Sedibelo
Platinum Mines Ltd

SEDIBELO PLATINUM MINES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2018

April 12, 2019

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the three and twelve months ended December 31, 2018 contains ''forward-looking information'' which may include, but is not limited to, statements with respect to the future financial and operating performance of Sedibelo Platinum Mines Limited (the "Company" or "SPM"), its subsidiaries and affiliated companies (which together with Sedibelo Platinum Mines Limited is referred to as "the Group"), and its mineral projects, the future price of 4E metals (commonly used to refer to platinum, palladium, rhodium and gold), 4E production levels, mining rates, the future price of copper and nickel, future exchange rates, the estimation of mineral resources and reserves, the realization of mineral resource estimates or their conversion into reserves, costs and future costs of production, capital and exploration expenditures, including ongoing capital expenditure at the Pilanesberg Platinum Mine ("PPM"), costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations and exploration operations, timing and receipt of approvals, licenses, and conversions under South African mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as ''plans'', ''expects'', ''is expected'', ''budget'', ''scheduled'', ''estimates'', ''forecasts'', ''intends'', ''anticipates'', "targeted" or ''believes'' or variations (including negative variations) of such words and phrases, or state that certain actions, events or results ''may'', ''could'', ''would'', ''might'' or ''will'' be taken, occur or be achieved.

Forward-looking statements in this market release, amongst others, forecast production; recovery rates and grade; targets, estimates and assumptions in respect of 4E metal prices and production; allocation of funds for current commitments; and the timing and completion of definitive feasibility engineering studies at the Sedibelo, Magazynskraal, Mphahlele, Grootboom and Loskop Projects.

Such forward-looking statements are based on a number of material factors and assumptions, including, that contracted parties provide goods and/or services on the agreed time frames, that budgets and production forecasts are accurate, that equipment necessary for construction and development is available as scheduled and does not incur unforeseen break downs, that no labour shortages or delays are incurred, that plant and equipment function as specified, that geological or financial parameters do not necessitate future mine plan changes, that no unusual geological or technical problems occur, and that grades and recovery rates are as anticipated in mine planning.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration and mining activities; development and operational risks; title risks; regulatory risks; conclusions of economic evaluations and studies; fluctuations in the value of the United States dollar relative to the South African rand; changes in project parameters as plans continue to be refined; future prices of 4E metals; possible variations of ore grade or recovery rates (including the existence of potholes, faults and other geological conditions that may affect the existence or recovery of resources and reserves); failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes, industrial unrest and strikes and other risks of the mining industry; political instability, insurrection or war; the effect of HIV/AIDS on labour force availability and turnover; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors communicated in the section entitled ''Risk Factors'' of the Company's current annual information form ("AIF") and its final short form prospectus dated March 31, 2011, which can both be viewed at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this MD&A and Sedibelo Platinum Mines Limited disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

1. Introduction

1.1 Incorporation of Sedibelo Platinum Mine Limited's shares

Sedibelo Platinum Mines Limited ("the Company") is a registered Guernsey company. The Company reports in accordance with the provisions of The Companies (Guernsey) Law, 2008.

1.2 Principal activity

Sedibelo Platinum Mines Limited and its subsidiaries (together "the Group") is a natural resources group of companies engaged in the acquisition, exploration, development and operation of Platinum Group Metals ("PGM") mineral deposits in South Africa. Through its 100% owned subsidiary, Pilanesberg Platinum Mines Proprietary Limited, the Group has established the Pilanesberg Platinum Mines ("PPM") on the Western Limb of the Bushveld Complex.

PPM is the Group's primary operating asset and consists of:

- the opencast West Pit on the farm Tuschenkomst 135JP;
- a PGM concentrator, adjacent to West Pit and
- a chromite removal plant, adjacent to West Pit.

PPM management supervises the haul contractor and contractors specialising in drilling, blasting and run of mine ore preparation.

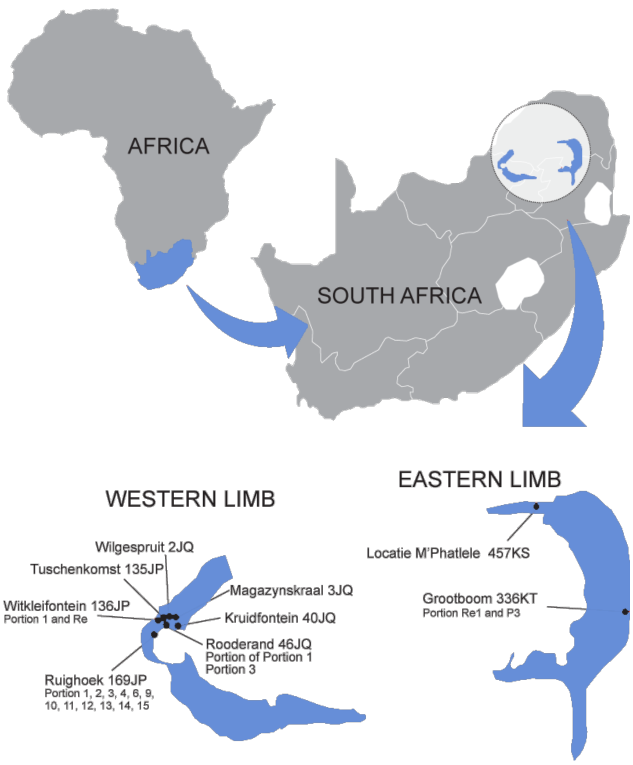
PPM renewed an exclusive three-year offtake agreement with Impala Platinum Limited ("Impala") that will come into effect during Q2 in 2019. During 2018 PGM concentrate was toll refined via contracts with Northam Platinum Limited ("Northam") and Impala to produce platinum, palladium, rhodium, and gold (collectively referred to as "4E"), plus iridium, ruthenium, copper and nickel. The offtake agreement with Northam expired on June 30, 2018.

The construction of a chromite removal plant was undertaken during 2017 to increase the revenue stream with minimal incremental operational costs. The chromite removal plant was commissioned during September 2017. Sales of on-spec chromite commenced during March 2018.

The principal focus of the Group is to maximise profitable metal output from the concentrator. The consolidation of PGM mineral rights on the farms Tushenkomst 135JP, Wilgespruit 2JQ and Magazynskraal 3JQ, created a single block of mineral rights.

As at December 31, 2018 the block of mineral rights comprised 24.9 million 4E PGM Measured & Indicated Resource ounces and 54.4 million 4E PGM Inferred Resource ounces. These will be developed as new mining infrastructure, utilizing the current processing infrastructure at PPM to extract both PGM's and chromite. Approximately 6 million ounces of these resources will be accessed via open cast mining and the balance is shallow compared to existing PGM producers in the Bushveld Complex. Surface and shallow underground mining is less hazardous than deep underground mines and enjoys embedded cost advantages.

