SYLVANIA

PLATINUM LIMITED

2012

Annual Report

Corporate directory

Directors
TM McConnachie - Chief Executive Officer
RD Rossiter - Non-executive Chairman
LM Carroll - Finance Director
GM Button - Executive Director
RA Williams – Independent Non-executive Director

Joint Assistant Company Secretary
LM Carroll/GM Button

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

Website
www.sylvaniaplatinum.com

Sylvania Platinum Limited
(Sylvania Platinum, Sylvania or the Company)
(AIM: SLP)

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Financial snapshot

- **Production of ounces** increased 8% to 45,735 ounces (42,232 in FY2011) (including CTRP)
- **Cost of production** decreased 5% from $601/oz to $568/oz
- **Basket price** decreased 25% from $1,166 to $876/oz
- **Revenue** decreased by 14% to $40,078,158 ($46,872,232 in FY2011)
- **Group EBITDA** of $3,723,744 , down 70% from FY2011 ($12,340,998)
- **Net loss after tax** of $3,971,803 (a net profit after tax of $1,608,126 in FY2011)
- $14,288,485 **net operating cash inflow** ($7,708,176 in FY2011)
- **Considerable cash generating ability**, with $15,696,899 in cash at the end of FY2012 (excluding assets held for sale)

Operating highlights

- **Continued optimisation** of the tailings business through increased operational efficiency, improved recoveries and technical excellence
- **Year-on-year production** growth of 8%
- **ROM plant** and new tailings storage facility (TSF) commissioned at Mooinooi at a cost of $5,450,311 and $1,257,563 respectively
- **Construction** of the seventh plant at Tweefontein near completion
- **Successful completion** of magnetite iron ore transaction for approximately £13.7 million ($22 million) and Ironveld plc shares distributed to Sylvania shareholders as a dividend *in specie*
- **21 holes drilled** on exploration sites between September 2011 and February 2012

Vision

To be the leading mid-tier, lowest unit-cost, platinum group metals (PGMs) mining company.

Our mission

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

Our 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 friendly, 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 whilst honouring their heritage and traditions.

Richard Rossiter

Chairman's letter

Fellow shareholders

Our 2012 annual report is published during a period of great turmoil and uncertainty in the South African PGMs sector. Labour disputes and violence, combined with political posturing, have created a pall across this sector, as global markets continue to languish. While the platinum price has been relatively slow to react to inevitable production shortfalls and cut-backs in South Africa, its recent surge and volatility was at odds with the steady decline during the financial year under review. We anticipate improved pricing in the year ahead as threatened supply cuts become a reality, although the threat of substitution and strong stock positions are likely to constrain the upside.

The prolonged period of lethargy in the PGMs market, weighed down by a long-term global surplus and demand fundamentals overexposed to the continuing recession in Europe, prompted a strategic review of our operations and growth plans by the Board of Directors during September 2012. Following this review, it was deemed prudent to concentrate our immediate efforts and available cash reserves towards maximising the profitability of the Sylvania Dump Operations (SDO), scale back our Northern Limb exploration, and work at the Volspruit and Everest North development projects. We see this as the best way of safeguarding shareholders' interests for the time being, shielding ourselves from knock-on risks and protecting the success we have built up thus far. I deal with our strategy in greater detail below.

Chief Executive Officer (CEO), Terry McConnachie, and Deputy CEO, Nigel Trevarthen, report on operational performance in their report that follows. I would like to note, however, that the strength of the Sylvania Platinum model is clearly evident in the Company's:

- increase in total production including CTRP for the year to 45,735 ounces of PGMs (FY2011: 42,232 ounces);
- positive Group earnings before interest, taxes, depreciation and amortisation (EBITDA) of $3,723,744 for the year (excluding non-cash items), versus $12,340,998 for 2011, and despite a 25% decrease in our basket price of $876/oz; and
- considerable cash generating ability. Cash-on-hand was $15,696,899 at the end of the period, and this following capital expenditure of $19,973,410, all of which the Company funded internally.

Flexibility in the implementation of our strategy and the adaptation of our business to suit the prevailing market conditions is an unlikely blessing in an industry like ours. Our management team, and our partners, are thus to be congratulated for this performance.

Our strategy

I refer above to our strategy, which essentially remains unchanged, although in the short to medium term the Company will focus greater attention on improving cash generation from our core tailings and dump retreatment business, and curtailing capital expenditure on its longer term, more capital intensive, near-surface mining opportunities. It is a question of balance.

Sylvania continues to be a trail blazer in the production of low-cost platinum from tailings and near-surface platinum deposits. Limited capital, cash generation, lower risk, and our ability to bring projects quickly to market have become trademarks. While our platinum mining peers are having to seek deeper, more costly resources, we aim to stay as close to the surface as possible.

We seek to optimise our tailings business – in essence, getting more from what we have – through increased operational efficiency, improved recoveries, technical excellence in the process of recovering platinum from oxidised material and current arisings.

At the same time, we continue to seek additional sources of tailings and dumps to grow our core cash generation business. In addition, we have been able to achieve greater integration within the host mine structure in a symbiotic way, thereby increasing throughput and PGM production capacity.

We continue to seek to further our surface mining opportunities and add value to our core projects in anticipation of a recovery in the PGMs market in the fullness of time. Our plans for Volspruit and the Northern Limb have been reined in somewhat, and restricted to the Environmental Impact Assessment (EIA) and the necessary minimum spend to retain compliance with the prospecting and mining rights' requirements. A decision has also been taken by the Board to consider a sale or joint venture agreement for the development of Harriet's Wish, which has shown some promising deeper targets.

We continue to pursue vertical integration within our value chain by improving the technology for smelting low-grade concentrates. This ability has been absent from the industry, that is essentially dominated by the majors, which effectively sterilise orebodies that yield a low-grade concentrate. Nowhere is this more evident than in the untapped low-grade nickel, copper, palladium-rich Northern Limb assets.

Lastly, we continue to identify opportunities within a market of consolidation, mergers and acquisitions. The industry remains fragmented. Leadership and cooperation between the major players could unlock greater value.

The market

Sylvania's fortunes rest on two market pillars: the PGMs sector for the off-take of our metals and the ferrochrome sector as a major source of our input material.

The PGMs market remains in over-supply, with a substantial build-up of inventory and the continued delays in forecast recovery of demand. While the major producers were initially very slow to react and reduce supply, this has changed following the widely publicised strike at Lonmin's Marikana operations and the strikes at Anglo Platinum which followed. Analysts have started to foresee small supply deficits going forward, while some price improvements have been realised, alongside increased volatility.

Global commodity markets remain subdued and, in tandem, the demand for steel and stainless steel has also come off. China's growth rate is less than expected, but still good at 6%, and is a strong determinant of demand for ferrochrome.

Doing business in South Africa

The spectre of nationalisation raised in our report in 2011 remains, but is clearly less of a real threat than would be imagined by spectators. Its impact is likely to be greater in that it undermines investor confidence, rather than this being a real threat to the business. The main issues affecting South Africa's mining industry at the moment remain the threat of disruptions due to labour unrest and the impact of this on an already rising cost base, of which labour makes up more than half. To some degree we are shielded from this, but intimidation and threats to employees by striking workers at our feeder mines, and consequent disruptions, mean that we are not completely immune. Furthermore, we identify ourselves firmly as platinum producers and as such, neither are we removed from the pervasive negative sentiment that currently enshrouds the industry.

Chairman's letter continued

Corporate developments

The rationalisation of our corporate structure, shareholding and listing domains, and the concomitant cost reductions, were another collective area of focus during the year. Historically, around 90% of our shareholders have been in Australia, but with 90% of the value held in the United Kingdom. The fruits of our restructuring process have enhanced our ability to engage in corporate transactions.

In addition, Sylvania identified an undervalued, non-core iron ore deposit within its tenements, and disposed of it to Mercury Recycling Group Plc (renamed Ironveld Plc) for 203,022,285 shares which were later returned to Sylvania shareholders as a dividend in specie.

Sustainability

Much is expected of companies in recent years in respect of sustainability reporting. For Sylvania, our contribution is simple: we turn to account resources that would otherwise remain fallow, at a much-reduced energy, water and resource intensity. Further, by 'cleaning up' waste dumps and tailings dams, through smarter and environmentally progressive deposition and rehabilitation, we address the significant legacy of surface dumps that pockmark the landscape of the platinum belt. In essence, waste becomes our resource.

Mitigating risk

A critical concern of investors in these troubled times is the way in which the company mitigates risk. Our strategy avoids the risks embedded in the traditional operations within the PGMs sector. Our operations are exposed to much fewer safety-related risks; we avoid complex metallurgical and processing risks by outsourcing our smelting and refining; our near-surface operations ensure capital and cost efficiency; as we avoid most of the electricity and water security and cost issues as we are integrated within existing infrastructure.

We recognised the need to align our fortunes with those of our largest supplier. The major shareholder of the host mines, which now holds 19.6% in the Company, actively seeks to add value to our operations and grow the business for mutual benefit. Outside of this relationship, we are developing alternative sources of income.

The year ahead

Going forward, the Board feels that it is most prudent, and in the best interests of all shareholders, to focus attention and resources on the cash generating assets in these troubled times. We will leverage our expertise in dumps and tailings retreatment, we will maximise our cash flow through either operational efficiency or further acquisitions and growth, we will slow our progress on our near-surface open pit mining strategy and prepare the assets for times when the markets improve.

Our ability to generate cash from the tailings from chrome mining continues, and we will continue to use those low-risk cash receipts from the dump retreatment business to expand into shallow near-surface and lower risk platinum orebodies.

Acknowledgment

This will be my final report as Chairman and, on behalf of the Sylvania Board, I want to express gratitude to my fellow Board members and pay tribute to the Sylvania executive management team and all employees for their contributions to the performance of our Company in what has been a difficult year. The existing Board has acknowledged the need to evolve from a smaller more entrepreneurial company to a larger more production-oriented company. It is the Board's intention to seek to reconstitute the Board of Directors by increasing the number of independent non-executive directors and reducing the number of executive directors on the Board. This process commenced during the past financial year with the appointment of the Company's first independent Non-executive Director, Roger Williams.

Finally, I would also like to thank our shareholders for their continuing support as we develop the potential this Company has for significant, low-cost, PGM recovery operations.

