class Order 98/1418, relief has been granted to Sylvania Resources from the Corporations Act 2001 requirements for the preparation, audit and lodgement of their financial report.

As a condition of the Class Order, Sylvania and Sylvania Resources entered into a Deed of Cross Guarantee on 23 June 2011. The effect of the deed is that Sylvania has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdraft, loans, leases or other liabilities subject to the guarantee. The controlled entity has also given a similar guarantee in the event that Sylvania is wound up or if it does not meet its obligations under the terms of the overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of comprehensive income and statement of financial position of the entities that are members of the Closed Group are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Other income | **–** | 6,472,363 |
| Foreign exchange (loss)/gain | **(6,342)** | 275,959 |
| Share-based payment expense | **(34,992)** | (220,278) |
| General and administrative costs | **(836,545)** | (1,096,237) |
| **Operating (loss)/profit** | **(877,879)** | 5,431,807 |
| Finance income | **11** | 2,135 |
| **(Loss)/profit before income tax expense** | **(877,868)** | 5,433,942 |
| Income tax expense | **–** | – |
| **Net (loss)/profit for the year** | **(877,868)** | 5,433,942 |

## 26. CLOSED GROUP CLASS ORDER DISCLOSURE *continued*

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Assets* | | |
| **Non-current assets** | | |
| Investments | – | 33,881,172 |
| Loans receivable | **78,633,947** | 51,313,953 |
| **Total non-current assets** | **78,633,947** | 85,195,125 |
| **Current assets** | | |
| Cash and cash equivalents | **5,842,912** | 678,795 |
| Trade and other receivables | **33,583** | 45,945 |
| **Total current assets** | **5,876,495** | 724,740 |
| **Total assets** | **84,510,442** | 85,919,865 |
| *Equity and liabilities* | | |
| **Shareholders' equity** | | |
| Issued capital | **2,979,819** | 2,979,819 |
| Reserves | **83,603,183** | 84,094,299 |
| Accumulated losses | **(2,099,616)** | (1,221,748) |
| **Total equity** | **84,483,386** | 85,852,370 |
| **Current liabilities** | | |
| Trade and other payables | **27,056** | 67,495 |
| **Total current liabilities** | **27,056** | 67,495 |
| **Total liabilities** | **27,056** | 67,495 |
| **Total liabilities and shareholders' equity** | **84,510,442** | 85,919,865 |

## 27. EVENTS AFTER THE REPORTING DATE

There were no events that could have a material impact on the financial results of the Group after 30 June 2017, other than disclosed below:

### PHOENIX PLATINUM MINING PROPRIETARY LIMITED:

On 31 July 2017, Sylvania announced it had reached a conditional agreement with Pan African Resources Plc to acquire 100% of the shares in and claims against Phoenix Platinum Mining Proprietary Limited for ZAR89 million (~$6.6 million). The agreement is subject to a number of conditions precedent which at the date of this report had not been fulfilled.

## 28. GOING CONCERN

The Group's financial risk management objectives and policies are detailed in note 22 and available borrowing facilities are set out in note 11. 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 Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

## Shareholders' Profile as at 30 June 2017

### SHAREHOLDERS' HOLDING 3% OR MORE FULLY PAID SHARES

| | Shareholder | Number of shares | % Shareholding [1] |
|---|---|---|---|
| 1 | Africa Asia Capital | 58,882,551 | 20.31 |
| 2 | Majedie Asset Management | 28,393,668 | 9.80 |
| 3 | M&G Investment Management | 28,247,500 | 9.74 |
| 4 | Hargreaves Lansdown | 17,637,828 | 6.08 |
| 5 | Miton Asset Management | 13,000,000 | 4.49 |
| 6 | BlackRock | 10,783,929 | 3.72 |
| 7 | Audley Capital | 10,122,670 | 3.49 |
| | | 167,068,146 | 57.63 |

[1] *The percentage shareholdings are calculated on the total number of ordinary shares with voting rights being 289,876,009 shares. The total issued number of shares is 297,981,896 including 8,105,887 shares held in treasury.*

# GLOSSARY OF TERMS 2017

The following definitions apply throughout the consolidated financial statements:

| | |
|---|---|
| AGM | Annual General Meeting |
| AIM | Alternative Investment Market of the London Stock Exchange |
| AQPSA | Aquarius Platinum (South Africa) (Pty) Ltd |
| AUD | Australian Dollar |
| BEE | Black Economic Empowerment |
| BIC | Bushveld Igneous Complex |
| CGU | Cash generating unit |
| CTRP | Chrome Tailings Retreatment Project |
| DI | Depository interests |
| DMR | Department of Mineral Resources |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| EIA | Environmental Impact Assessment |
| EIR | Effective interest rate |
| EMPR | Environmental Management Programme Report |
| GAU | Great Australian Resources Pty Ltd |
| GBP | Great British Pound |
| IASB | International Accounting Standards Board |
| IFRIC | International Financial Reporting Interpretation Committee |
| IFRS | International Financial Reporting Standards |
| Ironveld | Ironveld Plc |
| IRR | Internal Rate of Return |
| JORC | Joint Ore Reserves Committee |
| JV | Joint venture |
| LSE | London Stock Exchange |
| LTI | Lost time injury |
| MF2 | Milling and flotation technology |
| MPRDA | Mineral and Petroleum Resources Development Act |
| MRA | Mining Right Application |
| MTO | Mining Titles Office |
| NOMR | New Order Mining Right |
| PGM | Platinum group metals comprising mainly platinum, palladium, rhodium and gold |
| PAR | Pan African Resources Plc |
| Phoenix | Phoenix Platinum Mining Proprietary Limited |
| ROM | Run of mine |
| SAM | SA Metals Pty Ltd |
| SDO | Sylvania dump operations |
| Shares | Common shares |
| Sylvania | Sylvania Platinum Limited, a company incorporated in Bermuda |
| The Code | UK Corporate Governance Code |
| TS Consortium | Tizer Sylvania Consortium |
| USD | United States Dollar |
| WULA | Water Use Licence Application |
| ZAR | South African Rand |

# CORPORATE DIRECTORY

## DIRECTORS

**SA Murray** – Independent Non-executive Chairman
**TM McConnachie** – Chief Executive Officer
**RA Williams** – Independent Non-executive Director
**E Carr** – Independent Non-executive Director

## COMPANY SECRETARY

Conyers Corporate Services (Bermuda) Limited
(Previously known as Codan Services Limited)

## PRINCIPAL REGISTERED OFFICE IN BERMUDA

Clarendon House
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Hamilton HM11
Bermuda

## REGISTRAR

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United Kingdom

## AUDITORS

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South Africa

## SOLICITORS

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Hamilton HM 11
Bermuda

## NOMINATED ADVISOR AND BROKER

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United Kingdom

## STOCK EXCHANGE LISTING

Sylvania Platinum Limited is listed on the AIM market of the London Stock Exchange (shares: SLP)

## WEBSITE

www.sylvaniaplatinum.com

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