The Group also holds valuable interests in PGM deposits on the Eastern Limb of the Bushveld Complex through its three exploration and development projects namely Mphahlele, Grootboom and Loskop.



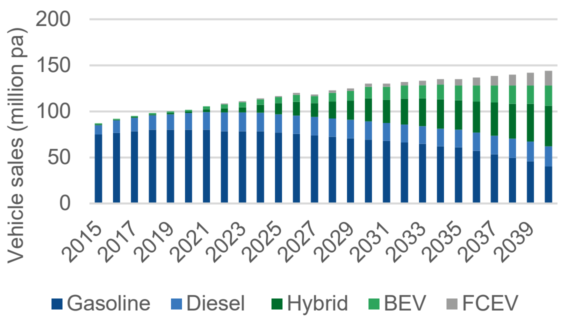
1.3 Market trends and outlook

Global demand for platinum in heavy duty vehicles rose by 4% in 2018. Johnson Matthey estimates that 60% of heavy-duty trucks were fitted with a PGM-containing catalyst system in 2018, and this percentage is expected to grow rapidly. Consumption of platinum in auto catalysts fell by 5% in 2018 due to a decline in global output of light duty vehicles. This was partially offset by strong recovery in the Indian diesel market. Auto catalyst consumption will stabilise and then begin to rise in due course, as stricter heavy-duty vehicle emissions legislation is enforced in China and then India. Gross automotive consumption of platinum is expected to rise over the next few years, even without substitution in the gasoline sector.

The Chinese government's New Energy Vehicle ("NEV") has stimulated the market for electric vehicles. While NEV subsidies for battery electric vehicle ("BEV") and plug-in hybrid vehicles ("PHEV") are being reduced, subsidies for fuel cell electric vehicles ("FCEV") have been maintained; thus, stimulating investment in FCEV production capacity. Consumption of platinum in fuel cells is expected to see another year of double-digit gains in 2019. While last year's growth was primarily in the automotive market, this year the majority of the increase will come from phosphoric acid fuel cell ("PAFC") units used in stationary power generation for baseload power.

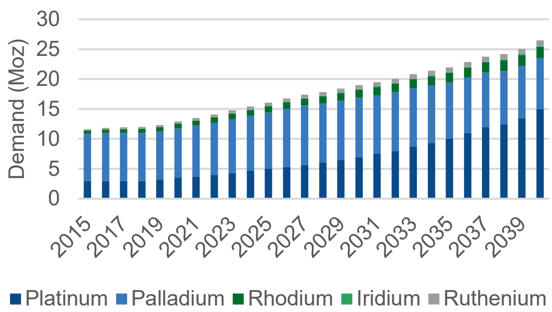
According to Noah, the long-term demand for PGMs in the automotive sector will continue to grow. Battery electric vehicle growth cannot expand quickly enough to eliminate PGMs in auto catalyst usage. Only 15% of total vehicle sales will be pure BEV by 2040. PHEV and FCEV still require PGMs.

Figure 1. Global vehicle sales by type



Source: Glencore, LMC, Noah

Figure 2. Forecast 3E autocat and FCEV demand



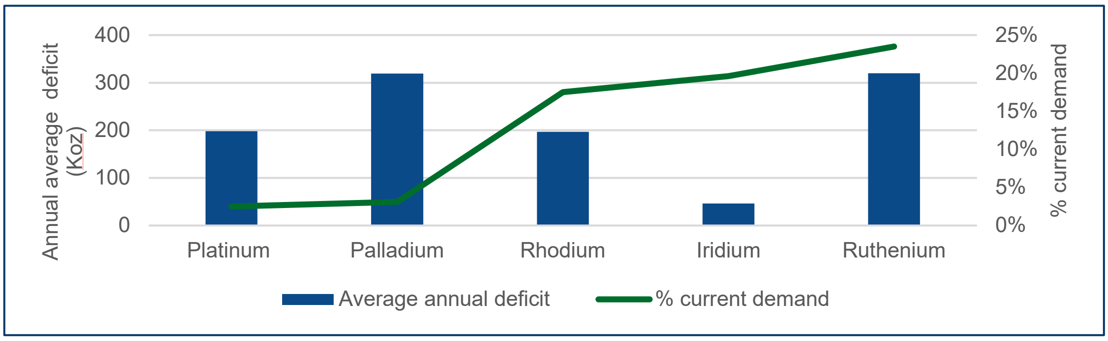
Source: AAP, Noah

Platinum consumption in industrial applications increased by nearly 15% in 2018 owing to strong buying from Chinese, glass, chemicals and petroleum sectors. While industrial applications remained buoyant there was weaker demand in the jewellery and investment sectors. The outlook for industrial applications is positive, with demand set to remain close to 2018 levels. However, the prospects for the jewellery sector are lacklustre, while investment demand could fall if prices improve and investors react as they have done in the palladium market. The World Platinum Investment Council ("WPIC") forecasts that total platinum demand will increase by 5% in 2019.

World primary supplies of platinum were flat in 2018. In South Africa ("SA") shaft closures were outweighed by incremental gains at other operations and pipeline inventory releases. Alluvial platinum production in Russia declined due to declining grades. In the rest of the world refined production fell following lower output from Zimbabwe, Russia and North America. The recent upward trend in auto catalyst recycling is set to flatten off, in line with the move away from platinum in three-way catalysts. While some growth is expected in the recycling of platinum from diesel scrap, this will be partly offset by a fall in the platinum content of end-of-life gasoline cars, meaning that there is now only limited scope for overall growth in the recovery of platinum from end-of-life vehicles. The platinum industry will maintain a steady production profile for 2019, but there is increasing risks to output going forward, as strategic decisions motivated by several years of weak prices begin to take effect. Johnson Matthey expects that it will become more difficult to replace lost output and much will depend on the speed at which new projects can be ramped-up.

WPIC estimated refined production is expected to grow 6% in 2019, primarily due to a one-off release of work in progress material in SA. Consequently, the market will remain in a surplus during 2019. Noah forecasts that from 2020 to 2030 the market will start experiencing deficits.

Figure 3. Annual average deficit from 2020 to 2030



Source: Noah

Average US dollar PGM prices increased by approximately 10% during the twelve-month period ended December 31, 2018 compared to the same prior year period. The ZAR depreciating against the dollar, resulted in a 9% average increase in the ZAR 4E basket price. The long-term price outlook for PGM's remains uncertain, however; with the expected deficits, PGM prices should be positive. PGM prices are expected to fluctuate with world economic activity. The South African Rand is one of the most volatile currencies in the world, which is closely linked to changing market sentiment.

WPIC identified the following factors which enhance platinum's investment case in 2019:

- potential supply disruptions in SA in 2019 due to power outages and industrial action
- recovering Western Europe diesel market share, which has risen by ~2% from September 2018 to January 2019
- significant increases in palladium prices makes the use of platinum as a replacement for palladium in gasoline cars more likely

The South African mining environment continues to be challenging because of the cost of increasing stakeholder demands. The Group has embedded cost advantages in this regard because of the shallow nature of its deposits. However, negotiating these challenges could increase operating costs. The Group utilises numerous contractors to perform key mining activities. These contractors are subject to similar stakeholder pressures, inflationary factors and employee demands. Whilst management of these input costs is a key performance area, material changes could affect metal production costs.