Richard Rossiter
Non-executive chairman

12 October 2012

CEO and Deputy CEO's review

Overview

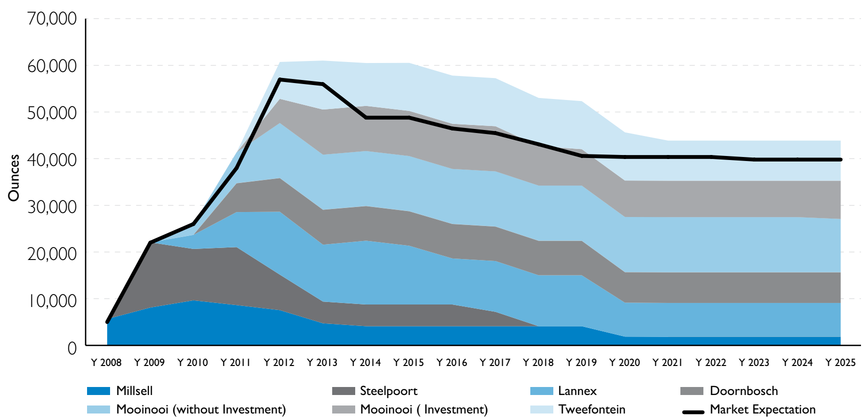
Given the current challenges which face the platinum industry, we believe it is appropriate to begin this year's review with a summary of the success that the Sylvania business strategy has had over the last five years. While 2012 has been a difficult year, sticking to that strategy has meant that the Company has weathered the storm better than most, and is well placed to continue maximising value for its shareholders as we navigate these uncertain times.

Sylvania's growth since 2007

In 2007 Sylvania had three operating dump retreatment plants and one UG2 prospecting target at Everest North. The challenge at that time was how to create the best possible returns for shareholders with that portfolio. The Board decided to expand the dump operations and progress towards including the development of near-surface shallow deposits. These objectives have remained the constant cornerstones of the Sylvania business model.

In making this decision however, the Board examined the sustainability of the Company's dump operations and faced the following dilemma. The dumps associated with the existing plants all had finite lives, as the first pass treatment process is typically completed after three years of operation. Recoveries associated with the second pass are generally lower and once the second pass is completed, the plant would then only have the current arisings to treat. This fact is illustrated by the black line in the graphic below being the production forecast presented in October 2010.

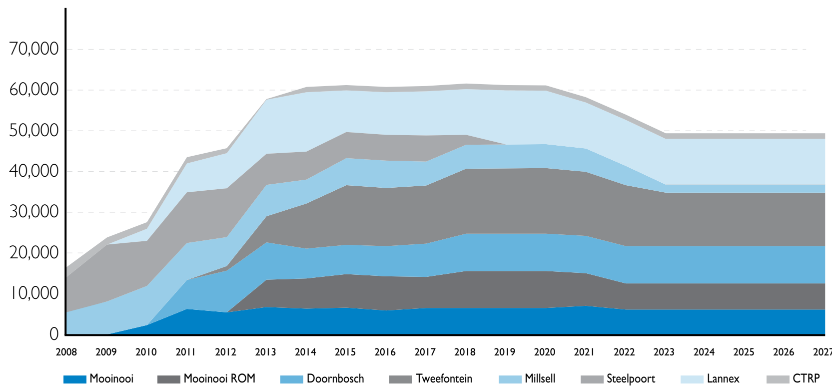
Sylvania dump operations (ounces per year)



It was felt that the Company could get more value than this out of the dump operations so, with the aim of improving the long-term business case, several strategic steps were undertaken, the planned impact being represented by the coloured sections of the graph above, presented in early 2010 and implementation commenced during 2010.

These improvements were applied at all of the operating plants. In addition production capacity had to be constructed on time, which included the building of larger tailings dams and the designing and erection of additional run-of-mine (ROM) plants at Mooinooi and Tweefontein. This work has continued all the way into the year under review and in June 2012 a revised production outlook was published, which has vindicated the Boards steadfast commitment to the original strategy. The forecast, illustrated on page 9, depicts a far more stable outlook, with peak performance of 60,000 ounces annually over an extended period of approximately 10 years, followed by reduced steady state production of an estimated 50,000 ounces per year.

Sylvania Platinum – Actual and Forecast



Organic growth has been a big part of the underlying dump retreatment strategy, with the Lannex, Doornbosch, Mooinooi and most recently, Tweefontein plants added to the stable in the last three years, as planned. A ROM plant to augment operations at Mooinooi was also commissioned recently to broaden our sphere of low-cost PGM reclamation activities, and it is a significant achievement that all of these capital investments have come from internally generated funds and placements.

As costs continue to rise in the South African platinum industry, amid increasingly difficult and unpredictable market conditions, the advantages of a low-cost and low-risk business model such as ours, which consistently supports healthy cash margins, cannot be underestimated.

Shallow low-cost mining

During this period, Sylvania has simultaneously advanced the second aspect of its strategy, that of growing its resources via near-surface mining operations. The completion of a drilling programme at Everest North in 2008 was a significant step in this direction. Progress on this front gained further momentum in July 2009, when the Company acquired Great Australian Resources Limited (GAU; subsequently converted to a Proprietary Limited company), SA Metals Limited (SAM; subsequently converted to a Proprietary Limited company) as well as the New Order Prospecting Rights for the Aurora and Harriet's Wish properties on the far Northern Limb.

Further drilling has since been completed on these as well as the Volspruit project and the Company has been able to announce several significant updates to the mineral resource bases of these increasingly valuable projects. More details on these resources are given below in the Harriet's Wish and Volspruit sections respectively.

Sylvania has raised a total of $76 million (approximately R550 million) in three events through the company's AIM listing between 2006 and December 2009, which was the last time the Company needed to raise any funds from shareholders. In all cases, these funds were prudently invested to enhance the Company's revenue generating projects. The investments made thus far are as follows:

- plant infrastructure of $81.1 million;
- acquisition of GAU and SAM: A$51 million ($42 million) (all share transaction) and subsequent exploration expenditure of $6.8 million; and
- sundry assets of $4.3 million.

This collective investment has enabled Sylvania's retreatment capacity to grow to 600,000 profitable ounces recoverable over the next ten years, and has facilitated the enhancement of the Group attributable resource base* by 8.1 million ounces of PGMs,

** The attributable resource bases referred to were reported on in the Northen Limb update in April 2011 and the Volspruit update in the quarterly announcement in September 2012.*

CEO and Deputy CEO's review continued

approximately 373 million pounds of nickel and 211 million pounds of copper. The Company has also managed to cement its relationship with its tailings dump landlords and Africa Asia Capital Limited (who then acquired a 19.6% stake in Sylvania in December 2010). This transaction effectively increased Sylvania's holdings in the dump operations from 74% to 100%.

In summary, the capacity and the resource base of the Company have grown dramatically from what was originally sold to shareholders as a collection of fairly small PGM projects.

What sets Sylvania apart from its competitors must surely be the innovative way in which it continues to extract value from the resources it has available, generating cash streams that ensure the Company's buoyancy.

2012 financial performance

Group EBITDA was down 70% from $12,340,998 in 2011 to $3,723,744 in 2012. The fall was influenced both by lower than planned production and a lower net basket price for PGMs, which fell from $1,166/oz to $876/oz. Sylvania was able to achieve gross cash margins of 36% and, as a result of these fairly healthy margins, SDO internally funded $15 million of capital expenditure. At the end of the 2012 financial year, Sylvania had $15,696,899 in cash on hand.

2012 operational performance

Sylvania SDO produced a total of 44,509 ounces (3E+Au) at a cash cost of $568 per ounce during the financial year 2012. CTRP produced 1,226 ounces at an average cash cost of $1,083 per ounce.

The year was one of the most challenging in the Company's history and could absolutely be characterised as a year of two halves. Over the first six months the operations were on track for an outstanding year in terms of production but unfortunately, a combination of external factors that lay outside of managements control impacted negatively on the Company during the second half of the year. These factors included:

- a significant fall in the platinum basket price;
- unseasonal heavy rainfall;
- production stoppages as a result of an industry wide programme of safety stoppages imposed by the Department of Mineral Resources (DMR); and
- serious strikes at the adjoining mines.

Whilst the fourth quarter saw a recovery in production, the Company did not achieve its target of 60,000 ounces. This was disappointing, particularly following the stellar performances of some of the Company's plants in the first half of the year. However it is noteworthy that Sylvania was still able to record year-on-year growth of approximately 8% and more importantly, that it remained profitable at an operational level.

Employee health and safety

Safety is, of course, less of a risk at our plants than it is for our neighbouring underground platinum or chrome mines; however we remain vigilant in our efforts to keep lost-time injuries (LTIs) at zero.

These efforts remained focused upon educating our employees about safety and risk awareness, constantly improving our own safety procedures and ensuring that we work to the highest possible standards.

9 May 2012 marked a full year free of LTIs across the group. Shortly before the end of June 2012 however, we recorded one LTI which ended a 13 month long period injury free for all operations.

Environmental compliance

As a contracted service provider to our host mines, we are required to comply with their environmental management plans, licence conditions and commitments, and we ensure that our practices are aligned with all required legislation. This is achieved through annual performance assessments which are done in terms of the latest Environmental Management Programme Report (EMPR) for each plant and the requirements of the Mineral and Petroleum Resources Development Act (MPRDA). The impact of any changes or improvements to the plants is all considered in terms of the National Environmental Management Act of 2008.

The water usage on the Sylvania plants are included into the overall Water Use Licence Application of the host mine.

Sylvania Dump Operations

The SDO now comprise seven operating chrome and platinum tailings retreatment plants. During the year, the ROM plant was commissioned at Mooinooi which now joins the Mooinooi Tailings, Millsell, Lannex, Doornbosch and Steelpoort operations. The construction of the seventh plant at Tweefontein started during the calendar year and first ounces were produced in September 2012. All plants saw a similar pattern in production during the year with major disruptions impacting during the second half of the year.

Millsell

The Millsell operation produced 6,924 PGM ounces during the year, at an average cost of $544 per ounce.

