Sylvania Platinum Limited
Second Quarter Report to 31 December 2013 (Q2:2014)
("Sylvania", "the Company" or "the Group")
AIM (SLP)

28 January 2014

Sylvania Platinum Limited, the low cost Platinum Group Metal ("PGM") processor and developer, today announces its results for the quarter ended 31 December 2013 (Q2 FY2014) from its PGM production and development operations in the Bushveld region of South Africa.

SUMMARY

- PGM ounce production increased 1.2% to 12,673 ounces (Q1: 12,516 ounces) remaining on track for over 50,000 ounces for FY 2014
- Revenue down 6% to $9.8 million (Q1: $10.5 million) mainly due to drop in PGM basket price
- Despite lower PGM metal prices, which have reduced by an average of 7% on the previous quarter, EBITDA was positive at $0.93 million for the Sylvania Dump Operations ("SDO")(Q1: $2.1 million)
- Group cash of $3.9 million as at 31 December 2013 (Q1: $4.5 million) mainly due to acquisition of new chrome and Platinum Group Elements ("PGE") rights
- Completion of the consolidation of mineral and surface right position over Zoetveld and Grasvally farms
- Zero Lost Time Injuries ("LTI") since June 2012, a period of 18 months

OVERVIEW

The combined production for all the SDO was 12,673 ounces for the FY2014, a 1.2% increase on the previous quarter's 12,516 ounces. More consistent feed tons and improved plant running times at most operations enabled this production and assisted to mitigate the production loss at Mooinooi due to a section 54 safety stoppage during the quarter which kept the plant closed for 21 days. Steady production is being seen at most of the operations with ounce production being the key focus.

The cash cost of production was R7,204 per ounce ($696 per ounce), 7% higher than the R6,732 per ounce ($674 per ounce) during the previous quarter due mainly to the cost of the section 54 stoppage.

As announced on 3 December 2013, the Company entered into a binding agreement to purchase the prospecting right on the portions of land over which the Company already holds surface rights at the Zoetveld 294KR and Grasvally 293KR Farms.

The cash balance at 31 December 2013 was $3.9 million. This is a drop of $0.6 million from the previous quarter and is attributable mainly to the revenue decrease emanating from the lower metal prices and the first payment of R5 million plus VAT ($0.55 million) for the Grasvally prospecting right.

Summary Sylvania Platinum Performance

Unaudited – Group	Unit	Dec 2013 Quarter	Sep 2013 Quarter	% Change
Financials				
Revenue	$'000	**9,844**	10,522	-6%
Revenue	R'000	**101,864**	105,116	-3%
Ave R/US$ rate	R/$	**10.35**	9.99	4%
Production				
PGM Plant Feed Tons	t	**288,777**	250,678	15%
PGM 3E and Au	oz	**12,673**	12,516	1%

A. SYLVANIA DUMP OPERATIONS

Health, safety and environment

During the period under review it is pleasing to note that there were no significant health, safety or environmental incidents. SDO has now completed 18 months LTI Free up to end of December 2013. Minor environmental incidents however did occur at the Mooinooi and Lannex plants, which were immediately rectified and reported, with mitigating and preventative measures being put in place so as to avoid any further occurrences. One section 54 stoppage notice was also issued by the Department of Mineral Resources ("DMR") during the quarter at the Mooinooi operations for deviations identified by the Inspector of Mines, and corrective measures were implemented to address the findings. Whilst the impact on the Mooinooi production amounted to over 800 ounces during the quarter, the strength of production from the other plants allowed the group production volume to remain on track for attaining the target of +50,000 ounces for the financial year.

The Company remains committed to zero harm and will continue to focus on health and safety compliance at its respective operations in order to eliminate safety deviations and to improve the overall condition of its operations.

Operational and Financial Summary

Unaudited - SDO	Unit	Dec 2013 Quarter	Sep 2013 Quarter	+- % Quarter on Quarter	6 months to December 2013
Revenue – SDO					
Revenue	R'000	**101,864**	105,116	-3%	206,979
Revenue	$'000	**9,844**	10,522	-6%	20,195
Gross Basket Price	$/oz	**891**	961	-7%	911
Estimated Net Basket Price[3]	$/oz	**806**	842	-4%	809
Gross Cash Margin – SDO	%	**10%**	20%	-50%	15%
Capital expenditure	R'000	**3,950**	4,528	-13%	8,478
Capital Expenditure	$'000	**381**	453	-16%	827
Ave R/US$[1]	R/$	**10.35**	9.99	4%	10.25
EBITDA	R'000	**9,572**	20,578	-53%	30,150
EBITDA	$'000	**925**	2,060	-55%	2,941
SDO Cash Cost[2]					
Per PGM Feed ton	R/t	**316**	336	-6%	325
Per PGM Feed ton	$/t	**31**	34	-9%	32
Per 3E & Au oz	R/oz	**7,204**	6,732	7%	6,969
Per 3E & Au oz	$/oz	**696**	674	3%	693