Information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risks, the Group's exposure to these financial risks, and the Group's management of capital are contained in Note 19 to the consolidated financial statements.

1.4 Purpose of this MD&A

This Management Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided to enable the reader to assess and understand the financial position and results of operations for the three and twelve months ended December 31, 2018, in comparison to previous corresponding periods. Certain information in this MD&A must be read in conjunction with the audited consolidated financial statements of Sedibelo Platinum Mines Limited for the year ended December 31, 2018 and the notes thereto (collectively, the annual financial statements) prepared in accordance with International Financial Reporting Standards ("IFRS").

These documents can be found at www.sedibeloplatinum.com and www.sedar.com.

2. Review of Operations

2.1 Pilanesberg Platinum Mine

History

- Stripping of soil and waste overburden began during March 2008. Reef mining commenced during December 2008. Stock-piling of PGM-bearing ore ahead of the concentrator began during December 2008. Milling operations commenced during March 2009. Delivery of the first concentrate to Northam took place during April 2009. Commercial production was declared on January 1, 2011.

- Site establishment commenced during October 2007 and construction was completed during February 2009. In March 2009, reef processing through the UG2 circuit commenced and metals in concentrate were produced for smelting, refining and sale to Northam in terms of the Concentrate Agreement. During June 2009, following the installation by Eskom of an additional 23MVA of power (for a total of 37MVA), the Merensky circuit commenced processing reef.

- As part of the construction of PPM, power supply of 37MVA from Eskom was commissioned on June 7, 2009. In addition, a complete 10MVA standby diesel generator was constructed at a cost of USD17.380 million (ZAR144.350 million). The construction of this generator was completed on December 2, 2009. Insurance guarantees for the amount of USD12.729 million (ZAR105.718 million) have been provided to Eskom for the supply of power and related infrastructure.

- A tailings scavenging plant was hot commissioned on March 17, 2016 to treat the hot tailings from the concentrator in order to increase the overall plant recovery, by recovering some of the PGMs that were not recovered in the concentrator.

- As part of optimisation, the chrome mining right for Tuschenkomst was secured on September 15, 2015. A chromite recovery plant was constructed during 2017 and the plant was commissioned during September 2017.

Extraction and processing of ore

Due to the close proximity of the PGM bearing Merensky and Pseudo reefs ("the silicate package") and the U2D package (containing the UG2 reef) in this part of the Bushveld complex, both of these ore bodies are extracted in West pit. The silicate package is processed in the Merensky circuit of the concentrator and the U2D package routed through the DMS and then processed in the UG2 circuit. The concentrates from both reef packages are blended and sent to local smelters for further processing into refined metals, in terms of tolling agreements.

Construction of a chromite removal plant commenced during January 2017. The extraction of chromite from the UG2 circuit as an additional revenue stream at a small incremental operational cost will result in a positive contribution to operating results. The plant was commissioned during September 2017, after initial operations changes were made to the plant to produce the required specification of concentrate grade. The first Revenue was received during March 2018. The plant is still being optimised, since it has not yet been able to produce the expected grade at the expected yield. Care is taken not to compromise PGM production in the process of improving the production of the by-product.

Picture 1. Chromite Plant

Picture 2. Chromite Stockpiles

Operations

Table 1. Operational performance during the three and twelve month periods ended December 31, 2018

		For the three months ended		For the twelve months ended	
	Unit	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Reef delivered to the ROM pad	Tonnes	937,837	959,702	3,757,699	2,929,778
Reef processed	Tonnes	1,040,616	1,047,444	4,089,373	3,853,391
Reef milled	Tonnes	983,592	995,426	3,687,973	3,679,758
Average milled head grade	g/t	1.62	1.63	1.69	1.45
Average recovery rate	%	74	75	76	76
Average recovered grade	g/t	1.20	1.23	1.29	1.11
4E ounces dispatched and sold*	Oz	37,637	39,915	150,375	132,691
4E basket price **					
- USD	USD	1,060	984	1,038	942
- ZAR	ZAR	15,140	13,420	13,722	12,540
Total revenue per 4E ounce	ZAR	14,741	13,184	13,486	11,579
Gross revenue from metal sales					
- USD	USD'000	42,844	42,781	170,584	130,723
- ZAR	ZAR'000	611,722	585,668	2,275,388	1,745,335

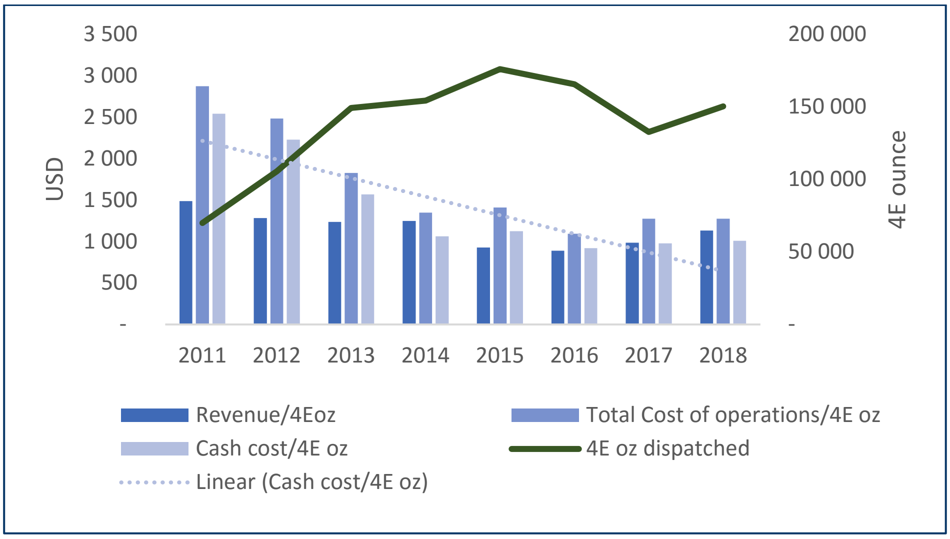
*Metal produced and declared is based on provisional assay results and therefore subject to change until such time that final assay results are received. These changes are not material. **Basket price for 4E i.e. platinum, palladium, rhodium and gold.

The Group had its first year of positive cash generated from operations since PPM commenced production. An increase in the PGM basket price (specifically contributed by the increase in prices of Palladium and Rhodium) over the three and twelve month periods ended December 31, 2018 combined with an increase in 4E ounces sold for the twelve months resulted in a significant increase in revenue for both the three and twelve month period.