The processing of the first pass treatment of the primary dump was completed, with production remaining fairly steady until the impact of the industrial action in February 2012. The plant is currently treating material from the Waterkloof tailings dump which is situated nearby. Production is expected to drop off marginally in mid-2013 due to the lower recoveries anticipated with the second pass treatment programme. This is expected to take more than three years to complete. Current arisings from the Millsell mine will still continue to be fed through the plant for the foreseeable future.

Mooinooi

The most significant development at Mooinooi was the commissioning of the new ROM plant at a cost of $5,450,311, and the construction of the TSF, which was completed at a cost of $1,257,563 at the end of FY2012 Q2 and FY2013 Q1 respectively. Construction on the ROM plant was completed concurrent to normal operations at the first tailings plant site. Production ramp up was impeded initially by the host mine strike action and safety stoppages. PGM production at the original Mooinooi plant has been subsequently improving, and getting back to the peak performances achieved before the construction of the new ROM and float plant started.

Regrettably the old plant was negatively affected during the construction of the new plant. Both plants were under achieving on production targets and costs and it was a struggle to get the two plants to operate as a unit.

As a result, it was decided to split the combined operation into two standalone units from 1 July 2012, each with its own dedicated operational team. Several management changes were implemented. These changes were promptly rewarded and production has rapidly begun to improve. Costs have also since come down to more acceptable levels, but there remains a lot of work to be done on these two plants in order for them to reach design capacity.

Mooinooi delivered 5,403 PGM ounces in 2012 at a cost of $1,506 per ounce. Costs remained high at this operation as a result of general teething problems during commisioning of the second plant, host mine strike action and reduced metal prices. This was the only loss making unit but we are pleased to report that post year-end production has improved and the plant is expected to reach full capacity soon.

Steelpoort

Steelpoort was a steady performer for most of 2012 producing 12,357 PGM ounces during the year at a cash cost of $348 per ounce.

Dump feed was supplemented with tailings from the Montrose dump throughout the year and current arisings from the Steelpoort mine were also processed through the plant. The treatment of final primary pass material in the Steelpoort Dam 1 commenced in the fourth quarter of FY2012, with the second pass on the large 1Mt-plus primary dump planned for the first quarter of FY2013. This operation is expected to run for a further three years after the first pass is completed.

Lannex

The continuous improvement programme in place at Lannex extended into FY2012. However the plant suffered from a series of mechanical breakdowns during the second quarter, which led to a 17% quarter-on-quarter decrease in production. A revised mill drive system has since been designed and will be fully installed on both mills by October 2012.

Lannex produced 8,449 PGM ounces in 2012 at a cost of $544 per ounce.

CEO and Deputy CEO's review continued

Doornbosch

Considering that the third quarter combination of the strike and bad weather hit Doornbosch particularly hard, the plant still performed well in 2012, delivering 10,171 PGM ounces in total at a cost of $368 per ounce. An increase in current arisings received from the host mine assisted in boosting production, supported by treatment of the nearby Montrose/Onverwagt tailings dams. We also had minimal equipment breakdowns and Doornbosch remained our best plant recovery wise.

Tweefontein

Construction at Tweefontein started in January 2012 and developments have remained on track with the first ounces being produced in September 2012 as planned. The plant has been constructed around the existing chrome washing and spiral plant, with the float plant similar in size to that at Doornbosch. The plant has a capital construction budget of $11,900,000 for Phase 1 and it is expected that this budget will be achieved. This new plant is expected to ramp up quickly to achieve a targeted 800 ounces per month before progressing to 1,300 ounces per month if Phase 2 is approved. The detailed designs are underway for a ROM section at Tweefontein which, if feasible, would extend the life of this operation for many years to come. The entire construction cost of the Tweefontein plant has been paid for with internal cash resources.

Chrome Tailings Retreatment Project (25% Sylvania)

The Chrome Tailings Retreatment Project (CTRP) joint venture (JV), which is operated by Aquarius Platinum (South Africa) (Pty) Ltd (AQPSA) and in which Sylvania has a 25% interest, demonstrated disappointing production results in the year, delivering a total of 1,226 ounces in 2012 (2011: 1,219 ounces). The plant has been placed on care and maintenance whilst studies are finalised about the approach to be taken to realise value from the ten years of resource associated with the plant. These options will be debated by the Board during the 2013 financial year.

Far Northern Limb Operations

While growth in our tailings retreatment business is tethered to our host mines on the Western and Eastern limbs of the Bushveld Complex, our strategic move into shallow and opencast PGM mining is concentrated on the Northern Limb, with our Volspruit Project on the southern tip of the region, and four exploration 'hotspots' at the northern end of the region. During the year some very exciting interceptions were made, but due to the current market, our short-term strategy has re-focused on building up the dump operations, minimising expenditure on the Northern Limb for the timebeing. We will consider further investment once the New Order Mining Rights (NOMRs) are granted and the current platinum surplus has diminished.

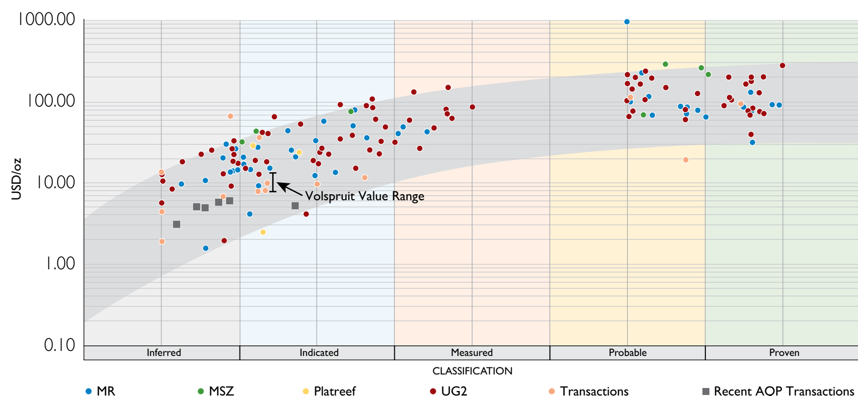
Volspruit

Development of the Volspruit project is envisaged in two distinct parts: an opencast mine and a concentrator, and a smelter and refinery complex on the mine site. The Volspruit Mining Company (Pty) Ltd, a wholly owned Sylvania subsidiary, has secured a broad-based and excellent group of entrepreneurs, local communities, and a workers' trust as black economic empowerment (BEE) partners.

Studies for the Volspruit EIA progressed well during the year with the majority of the necessary specialist reports at or near completion, and a NOMR application has been submitted to the DMR. The pre-feasibility study for the smelter and refinery commenced in January 2012, and was completed during the fourth quarter of FY2012.

A 39-hole drilling programme was also conducted during the year which focused on firming up the resource model of the southern part of the orebody, and a South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC)-compliant Resource statement update was issued. The resource base at Volspruit now comprises 3.1 million PGM ounces, 74 million pounds of copper and 272 million pounds of nickel.

Sylvania platinum valuation curve (US$/oz)



The project is now awaiting the determination on the Mining Right application and requires no further work other than that which is required by the application. Once approved, the development strategy will be assessed by the Board, but like other longer-term development projects, any more work at Volspruit will be on hold until more appropriate market conditions return.

Harriet's Wish

In June 2012, we were particularly excited to announce that our exploration efforts at Harriet's Wish had intercepted world-class PGM mineralisation, with the best grades recovered at a depth of just 350m. Grades were as high as 8.22g/t over the drill width of 3.31m on the property, which is located at the far north of our prospecting area. It is known, however, that the northern parts of Harriet's Wish are covered by young Waterberg sediments and indications suggest that exploitation of these intercepts may require an underground mining project, which would fall outside of the scope of the Sylvania strategy.

Drilling had previously been focused on an area further south, on the farms Nonnenwerth and Kransplaats over a strike length of approximately 20km of near-surface mineralisation. This region has already yielded a resource of 4.99 million ounces (2E) as announced previously. Following the high-grade interceptions further north, it was decided to move the rigs back down to the southern portion in order to see if we can uncover similar mineralisation much closer to surface.

We are looking at potential sale or joint venture agreement for Harriet's Wish as the best vehicle to deliver this value back to shareholders.

Everest North

Shareholders will be aware that we have had to review the prospects for the Everest North joint venture with AQPSA following AQPSA's announcement in June 2012, that the Everest South mine and metallurgical plant, would be placed on care and maintenance due to poor ground conditions on the mine, on-going disruptive industrial relations and the prevailing low PGM price environment.

Prior to this announcement, we had reviewed a study conducted by DRA on the economic viability of Everest North together with AQPSA, which successfully demonstrated the economic viability of the Everest North project. A Mining Right application was then submitted to the DMR and the project was registered with the Mpumalanga Department of Economic Development, Environment and Tourism.

Clearly, the viability of the project depends on the operation of the processing plant at Everest South, but we remain optimistic about the potential of the JV and have committed to continuing with the EIA over the next nine to 12 months, as we await approval of the NOMRA. We are firmly confident that we can still determine a profitable project solution

CEO and Deputy CEO's review continued

with APQSA but, as we announced in September 2012 and mentioned above, we believe that the most prudent course of action during current market circumstances is to scale back these larger development plans for the moment and conserve shareholder value.

Corporate activity

It was an active year for us and our shareholders in terms of corporate activity. Our removal from the official list of companies trading on the Australian Securities Exchange (ASX) was completed on 27 April 2012, with a three month trading platform maintained until 27 July 2012.

As Richard Rossiter explains in his Chairman's report, the delisting was motivated primarily by an opportunity, as identified by the Board after due consideration, to streamline the Company's compliance and listing costs. We had recently seen low volumes of our shares traded on the ASX in comparison with the depository interests (DI) traded on the Alternative Investment Market (AIM) of the London Stock Exchange, and a consistently small fraction of the overall share value held in Australia.

Magnetite iron ore assets

We were pleased to successfully negotiate an agreement with the AIM-listed Mercury Recycling Group Plc. for the magnetite iron ore assets for approximately £13.7 million ($22 million) through the issue of 203,022,285 fully paid up ordinary Mercury shares.

These Mercury shares were distributed to the Sylvania shareholders in the form of a dividend in specie of 0.675 of an ordinary share in Mercury for each Sylvania share held in August 2012.