Unaudited - SDO	Unit	Dec 2013 Quarter	Sep 2013 Quarter	+- % Quarter on Quarter	6 months to December 2013
Production – SDO					
Plant Feed	t	**622,525**	587,175	6%	1,209,700
Feed Head Grade	g/t	**1.75**	1.95	-10%	1.86
PGM Plant Feed Tons	t	**288,777**	250,678	15%	539,455
PGM Plant Grade	g/t	**3.29**	3.83	-14%	3.54
PGM Plant Recovery	%	**41.5%**	40.7%	2%	41.1%
Total 3E and Au	oz	**12,673**	12,516	1%	25,189

[1] The functional currency for SDO is SA Rand and the exchange rate shown is the average over the period indicated.
[2] Cash costs include plant operating costs such as mining, processing, administration, royalties and production taxes, but are exclusive of depreciation, amortisation, reclamation, capital, project development and exploration costs.
[3] The net basket price reported is based on the estimate price received from the smelters. The actual net basket price is only determined in the invoicing month which is three months after the delivery month.

Millsell

The Millsell operation produced 1,837 ounces for the quarter ended 31 December 2013, which is 15% lower than the 2,160 ounces in the previous quarter. Although the recovery efficiency for the quarter was slightly higher, the reduced amount of current arisings being received from the host mine over the festive season and the subsequent lower feed grade for the quarter contributed to the lower ounces. Millsell still treats a combination of current arisings from the host mines Millsell plant and dump material from the Waterkloof dump.

The cash cost of production of R5,511 per ounce ($532 per ounce) was 22% higher than the R4,501 per ounce ($451 per ounce) of the previous quarter due to a combination of lower PGM ounce production, and higher mechanical mining and electricity costs.

The second pass treatment of the plus one million ton primary dump is scheduled to commence by the mid-2014.

Mooinooi Dump Operation

The Mooinooi Dump operation produced 1,253 ounces for the quarter to 31 December 2013, which is a 34.7% drop on the 1,920 ounces in the previous quarter. The operation suffered a Section 54 Safety Stoppage by the DMR during November/December 2013 that resulted in approximately 21 days production down-time, at both the Mooinooi Dump and ROM Plants, to fully address and resolve all safety aspects identified by the Inspector of Mines. Various safety improvements and behavioural interventions were implemented during this period to prevent the recurrence of such a stoppage. The Mooinooi Dump plant treats material from the old Mooinooi dumps and current arisings from the host mines. Mooinooi plant and production levels are expected to again reach target levels during the next quarter.

The cash operating cost for the quarter was R9,556 per ounce (US$923 per ounce), compared to R6,639 per ounce (US$665 per ounce) in the previous quarter, due to the significantly lower production volumes and ounce production for the quarter as detailed above.

Mooinooi run of mine (“ROM”) Operation

The Mooinooi ROM Plant was affected by the same Section 54 Safety Stoppage from the DMR as the Dump Plant. This stoppage resulted in the ROM Plant producing 999 ounces for the quarter to 31 December 2013, against the previous quarter’s 1,345 ounces. Similar to the Dump Plant various safety improvements and behavioural interventions were implemented to ensure that the plant is not stopped for similar safety issues in the future. The Mooinooi ROM plant treats MG2 material from the host mines Mooinooi and Buffelsfontein underground mines which have been increasing their production in recent months. Following the successful implementation and operation of Ultra-fine grinding mills on the Dump Plant between April and September 2013, a new Ultra-fine Grinding Toll Milling facility was installed and commissioned in December 2013. The toll milling facility is expected to improve PGM recovery efficiencies during the next quarter.

The cash cost for the quarter increased by 89.7% to R14,975 per ounce (US$1,447 per ounce), in comparison to the previous quarter of R7,893 per ounce (US$790 per ounce), primarily due to significantly lower production volumes and ounce production for the quarter.

Steelpoort

Steelpoort plant produced 2,017 ounces for the quarter to 31 December 2013, a 25% increase on the previous quarter's 1,614 ounces. The higher ounce production is due to higher feed tons and feed grades into the plant. Steelpoort remains fully dependent on second pass treatment of material from the Steelpoort Dam 1.