The increase in metal sales can be attributed to targeted optimisation in both the mining operations and the concentrator. The mine plan allowed for more mining volumes compared to 2017 when mining volumes were subdued to manage cashflows given soft platinum price in the market. During 2017 plant throughput was maintained by processing low grade DMS discard instead of fresh reef. The processing of DMS discard was limited in 2018, resulting in higher milled feed grade to the plant and ultimately more 4E ounces.

The addition of the chrome plant contributed USD2.6 million to revenue in 2018. The optimisation of the chrome plant is ongoing.

Figure 4. Financial performance 2011 – 2018



2.2 Exploration and development of other PGM properties

2.2.1 Pilanesberg exploration projects (on the Western Limb of the Bushveld Complex)

The total exploration expenditure on various Pilanesberg exploration projects was USD0.014 million (ZAR0.184 million) for the quarter ended December 31, 2018. Total exploration expenditure since the inception of the Pilanesberg exploration projects of USD2.603 million (ZAR37.568 million) has been capitalised in accordance with the Group's accounting policies as part of "Exploration and evaluation assets".

Work program

The Pilanesberg exploration projects consist of properties adjacent to PPM.

2.2.2 Mphahlele Project (on the Eastern Limb of the Bushveld Complex)

During the quarter ended December 31, 2018, a total of USD0.055 million (ZAR0.734 million) was spent on the Mphahlele Project bringing the cumulative expenditure to date on the project by the Group to USD8.278 million (ZAR119.455 million), excluding acquisition costs. In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

Work program

In light of the fact that the board has decided to focus resources and management on bringing PPM into profitable production, the Mphahlele Project was placed on a reduced work program for the short term.

2.2.3 Grootboom Project (on the Eastern Limb of the Bushveld Complex)

During the quarter ended December 31, 2018, the Company spent USD Nil (ZAR Nil) on Grootboom, bringing the cumulative expenditure to date on the project to USD3.065 million (ZAR44.235 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

Work program

In light of the fact that the board has decided to focus resources and management on bringing PPM into profitable production, this project was also placed on a reduced work program for the short term.

2.2.4 Loskop Project (on the Eastern Limb of the Bushveld Complex)

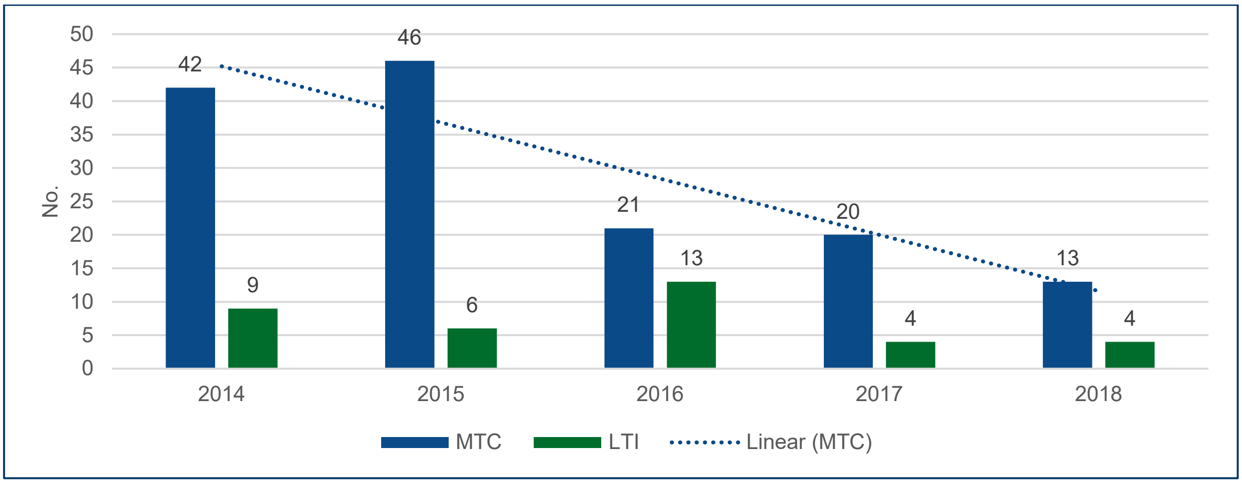
Lonmin Plc is the operator of the Loskop Project and acquired its 50% interest in the joint venture in August 2006 and expenditure since then has been shared on a 50/50 basis. Our interest in the Loskop project is now 23.5%, with Lonmin holding a 50% interest (remainder held by Anglo American Platinum's Rustenburg Platinum Mines).

During the quarter ended December 31, 2018, the Company spent USD Nil (ZAR Nil) on the Loskop Project. Total cumulative exploration expenditure on this project since inception is USD0.273 million (ZAR3.944 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

2.3 Safety

The Group strives for zero harm to employees and PPM has recorded 5.1 million Fatality Free Shifts ("FFS") on October 8, 2018. The FFS span over a ten-year period. PPM endeavours to intensify the drive towards a ZERO HARM culture across all its operations. The Concentrator Operation achieved six hundred and seven (607) days without any Lost Time Injury ("LTI') by the end of December 2018. PPM has managed to reduce its injury incidents consistently since 2015.

Figure 5. 2014 – 2018 All Injuries



2.4 Environmental Matters

Overview

The Company conducts exploration on its key projects and prospects subject to mineral exploration permit applications made to and issued by the DMR. For each exploration program, a rehabilitation plan is included with the application and where required, the appropriate bond or funds are lodged with the relevant agent of the DMR in respect of the rehabilitation work which may have to be carried out when the exploration program is completed and no further work is planned on the property. All such environmental plans or bonds are in the normal course of the business.

Environmental guarantees are released by the DMR on completion of the obligations in terms of the rehabilitation plans contained within either the application for the prospecting permits, or the Mining Right.

PPM rehabilitation

As at December 31, 2018, the Company had USD24.265 million (ZAR350.154 million) in guarantees with the DMR. The guarantees have been provided on an insurance basis with a portion of the total guarantees being paid over into a separate bank account controlled by the Group and ceded in favour of the insurance company.

Rehabilitation of other development projects

Guarantees required by the DMR for prospecting and mining rights held by the Group were provided by way of both cash and insurance backed guarantees. The insurance backed guarantees were issued by the Lombard Insurance Group. Ongoing contributions are made by the Group to fund the balance of the liability over the remaining life of the prospecting permit. As at December 31, 2018 the Group had USD1.811 million (ZAR26.132 million) in guarantees with the DMR for other projects.

3. Overall Performance

3.1 Reporting currency and periods

As mining and exploration activities are conducted in South Africa and most transactions are transacted in South African rand ("ZAR"), the functional currency is the South African Rand ("ZAR"). In this MD&A the financial amounts have been converted to and are reported in United States dollars ("USD"), the Group's presentation currency.