The assets are located on the Northern Limb of the Bushveld Complex, just north of the town of Mokopane in Limpopo, South Africa. The rights were acquired through Pan Palladium South Africa (Pty) Ltd, a subsidiary of SA Metals Pty Ltd. Sylvania completed positive exploration work on the properties acquired during the year, with a total of 21 holes (1,526m) drilled between September 2011 and February 2012. An independent scoping study and a Joint Ore Reserves Committee (JORC)-compliant mineral resource statement were also completed.

These assets were never part of Sylvania's core business and by separating them from our Northern Limb platinum assets, we are in a better position to achieve consistent growth while remaining profitable and focused on PGMs. We do however believe that these are valuable assets and we wish Ironveld Plc well as it develops them further.

Changes to our Board and management team

In January 2012, Jaco Prinsloo joined our team as Executive Officer: Operations from his most recent position as a principal metallurgist at Anglo American. Jaco holds a degree in metallurgy and an MBA and brings with him a proven record of success. He is assured of our support as he embarks on what we hope will be a fulfilling and rewarding experience for him in unfolding our growth strategy.

We also welcomed Roger Williams who was appointed to the Board as a Non-executive Director on 29 December 2011. Roger is a chartered accountant with over 20 years' international experience in mining finance. Roger joins the Board as an Independent Director and has taken up the role of chairman of both the Audit and Remuneration Committees.

Outlook

Without doubt, the platinum industry is going to remain a challenging business environment as we move into the coming year. The unprecedented tragedy that unfolded post year-end at Lonmin's Marikana operations is likely to impact the sector significantly in the short term while the long-term changes that it may engender remain unknown for the moment. Whilst we are shielded to some extent from such high levels of labour relations volatility, our ability to maintain consistent production remains indirectly exposed to these risks on our host chrome mines. As we saw in the third quarter, we cannot be complacent about the potential associated risks. We treat the spectre of escalating costs in PGMs mining with similar caution. While our business model excludes us somewhat from this risk, we are part of the platinum industry and vigilant cost controls are as important for us as any of our peers.

However, while these risks are ever-present, our resilience during this year inspires real confidence that steady production into the next year is achievable. Our immediate focus will be on full ramp up during the first two quarters.

Thanks

All that remains is for us to extend our heartfelt thanks to our employees, management teams, business partners and colleagues for the team effort and dedication shown during this challenging year.

Terry McConnachie
Chief Executive Officer

Nigel Trevarthen
Deputy Chief Executive Officer

12 October 2012

Directors' report

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 2012. 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.

TM McConnachie	*(Chief Executive Officer)*
RD Rossiter	*(Non-executive Chairman)*
LM Carroll	*(Finance Director)*
GM Button	*(Executive Director)*
RA Williams	*(Independent Non-executive Director, appointed 29 December 2011)*

The directors of Sylvania were in office from 1 July 2011 unless otherwise stated.

Information on directors

TM McConnachie

Mr McConnachie has over 26 years' of experience in mining, benefication 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. He is well known for identifying 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

RD Rossiter

Mr Rossiter began his career as a geologist in the South African gold industry. He subsequently qualified in mine management and held various production management and business development roles. He then joined the financial sector as a mining analyst and later was responsible for corporate advisory, mergers, acquisitions, divestments and private equity investments. Mr Rossiter is the Non-executive Chairman of Sylvania and Managing Director of Realm Resources Limited (ASX listed) and runs his own consultancy firm operating within the mining sector. He holds a Bachelor of Science (Hons) in Geology from the University of Natal and a MSc in Mineral Exploration from Rhodes University in South Africa.

Special responsibilities
Non-executive Chairman of the Board

LM Carroll

Mr Carroll was appointed to the Sylvania Board in August 2007 and acts as Finance Director having worked for the Company previously in its South African operations, principally in developing and structuring financial reporting and systems. He has over 40 years' experience in the resources industry and has served as executive and non-executive director on a number of private and publicly listed companies. He also served as chief operating officer of a listed oil and gas company.

Special responsibilities
Finance Director
Joint Assistant Company Secretary
Member of the Audit and Remuneration Committee

GM Button

Mr Button was a director and company secretary of Sylvania Resources Limited for four years until June 2007. He re-joined the Sylvania Group as Company Secretary in January 2009 and was appointed to the Board in May 2009. Mr Button is a qualified accountant with 20 years' experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, chief financial officer and company secretary for a range of publicly listed companies.

Special responsibilities
Joint Assistant Company Secretary
Member of the Audit and Remuneration Committee

RA Williams

Mr Williams was appointed to the Board on 29 December 2011. He is a Chartered Accountant with over 20 years' international experience in mining finance. After graduating from the University of Southampton with an honours degree in French and Spanish, he qualified as a Chartered Accountant with Touche Ross and joined the finance department of Carlton Paper. In 1997 he joined Randgold Resources, working on its London Stock Exchange listing and later its secondary listing on NASDAQ, and was appointed Group Finance Director in 2002. Mr Williams went on to become Chief Financial Officer of JSE-listed AECI Limited and then moved to BSG Resources Limited, a private company, both involved in the mining industry. He is currently a director of African Mining & Exploration plc (AIM: AME), a gold exploration company operating in West Africa and Shaft Sinkers Holdings plc (LSE: SHFT), which specialises in the sinking of particularly deep and wide vertical and decline shafts and the development of underground infrastructure.

Special responsibilities
Chairman of the Audit, Remuneration and Nomination Committees

Company secretary

The Company secretary role is held by Codan Services Limited and they are jointly assisted by LM Carroll and GM Button, both directors of Sylvania Platinum Limited. Please refer to the above Information on directors section for further details.

Principal activities

The principal activity of the Group during the financial year was investment in mineral exploration and mineral treatment projects. As new mineral treatment plants became operational, focus is being concentrated on operations. Operational focus during the financial year was concentrated on the six retreatment plants as well as the further exploration and feasibility studies on the Volspruit and Northern Limb projects.

Business review

Principal risks and uncertainties

The Company is subject to a variety of risks, specifically those relating to the mining and exploration industry. The Executive Directors assisted by the senior management undertake on-going risk assessments to identify and consider major internal and external risks to the business model of the Company. Risks that are 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.

Funding and cash flow

Sylvania has financed all capital expansion and corporate activities from shareholder funding and internally generated cash reserves. However, in the event production targets are not met, this can have an adverse impact on the internally generated funds required to complete the expansion plans, which may then have to be delayed. PGM ounce production over the last six months of the financial year ended 30 June 2012 declined due to numerous adverse conditions that were not within management control. This has resulted in the scaling back of planned capital expansion of the Northern Limb, Volspruit and Everest North projects as disclosed in the announcement made by the Company on 17 September 2012.

Exploration risk

Sylvania undertakes significant exploration activity. Mineral exploration is a high-risk undertaking and there can be no guarantee that exploration will result in the discovery of an economically viable ore body. The risk is mitigated to a certain extent by careful selection of tenements by experienced experts in regions of proven prospective geology. A methodical, staged approach is taken to the work and different technologies, as well as extensive fieldwork are used to identify targets for drilling.

Directors' report continued

Commodity and foreign exchange risk

The Group's revenue, costs and feasibility of its future projects are affected by the exchange rate movements between the South African Rand and US dollar. Although the Group reports in US dollars, its main operations are in South Africa.

The directors and management monitor price trends and foreign currency fluctuations on a regular basis.

Human resources

Sylvania relies on a small team of experienced professionals for its success and is vulnerable to the adverse effects of losing key personnel. In order to reduce this risk, key staff have been given enhanced notice periods and a revised share option scheme was implemented during the current financial year. Succession planning also features on the agenda at Board meetings.

Group financial results

Operating results for the year

The consolidated loss of the Group for the year before income tax expense was $2,502,975 (2011: profit $5,826,424).

Sylvania produced 45,735 PGM ounces (including CTRP) for the year, an 8% increase on the prior year. Although the revised 50,000 ounce target as announced in March 2012 was not met, the Directors feel that the 8% production improvement is positive given the adverse conditions and events in the second half of the financial year ended 30 June 2012. Revenue decreased 14% from $46,872,232 to $40,078,158 as a result of the decline in commodity prices and increased smelter penalties.

Sylvania has continued to embark on corporate stream lining and this resulted in a number of one-off costs impacting the profit and loss and resulting in the net loss after tax of $3,971,803 (2011: profit $1,608,126). These costs include:

- cost of the delisting from the Australian Securities Exchange amounted to $535,397;
- termination of further consulting contracts $480,814; and
- set up of iron ore structure for a cost of $575,928.

A number of capital projects were also undertaken during the financial year including the construction of the new Mooinooi ROM plant, commencement of construction of the Tweefontein plant, exploration drilling at Harriet's Wish, submission of the Volspruit Mining Right application, and further feasibility studies on the Everest North JV project with AQPSA to enable AQPSA to submit the Mining Right application. Total capital spend for the year amounted to $19,973,410 on the aforementioned projects.

The cash balance at 30 June 2012 was $15,696,899 (2011: $23,497,092). Despite the challenges the company has faced during the current financial year, the Directors are pleased that the Group has generated a net cash inflow from operations of $14,288,485.

Review of operations

A detailed review of operations has been included in the CEO and Deputy CEO's report.

Significant corporate changes

Removal from the ASX and share buy-back

On 30 December 2011 Sylvania announced that it had applied to the Australian Securities Exchange (ASX) for the Company to be removed from the official list of ASX. The application was approved with conditions under Listing Rule 17.11.

The delisting of Sylvania was conditional on:

- provision of a facility for shareholders who currently hold their shares on the Australian share register (Australian Shareholders) to sell their shares on AIM through an ASX participating organisation for a period of not less than three months after the removal of Sylvania from the ASX official list (Voluntary Sale Facility); and
- provision of a letter to the Australian Shareholders informing them of Sylvania's intention to seek removal from the ASX official list and of the Voluntary Sale Facility not less than three months prior to the removal of Sylvania from the ASX official list (Australian Shareholder Letter).

In conjunction with the delisting, Sylvania implemented a simultaneous share buy-back of:

- common shares (Shares) and depository interests (DIs) from holders of parcels of Shares or DIs which are valued at less than $500 (Unmarketable Parcel), (Minimum Holding Buy-Back); and
- Shares and DIs from holders of parcels of Shares or DIs valued at $500 or more but which comprise less than 5,000 Shares or DIs (Selective Buy-Back),

A total of approximately A$148,507.25 was paid based on the buy-back of 486,909 shares at A$0.305.

