Sylvania Platinum Limited
(“Sylvania”, “the Company” or “the Group”)
AIM (SLP)

First Quarter Report to 30 September 2017

“Project Echo progressing well and Company on track to produce 70,000 ounces for the year from existing operations, excluding future yields from Phoenix.”

30 October 2017

Sylvania Platinum Limited, the low cost Platinum Group Metal (“PGM”) processor and developer, today announces its results for the quarter ended 30 September 2017 (“Q1” or the “quarter”) from its PGM production and development operations in the Bushveld region of South Africa.

SNAPSHOT

- 16,589 ounces produced by the Sylvania Dump Operations (“SDO”);
- Revenue increased 7% in both US dollar and Rand terms to $14.1 million (Q4 FY2017: $13.2 million) and R186.1 million (Q4 FY2017: R174.4 million);
- Group cash balance of $17.4 million, a $2.1 million increase on the previous quarter’s $15.3 million;
- Group EBITDA improved 9% from $5.0 million to $5.5 million quarter-on-quarter;
- Agreed to acquire Phoenix Platinum from Pan African Resources for R89 million ($6.6 million), awaiting final approval from the South African Competition Commission as last condition precedent to be met; and
- Purchased 1,426,686 Ordinary $0.01 Shares at A$0.1619 each under the Share Buyback Programme ("Programme") offered to small, non-UK shareholders which will be cancelled on completion of the Programme.

SYLVANIA OVERVIEW

The SDO has produced 16,589 ounces for the quarter, which is an 8% decrease on the previous quarter’s production of 17,954 ounces. The decrease, which was expected, was due in part to the scheduled closure of the Steelpoort plant in Q4 FY2017 and annual production is still expected to meet the FY2018 forecast of 70,000 ounces outlined in the Annual Report. This excludes any increase in production from the acquisition of Phoenix Platinum Mining Proprietary Limited (“Phoenix”) should the approval from the South African Competition Commission (“Commission”), necessary to fulfil the final conditions precedent to the agreement, be forthcoming. An extension to the 90-day deadline to 26 November 2017 to obtain such consent has been agreed to by the Company and Pan African Resources (“PAR”) as necessitated by the Commission to return their decision.

As outlined in the announcement of 31 July 2017, the Company agreed to acquire Phoenix for a purchase price of R89 million ($6.6 million) and due to the close proximity of Phoenix to Sylvania’s existing operations, as well as the similar process and business model, certain synergies are expected to be achieved by the combined operations. The acquisition together with the commissioning of the Millsell and Doornbosch secondary milling and flotation (“MF2”) modules as part of Project Echo in FY2018 are expected to increase ounce production in the second half of the year.

The cash costs for the SDO in Dollar and Rand terms have increased 18% and 17% respectively from $422/oz (R5,572/oz) in Q4 FY2017 to $496/oz (R6,541/oz), primarily due to the lower PGM ounce production for the quarter. Revenue increased by 7% in both Dollar and Rand terms to $14.1 million (Q4 FY2017: $13.2 million) and R186.1 million (Q4 FY2017: R174.4 million) associated primarily with a 7% increase in gross PGM price to $1,028/oz (Q4 FY2017: $963/oz). SDO capital expenditure increased 15% in line with the project schedule for Project Echo, which is currently in progress and on schedule to ensure a sustainable PGM production profile going forward.

The Group cash balance at 30 September 2017 was $17.4 million (including guarantees), a $2.1 million increase on the previous quarter's $15.3 million. Cash generated from operations before working capital movements was $5.5 million with net changes in working capital amounting to a reduction of $1.5 million. An amount of $1.7 million was spent on capital, comprising $1.0 million expenditure on Project Echo and $0.7 million on stay-in-business capital. $0.1 million was spent on exploration assets and $0.05 paid for the rehabilitation insurance guarantee. The impact of exchange rate fluctuations on cash held at the quarter end was $0.3 million.