Table 2. Relevant exchange rates to the USD

	At Dec 31, 2018	Average twelve months ended Dec 31, 2018	Average three months ended Dec 31, 2018	At Dec 31, 2017	Average twelve months ended Dec 31, 2017	Average three months ended Dec 31, 2017
South African Rand (USD:ZAR)	14.43	13.24	14.27	12.38	13.31	13.68

3.2 Financial condition

Table 3. Financial condition for the twelve months ended December 31, 2018

	As at Dec 31, 2018 USD'000	As at Dec 31, 2017 USD'000
Cash and cash equivalents	38,093	6,323
Other current assets	62,155	63,985
Total current assets	100,248	70,308
Restricted cash investments and guarantees	18,607	17,733
Other non-current assets	971,389	1,164,981
Total non-current assets	989,996	1,182,714
Total Assets	**1,090,244**	**1,253,022**
Current liabilities	35,263	41,441
Non-current liabilities	63,062	21,588
Total liabilities	**98,325**	**63,029**
Total shareholders' equity	997,858	1,191,632
Non-controlling interests	(5,939)	(1,639)
Total equity	**991,919**	**1,189,993**
Other information:		
Key Financial Ratios:		
Current ratio [1]	2.843	1.697
Working capital [2]	64,985	28,867
Debt/Equity ratio [3]	9.85%	5.29%

1 Current ratio = Current Assets/Current liabilities

2 Working capital = Current Assets – Current Liabilities

3 Debt to equity ratio = Total Liabilities/Shareholders' equity

The balances at December 31, 2018 compared to the balances at December 31, 2017 are influenced by the conversion from the Group's functional (ZAR) to the Group's presentation (USD) currency. The ZAR spot price at December 31, 2018 weakened by 17% from the spot price at December 31, 2017.

SPM's asset base is primarily comprised of non-current assets such as mining assets and property plant and equipment, reflecting the capital-intensive nature of mining. Other significant assets include intangible assets and trade and other receivables. Trade receivables include the PGM sales pipeline, which is the PGM and base metal deliveries to clients of up to 5 months.

Total assets decreased by USD163 million during the twelve months ended December 31, 2018. This decrease is primarily due to:

- A decrease in total assets in presentation currency as a result of the weaker ZAR; and
- Depreciation of USD41 million; offset by
- USD32 million increase in cash.

Total liabilities increased by USD35,296 million during the twelve months ended December 31, 2018. This is due to the increase in long term borrowings relating to the USD34.649 million (ZAR500 million) loan obtained from the IDC. Measured in USD the balance was USD1.2 million higher than the balance on December 31, 2017. The Revolving Commodity facility allows PPM to fix prices for concentrate deliveries to offtakers and receive the cash proceeds thereof upon assay rather than having to wait for settlement from the refiners in terms of existing concentrate agreements. The increase in ZAR prices for Platinum and Palladium paired with the increase in dispatches lead to the increase in the RCF utilisation from December 2017 to December 2018.

SPM improved working capital from USD28.867 million at December 31, 2017 to USD64.985 million at December 31, 2018 due to increased cash reserves and trade payables been lower. This resulted in an improvement in the Group's current ratio to a current ratio of 2.843 as at December 31, 2018 compared to a current ratio of 1.697 as at December 31, 2017.

SPM's capital structure comprises of shareholders' equity with low levels of debt. As at December 31, 2018 the debt-to-equity ratio was 9.85% compared to a debt-to-equity ratio of 5.29% as at December 31, 2017. The increase in debt is a result of the IDC loan which was drawn down during March 2018.

3.3 Financial performance for the three and twelve month periods ended December 31, 2018

The Group recorded a net loss of USD6.974 million and USD31.412 million for the three and twelve month periods ended December 31, 2018 compared to a net loss of USD0.042 million and USD56.336 million, for the three and twelve month periods ended December 31, 2017.

Revenue and cost compared to prior year periods are influenced by the conversion from the Group's functional (ZAR) to the Group's presentation (USD) currency. The ZAR weakened by 4% and strengthened by 0.6% from the comparative three and twelve month periods.

Table 4. Financial performance for the quarter ended December 31, 2018

	For the three months ended		For the twelve months ended	
	Dec 31, 2018 USD'000	Dec 31, 2017 USD'000	Dec 31, 2018 USD'000	Dec 31, 2017 USD'000
Revenue	**42,844**	**42,781**	**170,584**	**130,723**
Cost of operations	**(48,315)**	**(43,608)**	**(191,614)**	**(169,202)**
On mine operations	(15,624)	(11,537)	(63,934)	(54,478)
Concentrator plant operations	(12,467)	(10,974)	(51,053)	(43,646)
Beneficiation and transport	(4,134)	(3,676)	(17,313)	(13,848)
Salaries	(5,739)	(5,621)	(19,730)	(18,011)
Subtotal	*(37,964)*	*(31,808)*	*(152,030)*	*(129,983)*
Depreciation of operating assets	(9,853)	(11,662)	(39,799)	(39,360)
Change in inventories	(498)	(138)	215	141
Gross loss	**(5,471)**	**(827)**	**(21,030)**	**(38,479)**
Administrative and general expenses	**(5,337)**	**(3,883)**	**(22,681)**	**(19,389)**
Employee expenses	(2,411)	(1,363)	(9,730)	(8,721)
General operating expenses	(2,241)	(1,784)	(9,006)	(7,243)
Amortisation and depreciation	(274)	(420)	(1,185)	(1,060)
Consulting and professional fees	(132)	(121)	(1,613)	(1,478)
Royalty tax	(235)	(149)	(863)	(647)
Audit fees	(44)	(46)	(284)	(240)
Other income / expenses	**5,722**	**4,875**	**14,580**	**2,179**
Other income	394	11	11,066	94
Foreign exchange gain / (loss)	5,328	4,864	3,514	2,085
Net finance (cost) / income	**(1,052)**	**(105)**	**(751)**	**14**
Finance income	1,014	752	6,699	3,597
Finance costs	(2,066)	(857)	(7,450)	(3,583)
Share of loss from investments accounted for using the equity method	**(848)**	**(84)**	**(1,542)**	**(638)**
Loss before taxation	**(6,986)**	**(24)**	**(31,424)**	**(56,313)**
Income tax	12	(18)	12	(23)
Loss for the period	**(6,974)**	**(42)**	**(31,412)**	**(56,336)**
Other comprehensive income	**(28,188)**	**96,268**	**(166,662)**	**105,283**
Exchange difference on loans designated as net investments	(14,155)	52,324	(88,576)	(22,903)
Exchange difference on translation from functional to presentation currency	(13,995)	44,053	(78,461)	128,345
Movements in Other reserves	(38)	(109)	375	(159)
Total comprehensive (loss) / income	**(35,162)**	**96,226**	**(198,074)**	**48,947**
EBITDA*	**4,194**	**12,165**	**10,313**	**(15,905)**

**EBITDA – Earnings Before interest, tax, depreciation and amortisation*

Revenue

The Group generated revenues of USD42.844 million and USD170.584 million based on metal sales during the three and twelve month periods ended December 31, 2018. Of this USD35.485 million and USD150.526 million relates to 4E revenue and USD7.360 million and USD20.058 million relates to iridium, ruthenium, copper, nickel and chrome. Revenues represent the amounts recorded when PGM concentrates are physically delivered to the smelter. Metal prices and assayed quantities at the point of sale are provisional. Adjustments in respect of final assayed quantities and/or prices arising between the date of recognition and the date of settlement are recognised in the period in which the adjustment arises and reflected through revenue and receivables.