All conditions of the delisting as set by ASX were complied with and Sylvania was officially removed from the ASX official list on 27 April 2012, with a three month trading platform until 27 July 2012.

Grant of options

At the Company's Annual General Meeting (AGM) held on 29 December 2011, the shareholders approved the issue of 13,000,000 options to directors, employees and one long-term consultant under the Sylvania Option Plan.

Vygenhoek (Everest North)

On 3 June 2011, Sylvania announced that it had entered into an agreement with AQPSA to access the Everest North UG2 Platinum deposit through a 50/50 JV.

On 25 April 2012 AQPSA submitted the NOMR application to the DMR. A MPRDA compliant scoping report has been prepared and was submitted to the DMR in July 2012.

The final pre-feasibility study report was received from DRA Mining indicating that the Everest North project is economically viable. AQPSA has subsequently announced that the Everest South mine and metallurgical plant would be placed on care and maintenance due to poor ground conditions at the Everest mine, on-going disruptive industrial relations and the present low PGM price environment. Sylvania remains optimistic about the extraction of relatively inexpensive UG2 ore from the Everest North deposit and will continue completing the necessary approvals during these times of depressed prices so as to be ready for immediate production as soon as market conditions improve.

A number of specialist studies still need to be completed over the next nine to 12 months and the work required to obtain the mining right for the Everest North project will still take several months to complete, therefore the current project work schedule as required for the approval of the mining right, namely the EIA and social and labour plan, will continue. Access to the site has been officially granted by the Department of Land Affairs.

Dividends

A dividend in specie was declared on 16 August 2012 to all Sylvania shareholders following the conclusion of the sale of the iron ore assets to Ironveld plc (formely Mercury Recycling Group Plc). The distribution was made on the basis that, for every Sylvania share held, a Sylvania shareholder received 0.675 of an ordinary share in Ironveld Plc. Shareholders on the Sylvania share register who hold less than 2,000 Ordinary Shares and any Sylvania holders who had registered addresses in the United States, Canada and Japan did not receive Consideration Shares, but instead received a cash dividend based on the equivalent value of the Dividend in Specie.

Likely developments and expected results

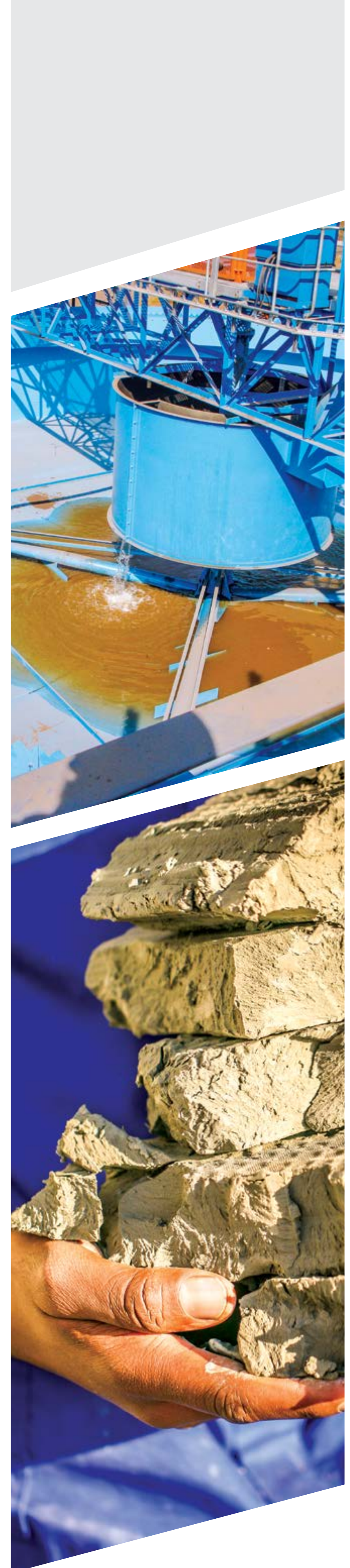
Additional comments on expected results of certain operations of the Group are included in the review of operations and activities in the CEO and the deputy CEO review.

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 there were four formal directors' meetings. 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.



Directors' report continued

The number of formal meetings of the Company's Board of Directors attended by each director were:

	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	4	4	–	–	–	–
RD Rossiter	4	4	1	1	–	–
LM Carroll	4	4	2	2	2	2
GM Button	4	4	2	2	2	2
RA Williams	2	2	1	1	2	2

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 date of this report:

Shares and options

2012	Common Shares	Share options
TM McConnachie	500,000	2,000,000
RD Rossiter	1,032,000	1,000,000
LM Carroll	–	1,500,000
GM Button	300,000	1,000,000
RA Williams	–	500,000

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 CEO or as determined by the Board. Details of directors and key personnel remuneration is as follows:

Directors' and executives' remuneration

2012	Short Term Benefits			Post employment benefits	Share-based payment	Total
	Cash salary Consulting fees $	Bonus* $	Directors' fees $	Super-annuation $	Equity shares share options $	$
Directors						
TM McConnachie	438,370	98,743	61,938	–	110,430	709,481
RD Rossiter	295,000	–	61,938	–	55,215	412,153
LM Carroll	269,807	58,149	61,938	–	82,823	472,717
GM Button	276,562	60,613	61,938	–	55,215	454,328
RA Williams	–	–	61,938	–	27,608	89,546
	1,279,739	**217,505**	**309,690**	**–**	**331,291**	**2,138,225**
Other key management	1,685,924	345,825	61,938	38,682	361,661	2,494,030
	2,965,663	**563,330**	**371,628**	**38,682**	**692,952**	**4,632,255**

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

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

The Board of 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 annual financial statements have been prepared on the going concern basis.

Events after the reporting period

Iron ore assets

On 8 July 2011, Sylvania announced its decision to dispose of a significant portion of its magnetite iron ore assets, subject to shareholder and regulatory approvals. SAM and GAU, both wholly owned subsidiaries of Sylvania, hold the prospecting rights to the magnetite iron ore which are located on the Northern Limb of the Bushveld Igneous Complex.

A review of the Northern Limb revealed that magnetite layers are present across the entire Northern Limb properties held by Sylvania. In those areas where Sylvania did not hold prospecting rights for the iron ore, application was made to the DMR and these rights were granted on 20 June 2012.

On 7 March 2012, Sylvania announced that it had entered into a conditional legally binding agreement (the agreement) with Mercury, whereby Mercury would acquire the rights to the iron ore assets in exchange for 203,022,285 fully paid Mercury shares (Consideration Shares). The Consideration Shares were issued at a deemed issue price of 6.75 pence, being the closing price of Mercury shares on AIM on 6 March 2012.

The acquisition of the iron ore assets by Mercury is covered under Rule 14 of the AIM Rules for Companies and was therefore conditional upon the approval of Mercury's shareholders at a General Meeting (the General Meeting).

The SPA was conditional upon the fulfilment of certain conditions including, inter alia:

- completion of certain outstanding due diligence by Mercury in relation to the iron ore assets and no material adverse matters arising prior to the distribution of the AIM Admission Document;
- completion of certain outstanding due diligence by Sylvania in relation to Mercury and no material adverse matters arising prior to the distribution of the AIM Admission Document;
- the completion of the restructuring of the corporate group currently holding the iron ore assets; and
- approval by Mercury shareholders and re-admission of the enlarged Mercury Group to trading on AIM.

As announced on 16 August 2012 the disposal of the iron ore assets was completed and admission of the enlarged Mercury group (now renamed Ironveld plc) took place.

Directors' report continued

Distribution of the Consideration Shares to the Sylvania shareholders was also made on 16 August 2012 on the basis that for every Sylvania Ordinary Share held by Sylvania shareholders, 0.675 of an Ordinary Share in Mercury was received.

Shareholders on the Sylvania share register who hold less than 2,000 Ordinary Shares and any Sylvania shareholders who had registered addresses in the United States, Canada and Japan (collectively Ineligible Holders) did not receive Consideration Shares, but instead received a cash dividend based on the equivalent value of the Dividend in Specie.

Sylvania sold the Consideration Shares due referred to above, being approximately 64,872 Consideration Shares in aggregate based on the Company's share register on the trading day 15 August 2012, to satisfy the cash dividend payable to those shareholders. The proceeds of such sale, net of expenses, were paid to Ineligible Holders in Sterling, other than in the case of Australian resident holders who were paid in Australian Dollars.

Fractional entitlements of Consideration Shares which otherwise would have arisen will be sold for the benefit of Sylvania.

Sylvania has also entered into a facility agreement with Ironveld plc whereby Sylvania (through its South African subsidiary, Sylvania Metals Pty Ltd) will provide a loan facility of up to ZAR15 million (approximately $1.8 million) to Ironveld Holdings (Pty) Ltd (Ironveld), the company which holds the iron ore assets (Facility). Ironveld plc has guaranteed all obligations of Ironveld under the Facility. The funds to be made available under the Facility will be used to further fund the development of the iron ore assets.

The Facility will mature on 30 June 2016, at which time the amount utilised under the Facility (and all accrued interest) will need to be repaid. As security for the amount due under the Facility, Ironveld plc has agreed on Admission to AIM it issued to Sylvania warrants to subscribe for up to £1.5 million ($2.3 million) of ordinary shares in Ironveld plc at a price equal to the 90 day VWAP on the business day preceding exercise, (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 which is five years from Admission (although the Warrants will lapse once repayment has been made). Any proceeds derived from exercise of the Warrants will be used by Ironveld plc to repay the Facility.

For so long as any amount remains owing under the Facility, Sylvania has the right to appoint a director to the board of Ironveld plc. Pursuant to this right, Sylvania has appointed Terry McConnachie (CEO of Sylvania) as a non-executive director of Ironveld plc. Peter Cox (currently CEO of Iron Ore Assets) has been appointed a director, and will serve as CEO of Ironveld plc. These appointments became effective on 15 August 2012.

Summons received from Platmin South Africa (Pty) Ltd

On 13 September 2012, Sylvania announced that a summons was received by the Company regarding a claim being brought by Platmin South Africa (Pty) Ltd (Platmin) (previously known as Boynton Investments (Pty) Ltd (Boynton)), a subsidiary of Platmin Limited, declaring that Platmin as the co-owner of the tailings, or, alternatively, the co-owner of the PGMs' contained in the Lannex Tailings Dam situated on the Farm Grootboom in the District of Lydenburg, Mpumulanga, South Africa.