Commenting on the quarter, Sylvania's CEO Terry McConnachie said:

"I am pleased to note that despite the scheduled closure of our Steelpoort operation in the fourth quarter of FY2017 and the cost increase this quarter, the Company has still delivered a sound result in terms of PGM production and is on track to achieve the 70,000 ounce production profile at or below the cost of R6,500 (~$507) per PGM ounce as set out in the FY2017 Annual Report. These figures, however, do not take into account the synergies with Phoenix and the anticipated ounce production which could be achieved should the transaction be completed. The 7% increase in revenue in both Rand and US Dollar terms is welcomed, as is the 7% increase in the Gross Basket Price, which has continued to improve since the quarter end.

As the Millsell and Doornbosch MF2 modules are to be commissioned in Q2 FY2018, I look forward to seeing an increase in production and recovery efficiencies which will bridge the gap created by the scheduled Steelpoort plant closure."

GROUP PERFORMANCE

Unaudited – Group	Unit	September 2017 Quarter	June 2017 Quarter	% Change
Financials				
Revenue	$'000	14,118	13,202	7%
Capital Expenditure[1]	$'000	1,823	1,780	2%
Ave R/$ rate	R/$	13.18	13.21	0%
EBITDA[2]	$'000	5,506	5,072	9%
Production				
PGM Plant Feed	T	274,377	305,757	-10%
Total 3E and Au	Oz	16,589	17,954	-8%
Group Cash Cost[3]				
Per 3E & Au oz	$/oz	519	446	16%

[1] Capital expenditure on SDO and exploration and evaluation assets.
[2] EBITDA is Earnings before interest, foreign exchange gains and losses, taxation, depreciation and amortisation.
[3] Group cash costs include plant operating costs and group general and administration costs, but are exclusive of depreciation, amortisation, reclamation capital, project development and administration costs and share-based payments.

A. SYLVANIA DUMP OPERATIONS

Health, safety and environment

There were no significant health or environmental incidents during the quarter, and Tweefontein and Doornbosch operations remain Lost Time Injury ("LTI") free for more than five years. Unfortunately, Mooinooi operation had one LTI during the quarter where an employee sustained finger fractures during maintenance activities. Lannex and Millsell both remain more than two years LTI-free.

Operations

The SDO production of 16,589 PGM ounces, post the scheduled closure of Steelpoort, is a sound result after a record performance achieved for FY2017, albeit an 8% decrease on the previous quarter's performance of 17,954 ounces. As the first two MF2 modules of Project Echo, which are currently under construction at Millsell and Doornbosch, are commissioned towards the end of the next quarter, PGM ounces are expected to increase again and contribute towards the planned production of 70,000 ounces for the year.

Although the PGM recovery efficiencies increased by 11% due to a combination of improved flotation efficiency at current operations and the absence of lower recovery efficient ounces from Steelpoort in the previous quarter, the PGM feed tons and feed grades were 10% and 9% lower respectively and impacted negatively on PGM ounce production. The PGM feed tons will remain lower in the future due to Steelpoort's closure, but recovery efficiencies are planned to improve significantly as the Project Echo MF2 flotation modules are commissioned towards the end of the next quarter.

SDO cash costs in Dollar and Rand terms have increased 18% and 17% respectively from $422/oz (R5,572/oz) in Q4 FY2017 to $496/oz (R6,541/oz), primarily due to the lower PGM ounce production for the quarter, but cash costs are expected to return to previous levels as Project Echo is rolled out.

Operational and Financial Summary

Unaudited – SDO	Unit	September 2017 Quarter	June 2017 Quarter	+- % Quarter on Quarter	YTD
Revenue					
Revenue	$'000	14,118	13,202	7%	14,118
Revenue	R'000	186,104	174,380	7%	186,104
Gross Basket Price[1]	$/oz	1,028	963	7%	1,028
Gross Cash Margin - SDO	%	42%	43%	-2%	42%
Capital Expenditure	$'000	1,695	1,474	15%	1,695
Capital Expenditure	R'000	22,339	19,474	15%	22,339
Ave R/US$ rate[2]	R/$	13.18	13.21	0%	13.18
EBITDA	$'000	5,885	5,535	6%	5,885
EBITDA	R'000	77,571	73,103	6%	77,571
SDO Cash Cost[3]					
Per PGM Feed ton	$/t	30	25	20%	30
Per PGM Feed ton	R/t	396	327	21%	396
Per 3E & Au oz	$/oz	496	422	18%	496
Per 3E & Au oz	R/oz	6,541	5,572	17%	6,541
Production					
Plant Feed	T	524,504	544,281	-4%	524,504
Feed Head Grade	g/t	2.38	2.67	-11%	2.38
PGM Plant Feed Tons	T	274,377	305,757	-10%	274,377
PGM Plant Grade	g/t	3.64	4.02	-9%	3.64
PGM Plant Recovery	%	52.4%	47.2%	11%	52.3%
Total 3E and Au	Oz	16,589	17,954	-8%	16,589