Sales of 4E metal contributed approximately 89% and 84% (2017: 90% and 91%) to the gross revenue earned by PPM during the three and twelve month periods ended December 31, 2018. During the twelve month period ended December 31, 2018 Chrome contributed ZAR34 million (USD2.6 million) to revenue. The variance in the 4E contribution to sales for the 3 month period ended December 31, 2018 is due to an increased contribution in revenue from Iridium and Ruthenium as a result of increase in prices for these metals.

Revenue for the three month period ended December 31, 2018 was in line with the comparative period in 2017. The net movement was a result of:

- An 11% increase in the average ZAR 4E basket price year-on-year;
- A 4% weaker Rand for translating into presentation currency; off set by
- A 6% decrease in 4E ounces dispatched.

Revenue increased by 30% for the twelve month period ended December 31, 2018 from the comparative period in 2017. This increase was the net result of:

- A 9% increase in the average ZAR 4E basket price year-on-year and
- A 13% increase in 4E ounces dispatched.

The increase in 4E ounces dispatched compared to the previous period, was influenced by the increase in the average milled head grade, for the twelve month period ended December 31, 2018 of 16%. During 2017, low grade flotation material was utilised to supplement plant feed and reduce cost. There was very little low-grade flotation material utilised in 2018.

Cost of operations

Cost of operations totalled USD48.315 million and USD191.614 million for the three and twelve month periods ended December 31, 2018, compared to USD43.608 million and USD169.202 million for the three and twelve month periods ended December 31, 2017. Increases in contractors' rates as well as an 8% average increase in the diesel price had a negative impact on the cost of operations for the three month period ended December 31, 2018. The increase in mining volumes for the 12 month period ended December 31, 2018 from the prior year was the main reason for the increase in the cost of operations.

Administrative and general expenses

Administrative and general expenses totalled USD5.337 million and USD22.681 million for the three and twelve month periods ended December 31, 2018, compared to USD3.883 million and USD19.389 million for the twelve month periods ended December 31, 2017. The variance to the comparative three and twelve month periods is a result of increased spending on consulting and local economic development (LED) projects. The increase in consulting fees is as a result of the ongoing cost to oppose SARS in Court regarding the outstanding R300 million owed to PPM for diesel rebates as well as the litigation expense incurred regarding access to the Mining property Wilgespruit.

Other income / expense

Other income totalled USD5.722 million and an income of USD14.580 million for the three and twelve month periods ended December 31, 2018, compared to USD4.875 million and USD2.179 million income for the three and twelve month periods ended December 31, 2017. The movement in other income for the twelve month period is a result of the credit received from Eskom of which USD10.538 million was recognised as other income, set off by a foreign exchange loss. Rand volatility resulted in a foreign exchange gain of USD5.722 million and USD14.580 million for the three and twelve month periods ended December 31, 2018 respectively, compared to a foreign exchange gain of USD4.864 million and USD2.085 million for the three and twelve month periods ended December 31, 2017.

Finance income

The increase in finance income to USD1.014 million and USD6.699 million during the three and twelve month periods ended December 31, 2018, compared to USD0.752 million and USD3.597 million during the three and twelve month periods ended December 31, 2017, was a result of increased cash reserves due to the drawdown of cash from the IDC loan which occurred during the last week of March 2018 and USD1.498 million finance income recognised on a credit received from Eskom. At December 31, 2018, 9% of the Group's funds were held in USD denominated deposits, earning lower interest rates.

Finance cost

The increase in finance cost to USD2.066 million and USD7.450 million during the three and twelve month periods ended December 31, 2018, compared to USD0.857 million and USD3.583 million during the three and twelve month periods ended December 31, 2017, is the result of interest accrued on the IDC loan and higher utilisation of the Investec RCF facility during 2018.

3.4 Cash flows

Cash and cash equivalents at December 31, 2018, increased to USD38.093 million from December 31, 2017. This net increase is primarily due to a drawdown of USD42.228 million (ZAR500 million) from a debt facility obtained from the IDC.

Operating cash flow for the twelve months ended December 31, 2018 was positive as a result of improved operational results and the receipt of a USD3.421 million (ZAR40 million) credit note from Eskom for the finalisation of the Sedibelo substation project. During Q3 2018 a further credit of USD8.5 million (ZAR126 million) was received from Eskom for the Pilanesberg substation project.

3.5 Events or uncertainties during the three and twelve month periods ended December 31, 2018

Metal dispatches were 6% lower for the three month period and 13% higher for the 12 month period ended December 31, 2018 compared to the prior year periods. The mining focus is on exposing sufficient reef faces to produce mining volumes in line with a mine plan that can provide sufficient reef volumes to the concentrator with a focus on providing profitable ounces (cash positive).

4. Summary of Quarterly Results

Table 5. Summary of quarterly results

	In accordance with IFRS							
USD'000	Dec '18	Sep '18	Jun '18	Mar '18	Dec '17	Sep '17	Jun '17	Mar '17
Revenue	42,844	44,978	46,648	34,324	42,781	30,791	30,392	26,759
Cost of operations	(48,315)	(48,549)	(48,526)	(44,036)	(43,608)	(40,448)	(42,573)	(42,573)
Gross loss	(5,471)	(3,571)	(1,878)	(9,712)	(827)	(9,657)	(12,181)	(15,814)
Other operating income/ (cost)	385	177	(6,017)	(2,208)	992	(5,820)	(7,272)	(5,110)
Net finance (cost)/ income	(1,052)	1,305	(749)	(256)	(105)	15	144	(40)
(Loss)/Profit from associate	(848)	7	(597)	(104)	(84)	(267)	(138)	(149)
Loss before taxation	(6,986)	(2,082)	(9,241)	(13,114)	(24)	(15,729)	(19,447)	(21,113)
Loss for the period	(6,974)	(2,082)	(9,241)	(13,114)	(42)	(15,729)	(19,452)	(21,113)
ZAR:USD	14.27	14.1	12.64	11.96	13.68	13.18	13.2	13.23