The cash cost per ounce dropped 14% to R5,906 per ounce (US$571 per ounce) from R6,888 per ounce (US$690 per ounce) in the previous quarter.

Lannex

The Lannex operation produced 1,980 ounces for the quarter ended 31 December 2013, which is in line with the previous quarter's 1,983 ounces. The plant treated 16.3% more tons than the previous quarter, which is a new record for the operation, and recovery efficiencies were higher, but lower dump feed grades impacted negatively on ounce production. The Lannex operation treats a combination of dump material from the old Lannex Tailings Dam complex and current arisings from the host mines Lannex operation.

The cash cost for the quarter was R7,170 per ounce (US$693 per ounce), 8% lower than the previous quarter's R7,830 per ounce (US$784 per ounce).

Doornbosch

The Doornbosch operation produced 2,272 ounces for the quarter to 31 December 2013, a 10.9% increase on the 2,048 ounces produced in the previous quarter. The increase in production was due to higher feed tons and higher feed grade of the material treated. The final scrapings of the higher grade Montrose dump were processed during the current quarter. The focus moving forward will be on the treatment of the lower grade second pass material from the old Doornbosch dump, as well as the current arisings from the host mine's Doornbosch operation.

Total cash cost for the current quarter was R6,114 per ounce (US$591oz), 5.6% higher than the R5,790 per ounce (US$580 per ounce) for the previous quarter.

Tweefontein

Tweefontein continued to ramp up production volumes. The plant produced 2,314 ounces for the quarter to 31 December 2013. This is a 60% increase on the previous quarter's production of 1,446 ounces, and is a quarterly record for the operation. The plant feed grade of the dump material and the ROM Fines from Klarinet Opencast mine, are still lower than anticipated, but the higher throughput tonnages mitigated this impact and contributed to the higher ounces. Tweefontein is currently still treating a blend of MG1-MG4 ROM Fines and tailings material from the host mines Klarinet Opencast mine, current arisings from the host mines Tweefontein operation and dump material from the Tweefontein Paddocks.

The cash cost for the current quarter was R6,175 per ounce (US$597 per ounce), 25.5% lower than the R8,284 per ounce (US$830 per ounce) for the previous quarter due to higher production volumes and ounce production.

B. EXPLORATION AND OPENCAST MINING PROJECTS

The Environmental Impact Assessment ("EIA") for the right to mine PGM's on the Harriett's Wish, Aurora and Cracouw farms was submitted on 20 August 2013 and the Company is still awaiting the DMR's decision. The EIA on the Volspruit project is due to be submitted in Q3 FY2014. Specialists have worked extensively to show that potential mining activities will not significantly impact the water table, particularly given the sensitive nature of the Nylsvlei area.

The Board will decide on the best way to advance these projects only once the mining rights have been received, but have already identified the possible boost in productivity through the collaboration of the Volspruit and future Grasvally projects.

C. CORPORATE ACTIVITIES

Consolidation of mining and surface rights over Zoetveld and Grasvally farms

As announced on 3 December 2013, the Company entered into a binding agreement to purchase the prospecting right on the portions of land over which the Company already holds surface rights at the Zoetveld 294KR and Grasvally 293KR Farms which are adjacent to the Sylvania Volspruit project. The Grasvally prospect is known to contain very high grade chrome ore as well as some platinum ore. The prospecting right also covers the Zoetveld property which is expected to extend the Volspruit project ore body. All the aspects of this consolidation of rights were considered by the Directors in advance of the acquisition and is expected to have a positive impact on shareholder value.

The consideration for the acquisition of the prospecting right is to be settled in cash in two instalments of R5 million (approximately $0.5 million) and R20 million (approximately $2 million), the first of which was paid in December 2013 on submission of the section 11 application to the DMR. The second payment is expected to be made upon transfer of the rights.

Nigel Trevarthen, Deputy CEO retiring

Due to the improved production performance and stability at the SDO and the scaling back of the Group's development of exploration projects, Nigel Trevarthen, has decided to retire from his current position as Deputy CEO at the end of March 2014.

Nigel joined Sylvania in September 2010 to assist with the growth of the company. During his time with the company the number of operational plants has increased from four to seven, the group production has consistently increased in terms of annualised production volume and has also seen good improvements in safety. Importantly the management team is now well established and has shown that it is capable of running the operations well. Nigel is therefore not being replaced. Nigel has played a key role in these achievements and, following his retirement, has agreed to be available to the Company to provide advisory and consultancy services on an ad hoc basis should it be required.

The Board wish to thank Nigel for his efforts in time and commitment to the Company and wishes him well in his retirement.

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