This claim is the same in nature as a motion put before the North Gauteng High Court, Pretoria by Boynton against Sylvania in 2009. On 14 April 2009, Boynton withdrew that application and was ordered by the North Gauteng High Court, Pretoria to pay Sylvania's legal costs including the costs of two legal counsels appointed by Sylvania to oppose the matter.

The Board of Sylvania continues to refute these claims and intends to defend them vigorously.

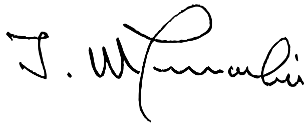
Statement as to disclosure of information to auditors

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.

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next AGM.

Signed in accordance with a resolution of the directors.



TM McConnachie
Chief Executive Officer

12 October 2012

Corporate governance statement

Introduction

The Company, being listed on AIM, is not required to comply with the UK Corporate Governance Code (the Code) issued in May 2010. However, the Company has given consideration to the provisions set out in Section 1 of the Code annexed to the Financial Services Authority Listing Rules. 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. Details of these are set out below.

The Board of Directors

The Board is accountable to its shareholders for good governance and for leading, developing and protecting the interests of the Company. The Board currently comprises five members: the Chairman, one independent non-executive director and three executive directors, the details of whom are outlined in the directors' report.

There is a clear division of responsibilities at the head of the Company through the separation of the positions of Chairman and the CEO. The Company holds regular Board meetings, at least four per year, at which financial and operational reports are considered and, where necessary, voted upon. All requests for capital expenditure by the Company are included in Board papers and each decision on capital expenditures is contemplated and voted upon by the full Board of Directors. The Board is responsible for monitoring and reviewing the activities of executive management. The Board is also responsible for developing corporate and operational strategy as well as reviewing planning, operational and financial performance.

Board evolution

It is the Board's intention to seek to reconstitute the Board of Directors by increasing the number of independent non-executive directors and reducing the number of executive directors currently on the Board. This process commenced during the past financial year with the appointment of the Company's first Independent Non-executive Director, Roger Williams. In addition, the Board has embarked on a search for an independent chairman with appropriate experience to replace the current non-independent chairman.

Risk assessment

The Board undertakes ongoing risk assessments to identify and consider major internal and external risks to the business model of the Company.

Shareholder relations

Management meets regularly with major shareholders and seeks where possible to respond to their concerns.

The Directors have established Audit, Remuneration and Nominations Committees. Corporate governance and sustainability issues are dealt with by the full Board of Directors.

Audit Committee

The Audit Committee is chaired by the independent Non-executive Director, Roger Williams, who is a Chartered Accountant. The other Board members on the Audit Committee are Louis Carroll and Grant Button, with assistance from Lewanne Carminati as Finance Executive. All members of the Audit Committee are fully qualified accountants.

The Audit Committee meets twice annually. The committee reviews the financial reports and accounts and the half-yearly and annual financial statements in light of the Company's accounting policies to monitor the integrity of the Company's financial statements and announcements. The committee reviews internal control and risk management systems and compliance procedures and makes any necessary recommendations to the Board.

In addition, the committee is charged with reviewing the independence, performance, terms of engagement and level of fees for the auditors, as well as monitoring the level of non-audit fees incurred with the audit firm. The Audit Committee invites representatives of the external auditor to all committee meetings. The Audit Committee is satisfied that the Company's auditors are independent.

Remuneration Committee

The Remuneration Committee is chaired by Roger Williams and also includes Louis Carroll and Grant Button as members. During 2012 the Remuneration Committee met twice and it is intended that the committee will meet twice in 2013.

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 Executive staff's Key Performance Indicators, as well as performance related pay and option scheme allocations.

No director is involved in reviewing his own remuneration. The Directors' remuneration report, which includes details of the Directors' interest in options and shares as well as information on service contracts, is set out in the directors' report.

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

Nominations Committee

The role of the Nominations Committee has previously been undertaken by the full Board of Directors. Subsequent to year end, the Board established a Nominations Committee to be chaired by Roger Williams with Terry McConnachie as the other member. Under its terms of reference, the Nominations Committee is charged with finding suitable candidates for nomination for appointment to the Board of Directors. The Nominations Committee has been charged with finding a suitable candidate for chairman of the Board of Directors as a priority.

Refer to the directors' report for the attendance register table.

Internal controls

The Board is responsible for establishing the Group's system of internal controls and for reviewing the effectiveness of such controls. The controls have been designed to safeguard the assets of the Company and to ensure the reliability of financial information both for internal use and external publication. Controls cover the financial, operational, compliance and management functions and are reviewed on a regular basis. However, this can only provide reasonable and not absolute assurance against material errors, losses or fraud. Due to the relatively small size of the Group's operations, the directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Group.

Consolidated statement of comprehensive income

for the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenue	4(a)	40,078,158	46,872,232
Cost of sales		(33,651,912)	(27,571,641)
Gross profit		6,426,246	19,300,591
Other income	4(b)	71,157	465,604
(Losses)/gains on sale of property, plant and equipment		(8,669)	1,489
Foreign exchange loss		(25,359)	(8,358)
Loss on financial assets at fair value through profit and loss		(24,770)	(39,556)
Impairment of available-for-sale financial assets		(368,797)	–
Share of loss of jointly controlled entities		(475,413)	(76,900)
General and administrative costs		(9,226,614)	(14,825,581)
Operating (loss)/profit before finance costs and tax expense		(3,632,219)	4,817,289
Finance revenue		1,274,892	1,123,612
Finance costs		(145,648)	(114,477)
(Loss)/profit before income tax expense		(2,502,975)	5,826,424
Income tax expense	5	(1,468,828)	(4,218,298)
Net (loss)/profit for the year		(3,971,803)	1,608,126
Other comprehensive income			
Impairment of available-for-sale investments transferred to profit and loss		195,114	–
Losses on available-for-sale investments		–	(48,484)
Foreign currency translation		(17,211,584)	21,209,407
Total comprehensive (loss)/income for the year		(20,988,273)	22,769,049
(Loss)/profit attributable to:			
Owners of the parent		(3,971,803)	1,094,260
Non-controlling interest		–	513,866
		(3,971,803)	1,608,126
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(20,988,273)	22,769,049
Non-controlling interest		–	–
		(20,988,273)	22,769,049
		Cents	**Cents**
(Loss)/profit per share for loss attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share	6	(1.32)	0.39
Diluted (loss)/earnings per share	6	(1.32)	0.39

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

as at 30 June 2012

	Notes	2012 $	2011 $
Assets			
Non-current assets			
Equity accounted investments in joint ventures	7	**2,048,635**	2,814,813
Other financial assets	8	**93,235**	500,548
Exploration and evaluation assets	9	**75,602,341**	76,123,444
Property, plant and equipment	10	**68,492,697**	72,843,970
Total non-current assets		**146,236,908**	152,282,775
Current assets			
Cash and cash equivalents	11	**15,696,899**	23,497,092
Trade and other receivables	12	**12,942,343**	20,141,830
Inventories	13	**596,719**	628,065
Current tax asset		**403,527**	2,591,580
Assets held for sale	14	**1,343,889**	–
Total current assets		**30,983,377**	46,858,567
Total assets		**177,220,285**	199,141,342
Equity and liabilities			
Shareholders' equity			
Issued capital	15	**29,557,290**	29,639,275
Reserves	16	**98,204,246**	114,602,077
Retained profit	17	**16,478,657**	20,450,460
Equity attributable to the owners of the parent		**144,240,193**	164,691,812
Non-controlling interest		**–**	–
Total equity		**144,240,193**	164,691,812
Non-current liabilities			
Interest bearing loans and borrowings	18	**256,063**	298,156
Provisions	19	**1,257,235**	974,832
Deferred tax liability	5	**23,623,156**	27,448,194
Total non-current liabilities		**25,136,454**	28,721,182
Current liabilities			
Trade and other payables	20	**7,623,192**	5,550,646
Interest bearing loans and borrowings	18	**174,654**	166,522
Current tax liability		**9,317**	11,180
Liabilities directly associated with the assets classified as held for sale	14	**36,475**	–
Total current liabilities		**7,843,638**	5,728,348
Total liabilities		**32,980,092**	34,449,530
Total liabilities and shareholders' equity		**177,220,285**	199,141,342

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Issued capital	Share premium reserve	Retained profits/ (accumulated losses)	Net unrealised gains reserve	Share-based payment reserve	Foreign currency translation reserve	Non-controlling interest reserve	Equity reserve	Owners of the parent	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$	$	$	$
Balance as at 1 July 2010	147,266,101	–	(20,061,009)	(146,630)	7,501,962	1,880,566	2,140,442	–	138,581,432	–	138,581,432
Profit for the year	–	–	1,094,260	–	–	–	–	–	1,094,260	513,866	1,608,126
Other comprehensive income	–	–	–	(48,484)	–	21,723,273	–	–	21,674,789	(513,866)	21,160,923
Total comprehensive income for the year	–	–	1,094,260	(48,484)	–	21,723,273	–	–	22,769,049	–	22,769,049
Share transactions											
– Shares issued	42,085,151	–	–	–	–	–	–	–	42,085,151	–	42,085,151
– Share buy-back	(71,000)	(354,461)	–	–	–	–	–	–	(425,461)	–	(425,461)
– Capital raising costs	(305,151)	–	–	–	–	–	–	–	(305,151)	–	(305,151)
– Share-based payments	–	–	–	–	1,395,488	–	–	–	1,395,488	–	1,395,488
Minex share issue	2,511,039	–	–	–	–	–	–	–	2,511,039	–	2,511,039
Acquisition of non-controlling interest	–	–	–	–	–	–	(41,919,735)	–	(41,919,735)	–	(41,919,735)
Restructure of the Group with the establishment of new parent entity	(161,846,865)	160,398,686	39,417,209	–	(8,227,817)	–	–	(29,741,213)	–	–	–
Balance at 30 June 2011	29,639,275	160,044,225	20,450,460	(195,114)	669,633	23,603,839	(39,779,293)	(29,741,213)	164,691,812	–	164,691,812
Balance as at 1 July 2011	29,639,275	160,044,225	20,450,460	(195,114)	669,633	23,603,839	(39,779,293)	(29,741,213)	164,691,812	–	164,691,812
Loss for the year	–	–	(3,971,803)	–	–	–	–	–	(3,971,803)	–	(3,971,803)
Other comprehensive income	–	–	–	195,114	–	(17,211,584)	–	–	(17,016,470)	–	(17,016,470)
Total comprehensive income for the year	–	–	(3,971,803)	195,114	–	(17,211,584)	–	–	(20,988,273)	–	(20,988,273)
Share transactions											–
– Shares issued	–	–	–	–	–	–	–	–	–	–	–
– Share buy-back	(48,690)	(105,842)	–	–	–	–	–	–	(154,532)	–	(154,532)
– Capital raising costs	(33,295)	–	–	–	–	–	–	–	(33,295)	–	(33,295)
– Share-based payments	–	–	–	–	724,481	–	–	–	724,481	–	724,481
Balance at 30 June 2012	29,557,290	159,938,383	16,478,657	–	1,394,114	6,392,255	(39,779,293)	(29,741,213)	144,240,193	–	144,240,193