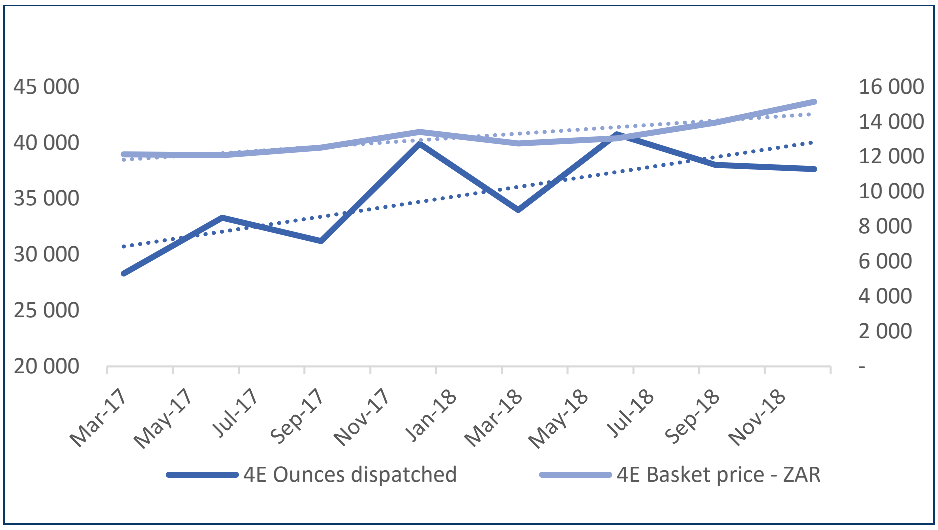
The financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRS IC interpretations and with the requirements of The Companies (Guernsey) Law, 2008 applicable to companies reporting under IFRS.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as issued by the International Accounting Standards Board ("IASB") applicable to a going concern.

The financial information has been prepared under the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value and is presented in US dollars ("USD").

Revenue has improved from quarter to quarter as a result of increased dispatched 4E ounces as well as an increase in the 4E Basket price received. The cost of operations has increased over the same period because of higher mining volumes contributing to an increased head grade going into the concentrator. The optimum balance between mining volumes, input grade to the plant and plant throughput has been targeted to increase Gross profit to operations.

Figure 6. 4E ounces dispatched and 4E Basket price



5. Liquidity

5.1 Unrestricted cash

The Company had unrestricted cash and cash equivalents of USD38.093 million at December 31, 2018. The Industrial Development Corporation of South Africa Limited ("IDC") provided PPM with a ZAR500 million loan facility which will provide access to funding for short-term cash flow requirements for the operation at PPM. This funding is ringfenced to be utilised at PPM for operational requirements.

Based on the current cash flow projections for the Group, management has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and therefore the annual financial statements continue to be prepared on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future.

Development of exploration assets will require new funding.

5.2 Restricted cash

The Group had restricted cash investments and guarantees forming part of its non-current assets totalling USD18.607 million (USD17.733 million at December 31, 2017). The restricted cash is increased with a monthly contribution of ZAR2.5 million. This cash is held with Rand Merchant Bank on long-term deposits and ceded in favour of Lombard Insurance. Lombard Insurance provides the Group with guarantees with both Eskom and the Department of Mineral Resources. The facility with Lombard is 58% cash-backed at December 31, 2018.

5.3 Contractual Obligations

The Group's contractual obligations are as follows:

Table 6. Commitments as at December 31, 2018

Contractual obligations USD'000	Total	< 1 year	1-3 years	After 3 years
Employee entitlements (1)	927	927	-	-
Operating lease (2)	482	141	341	482
Asset Retirement Obligation (3)	20,098	-	-	20,098
Mining costs (4)	8,348	8,348	-	-
Open Purchase Orders	84,358	84,358	-	-
Total Contractual Obligations	**114,213**	**93,774**	**341**	**20,098**

(1) The employee entitlements include the leave pay due to employees in terms of their employment contracts.

(2) This includes the contractual monthly payments for the rental of the Company's corporate office. This agreement was renewed to come to an end on 31 May 2021.

(3) The amount of USD20.098 million represents the gross asset retirement obligation to rehabilitate the opencast pit and plant at PPM and Sedibelo at the end of life of mine, in accordance with the mining licence and approved EMP.

(4) Committed mining expenses include the estimated cost that will be incurred by the main mining contractors to carry out the opencast mining operations for the required notice period, should the contract with the main mining contractor be cancelled.

6. Capital Resources

6.1 Working capital

As at December 31, 2018, Sedibelo Platinum Mines' total working capital was USD64.985 million (December 31, 2017: USD28.867 million). Working capital is based on the total unrestricted cash plus cash equivalents (USD38.093 million), plus inventory (USD7.844 million) and trade and other receivables (USD54.311 million) less trade payables and accrued liabilities (USD16.412 million), less short-term portion of borrowings (USD0.100 million) and less revolving commodity facility (USD18.751 million). Sedibelo Platinum Mines' cash and cash equivalents are held in short term and liquid interest earning deposits at highly reputable financial institutions of a high-quality credit standing within the Republic of South Africa and in the United Kingdom.

As part of working capital management and ensuring enough cash is available for operational needs, the RCF with Investec is utilised on a continuous basis. The RCF is available up to March 31, 2020, when PPM intends to renew it.

6.2 Restrictions on the repayments of inter-group loans

The Company's principal subsidiary, Pallinghurst Investor Consortium Proprietary Limited ("PIC"), operates in South Africa and as a result is subject to the South African Reserve Bank (''SARB'') Exchange Control Regulations. Any repayment of foreign currency loans by a South African company to an offshore company is subject to prior approval by the SARB.

The shareholder loan from Sedibelo Platinum Mines to PIC amounted to ZAR28.531 billion at December 31, 2018 and has primarily been used to fund the development of PPM.

The terms of the loan agreement with the IDC state that no intercompany loans may be repaid by PPM until the loan is settled.

7. Critical accounting estimates

The Company's significant accounting principles and methods of application are disclosed in the notes of the Company's consolidated financial statements for the year ended December 31, 2018. The following is a discussion of the critical accounting policies and estimates which management believes are important for an understanding of the Company's financial results.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The primary areas in which estimates and judgements are applied are as follows:

Determination of consolidation

Management applies judgement when determining whether the Company should consolidate entities where it owns less than half of the voting power of an entity. An investor controls an investee if and only if the investor has all of the following elements:

- a power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's return.

Management have further consolidated Defacto Investments 275 Proprietary Limited, Dream World Investments 226 Proprietary Limited and Taung Platinum Exploration Proprietary Limited even though the Group owns less than half of the share capital of those entities as it was determined that the Group manages the financial and operating policies of those entities.

Management have accounted for its interest in KellTech Limited as a joint venture through the equity method of accounting due to the nature of the joint arrangement.

Impairment of non-current assets

Management uses the guidance in *IAS 36 – Impairment of assets* when assessing whether indicators for impairment exist for mining assets, intangible assets and property, plant and equipment. Management uses certain assumption in calculating the assets value in use. Assumptions such as PGM prices, South African Rand: United States Dollar exchange rates and inflation are based on the most recent information available in the market.

Inventory

Metal inventory is held in a wide variety of forms across the value chain reflecting the stage of refinement. Prior to production as final metal the inventory is always contained within a carrier material. As such inventory is typically sampled and assays taken to determine the metal content and how this is split by metal. Measurement and sampling accuracy can vary quite significantly depending on the nature of the vessels and the state of the material. Management judgement, therefore, is also applied.