1 The gross basket price reported is the total estimated price for deliveries made in the quarter and does not include any penalties or smelting costs. The actual net basket price received is only determined in the invoicing month which is three months after the delivery month, prior quarter adjusted for actual prices received if necessary.
2 The functional currency for SDO is SA Rand and the exchange rate shown is the average over the period indicated.
3 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.

Project Echo

Project Echo continues to progress well. Both the Millsell and Doornbosch MF2 modules are under construction as the first phase of the program and both modules are planned to be commissioned during the next quarter. This will fill the ounce gap after the scheduled closure of the Steelpoort operation that reached its end of life during June 2017.

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

Phoenix Acquisition

Sylvania announced on 31 July 2017 that the Company has 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), (the "Acquisition"), settled in cash.

The Acquisition was subject to the following conditions precedent:

- The completion of an internal due diligence review of Phoenix's operations and taxation compliance by an independent third party;
- Approval by the Competitions Authorities in accordance with South African competition legislation;
- the requisite consent or approval of Samancor Chrome and TC Smelters, on whose mining premises the plant and part of the dumps are situated, has been obtained in writing for the implementation of the Sale ; and
- the consent of PAR's Lenders.

All of the above conditions precedent have been met during July 2017, except the final approval by the South African Competition Commission, which is expected to be finalised during November 2017.

The Acquisition is consistent with Sylvania's strategy to grow its business in order to enhance and sustain its position as the largest PGM producer from chrome tailings re-treatment. Various synergies and opportunities have been identified by Sylvania to bring Phoenix's operating costs and profitability in line with other SDO operations, and more detail on this will be shared on conclusion of the transaction.

The Transaction again increases Sylvania's fully operational chrome tailings processing complexes from six to seven, after Steelpoort was successfully de-commissioned in June of this year, and is expected to increase annual PGM production capacity.

B. EXPLORATION AND OPENCAST MINING PROJECTS

Volspruit Platinum Exploration

The Company still awaits a decision by the Member of the Executive Council for Economic Development, Environment on the Company's appeal against the initial refusal of the Environmental Authorisation ("EA"). Once this is received the next step will be the submission of Water Use License Application ("WULA"). This Application has been completed, and has been exposed to the scrutiny of Public Participation, with only the Civil Design outstanding.

Grasvally Chrome Exploration

As reported in the previous quarter's report, beneficiation testing of the initial 6,167 tons of the planned 15,000 tons of Run of Mine ("ROM") bulk sample continues. A further 9,000 tons has been blasted but not yet excavated. The Company will proceed with the completion of phase 1 of the Grasvally Bulk Sample pending results of the beneficiation testing.

C. CORPORATE UPDATE

Share Buybacks

The Company announced on 21 August 2017 the details of its Share Buyback Programme offered to small, non-UK based shareholders who, on the de-listing from the ASX in 2012, may have been prohibited from the sale of their shares due to the cost and administrative burden of trading certificated shares outside of the UK. As at the date of publishing this announcement, the Company had purchased a total of 1,426,686 Ordinary $0.01 Shares at a price of A$0.1619 per Ordinary Share which will be cancelled on completion of the Programme.

Subsequent to the quarter end, separately, the Company further bought back a total of 3,333,011 Ordinary $0.01 Shares at a price of 10.25 pence per Ordinary Share which were cancelled immediately.

CORPORATE INFORMATION

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