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		44,399,216	39,711,612
Payments to suppliers and employees		(32,554,455)	(32,799,122)
Finance income		1,282,317	1,169,044
Realised foreign exchange loss		(25,359)	–
Exploration expenditure		(23,411)	(41,064)
Finance costs		(145,649)	(114,477)
Taxation received/(paid)		1,355,826	(217,817)
Net cash inflow from operating activities	21	14,288,485	7,708,176
Investing activities			
Purchase of plant and equipment		(15,102,282)	(6,641,194)
Payments for exploration and evaluation		(4,871,128)	(986,365)
Proceeds from equity accounted investments		–	724,942
Payments for equity accounted investments		(161,000)	–
Proceeds from sale of plant and equipment		–	4,275
Net cash outflow from investing activities		(20,134,410)	(6,898,342)
Financing activities			
Repayment of borrowings		(170,434)	(249,848)
Repayment of loans from related parties		–	(153,675)
Proceeds from loans from related parties		6,765	3,105
Payment for share buy back		(154,532)	(425,382)
Capital transaction costs		(33,295)	(305,151)
Net cash outflow from financing activities		(351,496)	(1,130,951)
Net decrease in cash and cash equivalents		(6,197,421)	(321,117)
Effect of exchange fluctuations on cash held		(1,582,991)	3,710,379
Cash and cash equivalents beginning of period		23,497,092	20,107,830
Cash and cash equivalents, end of period	11	15,716,680	23,497,092

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2012

1. Corporate information

The consolidated financial statements of Sylvania Platinum Limited (Sylvania) for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 12 October 2012. Sylvania is a limited company incorporated and domiciled in Bermuda whose shares are publicly traded.

The principal activity of the Group during the financial year was investment in mineral exploration and mineral treatment projects. As new mineral treatment plants become operational, focus is being concentrated on operations. Operational focus during the financial year was concentrated on the six retreatment plants as well as the further exploration and feasibility studies on the Volspruit and Northern Limb projects.

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, except for available-for-sale investments and investments carried at fair value through profit and loss, which have been measured at fair value. The consolidated financial information is presented in US dollars and the parent's functional currency is Australian Dollars. The presentation currency differs from the functional currency of the parent as the sales of platinum metals are denominated in US dollars; and alignment of the functional currency with the sales price is considered to provide more useful information to the users of the financial statements.

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).

New and amended standards and interpretations
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 International Financial Reporting Interpretation Committee (IFRIC) of the IASB that are relevant to its operations and effective for the accounting periods beginning on or before 1 July 2011, including:

IAS 24 Related Party Disclosures (Amendment)
The amendment clarifies the identification of related party relationships, particularly in relation to significant influence and joint control. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other. While the adoption of the amendment did not have any current impact on the financial position or performance, or disclosures of the Group, as all required information is currently being appropriately captured and disclosed, it is relevant to the application of the Group's accounting policy in identifying future potential related party relationships.

Improvements to IFRSs
IFRS 7 Financial Instruments: Disclosures
The amendment clarifies the intended interaction between quantitative and qualitative disclosures of the nature and extent of risks associated with financial instruments and removed some disclosure items that were seen to be superfluous or misleading. The adoption of this amendment has not had a material impact on the results of the Group, but has resulted in more disclosure than would have previously been provided in the financial statements.

IAS 1 Presentation of Financial Statements
The amendment clarifies that an entity has the option to present an analysis of other comprehensive income for each component of equity either in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity (refer note 16).

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2012.

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, 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 (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recognised in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of the components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.2 Significant accounting judgments, estimates and assumptions

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

Estimates and 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.

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

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

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-Merton model, using the assumptions detailed in note 22.

Exploration and evaluation carrying values
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that 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. 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.

2.2 Significant accounting judgments, estimates and assumptions (continued)

Production start date

The Group assesses the stage of each plant under construction to determine when it moves into the production stage being when the plant is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each plant construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the production phases are considered to commence and all related amounts are reclassified from 'construction in progress' to 'plant and equipment'.

Some of the criteria used will include, but are not limited to, the following:

- level of capital expenditure incurred compared to the original construction cost estimates;
- completion of a reasonable period of testing of the plant and equipment;
- ability to produce concentrate in saleable form (within specifications); and
- ability to sustain ongoing production of concentrate.

When a construction project moves into the production stage, the capitalisation of certain construction costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to asset additions or improvements, or reserve development. It is also at this point that depreciation/amortisation commences.

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.

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 entity 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.

Impairment of assets

The Group assesses each asset or cash generating unit (CGU) every 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 to sell 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 amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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.

Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 Financial Instruments: Recognition and Measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Recovery of deferred income tax assets

Judgment 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. Deferred tax assets are only raised in jurisdictions where it is unlikely that tax laws will change.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

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 discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments 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) 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 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 sale 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 of settlement. The period between initial recognition and final pricing is typically between two and 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 the statement of comprehensive income and trade debtors in the statement of financial position. In all cases, fair value is determined with reference to estimated forward prices using consensus forecasts.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, 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 the statement of comprehensive income.

(b) 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.

2.3 Summary of significant accounting policies (continued)

(b) *Borrowing costs (continued)*

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred.

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.

(c) *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.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4 'Determining whether an Arrangement contains a Lease'.

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 fair value of the leased property or, if lower, at 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(b).

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.

(d) *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 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.

(e) *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 or rights over 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 statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition or non-vesting condition. These are treated as vesting 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.

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).

(f) 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 exchange differences are taken to profit and loss.

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.

(g) 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 income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred income tax liability arises from the initial recognition of goodwill or 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, 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 deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income 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.

2.3 Summary of significant accounting policies (continued)

(g) Income tax (continued)

The carrying amount of deferred income 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 income tax asset to be utilised. Unrecognised deferred income 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 income 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances arose. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

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 provisions and included in expenses.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(h) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(i) Interest in jointly controlled entities

The Group has interests in joint ventures, which are jointly controlled entities. A jointly controlled entity is a corporation, partnership or other entity in which each venturer holds an interest and operates in the same way as other entities, except that a contractual arrangement establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. A jointly controlled entity controls the assets of the joint venture, earns its own income and incurs its own liabilities and expenses. Interests in joint ventures are accounted for using the equity method.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

(i) Interest in jointly controlled entities (continued)

The statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in other comprehensive income or equity of the joint venture, 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 and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The results of joint ventures are included from the effective dates of acquisition and up to the effective dates of disposal.

The Group's share of the joint venture's net profit/(loss) is shown on the face of the statement of comprehensive income. The financial statements of the jointly controlled entity are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(j) 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, the 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 a finance lease is 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

Accumulated mine/plant development costs are depreciated/amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied. The unit of account for ROM costs are tonnes of ore whereas the unit of account for post-ROM costs are recoverable ounces of platinum group metals. Rights and concessions are depleted on the unit-of-production basis over the total reserves of the relevant area. The unit-of-production rate for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

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

Other plant and equipment such as mobile mine equipment is generally depreciated on a straight-line basis over their estimated useful lives as follows:

- mining properties, plant and equipment – 10 years
- leasehold improvements – three years
- computer equipment and software – three years
- furniture and fittings – six years
- office equipment – five years
- motor vehicles – five years

2.3 Summary of significant accounting policies (continued)

(j) Property, plant and equipment (continued)

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 item will flow to the Group through an extended life, 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.

(k) 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:

(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-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.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently measured at cost less accumulated impairment.

(l) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset (or 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 to sell 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 to sell, 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 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.

For assets excluding goodwill, 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 unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase and is recognised through other comprehensive income.

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.

(m) 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, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, 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.

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, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification 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 finance income or finance costs in profit or loss.

The Group evaluated its financial assets as held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

2.3 Summary of significant accounting policies (continued)

(m) Financial instruments – initial recognition and subsequent measurement (continued)

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 through 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 EIR, 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 income 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; and
- 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

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.

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 income 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, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

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 the statement of comprehensive income.

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.

2.3 Summary of significant accounting policies (continued)

(m) Financial instruments – initial recognition and subsequent measurement (continued)

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 they are measured are provided in note 23.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- When the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

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(m) Financial assets – Financial assets at fair value through profit or loss for more information). For these contracts and the host part of the contracts containing embedded derivatives, they 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.

(n) 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.

(o) 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 restated 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.

(p) 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.

(q) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) 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. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

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

(s) 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 cancelation of the Groups' own equity instruments.

(t) 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;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

2.4 New Standards and Interpretations

Future Accounting Standards

Certain IFRS and IFRIC Interpretations 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 2012. This listing of standards and interpretations issued are those that the Group reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Directors have not assessed the impact of the new or revised standards and interpretations.

Reference	Title	Summary	Application date of standard	Application date for Group
IFRS 7 and IAS 32	Financial Instruments: Disclosures and Financial Instruments: Presentation	The amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure.	1 January 2013	1 July 2013
IFRS 9	Financial Instruments	IFRS 9 Financial Instruments includes requirements for the classification, measurement and derecognition of financial assets and financial liabilities resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. These requirements improve and simplify the approach for classification and measurement of financial assets and liabilities compared with the requirements of IAS 39. The main changes from IAS 39 are described below. (a) IFRS 9 requires financial assets to be classified at initial recognition into two measurement categories: those measured at fair value and those measured at amortised cost. The classification is based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. (b) For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The main change is that, for financial liabilities designated at fair value through profit or loss, the amount of fair value change attributable to the credit risk of the liability is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss. (c) IFRS 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.		