Decommissioning and rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation 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, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision represents management's best estimate of the present value of the rehabilitation costs anticipated to be incurred at the end of the mine's life. See Note 14 of the consolidated financial statements.

Reserves and Resources

The estimation of reserves impacts the depreciation of certain categories of property, plant and equipment (deferred stripping costs, decommissioning assets and producing mines), the recoverable amount of mining assets and property, plant and equipment and the timing of rehabilitation expenditure. The reserves and resources statement is prepared by an independent expert that complies with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC code").

Factors impacting the determination of proved and probable reserves are:

- the grade of mineral reserves may vary
- actual commodity prices and commodity price assumptions
- operational issues at mine sites; and
- capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates.

Depreciation – units of production

Various units-of-production (UOP) depreciation methodologies are available to management e.g. tonnes processed, tonnes milled, tonnes mined or ounces produced. Management elected to depreciate deferred stripping, decommissioning asset and producing mines using the ore tonnes mined methodology and plant and equipment using the ore tonnes processed methodology.

The calculation of the UOP rate of depreciation will be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable mineral reserves.

8. Other

8.1 Off-Balance Sheet Arrangements

At December 31, 2018, the Group had USD32.771 million in guarantees to the DMR and Eskom, of which USD18.607 million is funded.

8.2 Proposed Transactions

The Company continues to evaluate opportunities in the market with a view to expand the current business. At the current time there are no reportable proposed transactions.

8.3 Financial Instruments and Other Instruments

The Group has the following financial instruments: cash and cash equivalents, restricted cash investments and guarantees, loans receivable, trade receivables, trade payables and accrued liabilities, the revolving commodity facility and long-term borrowings. These instruments are financial assets and liabilities at amortised cost with fair values approximating their carrying values.

8.4 Changes in Accounting Policies including Initial Adoption

There were no changes in the accounting policies applied since the issue of the audited consolidated financial statements for the year ended December 31, 2017 except for the adoption of the standards set out below:

- IFRS 9 Financial instruments – The standard contains substantial changes with regards to classification, measurement, impairment and hedge accounting requirements.

Impact assessment

On 1 January 2018, the Group adopted IFRS 9, which replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.
The adoption of the new "expected credit loss" impairment model under IFRS9, as opposed to an incurred credit loss model under IAS 39, had a negligible impact on the carrying amounts of the Group's financial assets given the Group transacts exclusively with a limited number of large institutions and other organisations with strong crest ratings and negligible historical level of customer default.

Trade Receivables previously measured at amortised cost, is now measured as Fair Value through profit and loss.

- IFRS 15 Revenue from Contracts with Customers – The standard is more prescriptive around considerations of when control of goods is transferred to the customer.

Impact assessment

On 1 January 2018, the Group adopted IFRS15, which requires that revenue from contracts with customers be recognised upon the transfer of control over goods and services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with the revenue recognition policy as set out in the consolidated annual financial statements for the year ended 31 December 2017, as the condition is generally satisfied when the title transfers to the customer. As such, on adoption, this requirement under IFRS 15 resulted in no impact to the Group's financial statements as the timing of revenue recognition on PGM sales is unchanged.

- IFRS 16 Leases – The standard removes the classification of leases as operating or finance leases and requires all leases to be included on the statement of financial position.

Impact assessment

The Group has limited lease arrangements and therefore the no material changes were identified. The impact is expected to be minimal. The standard is effective for year-ends beginning on or after 1 January 2019.

There are no other new standards, interpretations or amendments to standards issued and effective for the year which may in the future be expected to have a material impact on the Group.

9. Outstanding share data

As at December 31, 2018, the Company had 3,095,401,663 common shares in issue.

10. Risks and uncertainties

The Company is in the business of the exploration and development of mineral properties and the operation of mines directly or through third parties. There are numerous risks associated with these activities and specific risks with regards to the South African mining environment.

10.1 Legal proceedings

Access to mining property

A delay is anticipated in mining Wilgespruit due to disruptions by local communities. Access to the land, in order to execute a mining right to mine the minerals, has been restricted as a result of the continued occupation of the land by the community.

On July 2, 2017, the farmers lodged their application in the Supreme Court of Appeal which has been dismissed. On 12 October 2017, an Application for Leave to Appeal to the Constitutional Court was received, resulting in the eviction order once again being suspended.

On 25 October 2018, the Constitutional Court ("ConCourt") handed down judgment in an application for leave to appeal against the decision of the High Court of South Africa, North West Division, Mahikeng.

The High Court's eviction order was set aside and was substituted with an order dismissing the respondent's application for an eviction with costs. It is important to note that the status of the waste rock dump area remains the same; neither PPM nor the farmers may access the area.

The ruling requires PPM to further exhaust all the remedies available in terms of Section 54 of the MPRDA. PPM are to engage with the Regional Manager of the DMR for assistance in resolving the dispute between PPM and the occupiers.

Only after a successful resolve will PPM be able to access Wilgespruit and commence mining operations.

In line with this guidance from the Concourt, the following actions are in progress:

- Engagement with the occupiers' representative, Lawyers for Human Rights, to begin consultations,
- The DMR has briefed the community on at least two occasions and
- Management and the Board have engaged Senior Council to advise the Company on land issues and the way forward.

Diesel rebates

On July 26, 2012, the South African Revenue Service ("SARS") issued a Letter of Demand to PPM to repay diesel refunds for the period April 2008 to March 2011. Diesel refunds claimed by PPM for the period April 2011 to August 2011 have been disallowed. PPM appealed these findings and lodged an application to the High Court to set aside the demand for repayment and the denial of pro rata amounts of diesel refunds.

On May 29, 2018 the matter was postponed for hearing, commencing on August 20, 2018 and thereafter proceeding on August 21 – 24, 2018. PPM's response to the new matters contained in SARS' affidavit, including the annexures thereto, was filed at the High Court on July 2, 2018.

PPM conceded to SARS' request to grant additional time to provide a determination on an audit they were conducting. This period audited was not included in the original case.

10.2 Liquidity

The Group operates in a cyclical industry where levels of cash flow have historically been materially influenced by market prices for commodities and exchange rates. Material uncertainties, such as exposure to ZAR:USD exchange rate and PGM prices, cast significant strain on the Group's liquidity position. See disclosure around going concern in Note 1 of the consolidated financial statements for the year ended December 31, 2018.

11. Internal control over financial reporting

Management has evaluated or caused to be evaluated, the effectiveness of the Company's disclosure controls and procedures and the internal control over financial reporting and concluded that the Company's disclosure and internal control over financial reporting was effective as of the end of the twelve months ended December 31, 2018. The Company has identified no material weakness in the design of its internal controls over financial reporting. There has been no change in the Company's internal controls over financial reporting since its year-end MD&A for the period ended December 31, 2017 or during the twelve months ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect its internal controls over financial reporting.