Reference	Title	Summary	Application date of standard	Application date for Group
IFRS 10	Consolidated Financial Statements	IFRS 10 Consolidated Financial Statements is a new standard that replaces the consolidation requirements in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. IFRS 10 includes a new definition of control that contains three elements: power over an investee; 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 returns. The new control model broadens the situations when an entity is considered to be controlled by another entity.	1 January 2013	1 July 2013
IFRS 11	Joint Arrangements	IFRS 11 Joint Arrangements is a new standard that replaces IAS 31 Interests in joint ventures and SIC-13 Jointly Controlled Entities that deal with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 uses the principles of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. The standard removes the option to account for jointly controlled entities using proportionate consolidation and requires joint ventures to be accounted for using the equity method of accounting.	1 January 2013	1 July 2013
IFRS 12	Disclosure of Interests in Other Entities	IFRS 12 Disclosure of Interests in Other Entities is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about any joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The disclosure requirements in the standard are more extensive than those in current standards.	1 January 2013	1 July 2013
IFRS 13	Fair Value Measurement	IFRS 13 Fair Value Measurement establishes a single source of guidance on fair value measurement and disclosure requirements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 July 2013	1 July 2013

2.4 New Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
Amendments to IAS 1	Presentation of Financial Statements	The amendments to IAS 1 Presentation of Financial Statements require companies preparing financial statements in accordance with IFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the statement of comprehensive income. The tax related disclosures are also required to follow the presentation allocation. In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.	1 July 2012	1 July 2012
IAS 19 (Revised)	Employee Benefits	The main amendments to the standard relating to defined benefit plans are as follows: (a) Elimination of the option to defer the actuarial gains or losses (the corridor method); (b) Re-measurements (essentially actuarial gains and losses) to be presented in other comprehensive income; (c) Past service costs will be expensed when the plan amendments occur regardless of whether or not they are vested; and (d) Enhanced disclosure for Tier 1 entities. The distinction between short-term and other long-term employee benefits under the revised standard is now based on expected timing of settlement rather than employee entitlement. The revised standard also requires termination benefits (outside of a wider restructuring) to be recognised only when the offer becomes legally binding and cannot be withdrawn.	1 January 2013	1 July 2013
Amendments to IAS 27	Separate Financial Statements	The consequential amendment as a result of IFRS 10. The amended standard now only deals with separate financial statements.	1 January 2013	1 July 2013

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:

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

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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

- interest revenue
- interest expense
- unallocated expenses (note 3(d))

The following tables present revenue and profit information and certain asset and liability information regarding reporting segments for the years ended 30 June 2012 and 30 June 2011.

	Millsell	Steelpoort	Lannex	Mooinooi	Doornbosch	Exploration projects	Corporate/ unallocated	Consolidated
	$	$	$	$	$	$	$	$
2012								
Segment assets								
Capital expenditure[1]	4,458,232	4,954,645	16,001,772	23,669,323	9,272,734	75,240,758	11,811,337 (a)	145,408,801
Other assets	1,509,004	2,980,996	2,528,657	1,984,814	1,998,489	383,018	20,426,506 (b)	31,811,484
Segment liabilities	895,258	916,272	1,104,732	1,897,137	913,309	294,126	26,959,258 (c)	32,980,092
Segment revenue	6,843,876	10,839,608	7,454,996	4,676,660	9,326,817	–	2,211,093	41,353,050
Segment result	2,183,963	5,931,045	863,701	(5,742,966)	4,526,841	–	(11,734,387) (d)	(3,971,803)
Net loss for the year after tax								(3,971,803)
Included within the segment results:								
Depreciation	804,756	849,753	2,029,620	2,339,834	1,144,943	–	105,085	7,273,991
Direct operating costs	3,855,157	4,058,810	4,561,675	8,079,792	3,655,033	–	2,167,454	26,377,921
Interest revenue	–	–	–	–	–	–	1,274,892	1,274,892
Income tax expense	–	–	–	–	–	–	1,468,828	1,468,828
Other items								
Capital expenditure additions	182,679	150,962	706,009	6,749,153	100,094	4,871,128	7,716,737	20,476,762
2011								
Segment assets								
Capital expenditure	5,937,675	6,748,337	20,713,663	23,405,248	12,320,918	74,373,457	5,468,115 (a)	148,967,413
Other assets	3,705,840	4,513,557	4,206,086	3,351,443	3,299,122	550,306	30,547,575 (b)	50,173,929
Segment liabilities	560,134	636,652	1,040,858	1,008,771	572,061	679,250	29,951,804 (c)	34,449,530
Segment revenue	10,751,068	13,109,859	7,948,114	7,949,646	7,113,545	–	1,123,612	47,995,844
Segment result	6,757,580	7,318,893	1,604,510	1,003,665	2,703,965	–	(17,780,487) (d)	1,608,126
Net profit for the year after tax								1,608,126
Included within the segment results:								
Depreciation	880,879	921,333	2,028,515	2,281,934	1,230,475	–	180,573	7,523,709
Direct operating costs	3,112,609	4,869,633	4,315,089	4,664,046	3,179,105	–	–	20,140,482
Interest revenue	–	–	–	–	–	–	1,123,612	1,123,612
Income tax expense	–	–	–	–	–	–	4,218,298	4,218,298
Impairment of loan	–	–	–	–	–	–	577,544	577,544
Other items								
Capital expenditure additions	327,884	163,070	2,158,534	2,377,640	289,624	3,497,404	1,324,442	10,138,598

[1] *Capital expenditure consists of property, plant and equipment, mine properties and exploration and evaluation assets.*

3. Segment reporting (continued)

	2012	2011
	$	$
Major items included in corporate /unallocated		
(a) Capital expenditure		
Property	1,077,499	1,190,780
Fixed assets for Tweefontein	7,446,216	624,131
Fixed assets for Elandsdrift	1,207,787	1,449,592
Exploration expenses Everest North	1,680,360	1,695,565
Other	399,475	508,047
	11,811,337	5,468,115
(b) Other assets		
Cash & cash equivalents	15,444,334	23,497,092
Equity accounted investments in joint ventures	2,048,635	2,591,580
Other assets in Tweefontein	884,957	–
Current tax asset	403,527	2,814,813
Other	1,645,053	1,644,090
	20,426,506	30,547,575
(c) Liabilities		
Deferred tax	23,623,156	16,058,087
Interest bearing loans and borrowings	36,878	464,677
VAT/GST payable	16,212	369,563
Other liabilities in Tweefontein	289,753	–
Other	2,993,259	13,059,477
	26,959,258	29,951,804
(d) Unallocated expenses		
Administrative salaries & wages	2,236,872	2,553,731
Auditors' remuneration	493,207	476,373
Consulting fees	1,591,017	2,026,518
Cost of sales	1,336,338	88,022
Depreciation	81,972	–
Loss on financial assets at fair value through profit or loss	24,770	–
Impairment on available-for-sale financial assets	368,797	–
Legal expenses	823,320	562,987
Overseas travelling expenses	294,717	360,577
Premises leases	273,707	241,946
Share-based compensation expense	724,481	1,395,488
Termination of consultancy agreements	480,814	1,470,942
Tax expense	1,468,828	4,218,298
Other	1,535,547	4,385,605
	11,734,387	17,780,487
Total segment revenue		
Sales	40,078,158	46,872,232
Other revenue from continuing activities	1,274,892	1,123,612
Total revenue	41,353,050	47,995,844
Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic location based on the location of the customers. The company does not have external revenues from external customers that are attributable to any foreign country other than as shown.		
South Africa	40,078,158	46,872,232
Total revenue	40,078,158	46,872,232
Interest revenue by geographical location is detailed below:		
South Africa	340,876	486,202
Australia	934,016	637,410
	1,274,892	1,123,612
Total revenue	41,353,050	47,995,844

	2012	2011
	$	$
The majority of sales of concentrate are to two specific customers. Revenue is split according to segment as detailed below:		
Customer 1 (Steelpoort, Lannex, Doornbosch)	**28,557,622**	28,171,519
Customer 2 (Millsell, Mooinooi)	**11,520,536**	18,700,713
	40,078,158	46,872,232
Analysis of location of non-current assets:		
Australia	**64,712,849**	66,881,613
South Africa	**81,524,059**	85,401,162
Total non-current assets	**146,236,908**	152,282,775

4. Revenue and expenses

	2012	2011
	$	$
(a) Revenue		
Sale of goods	**41,299,346**	43,692,154
PGM price adjustment	**(1,221,188)**	3,180,078
	40,078,158	46,872,232
(b) Other income		
Scrap sales	**17,145**	40,679
Recoveries	**38,699**	14,562
Insurance claims	**14,330**	–
Profit on sale of available-for-sale financial assets	**983**	–
Derecognition of loan payable	**–**	410,363
	71,157	465,604
(c) Expenses		
(Loss)/profit from ordinary activities before income tax expense includes the following specific expenses:		
Consulting	**1,591,017**	2,026,518
Depreciation – plant and equipment	**7,273,991**	7,431,159
Depreciation – other assets	**81,972**	92,550
Operating lease payments	**242,887**	265,819
Share-based payments expense	**724,481**	1,395,488
Impairment of loan (4.1)	**–**	577,544
Exploration and evaluation costs expensed	**23,411**	41,064
Termination of consultancy contracts (4.2)	**480,814**	1,470,942
(d) Staff costs		
Salaries and wages	**2,236,872**	3,832,965
Superannuation	**12,089**	18,751
Share-based payments	**724,481**	1,173,786
	2,973,442	5,025,502

4.1 Impairment of loan

Ehlobo Metals (Pty) Ltd (Ehlobo) disposed of its 26% shareholding in Sylvania Metals (Pty) Ltd and Sylvania Minerals (Pty) Ltd to Africa Asia Capital Ltd (AACL) during the prior financial year ended 30 June 2011. A loan of R2,900,000 ($423,661) attracting interest at the prime lending rate in South Africa had been advanced to Ehlobo in R100,000 ($14,609) increments by Sylvania Metals as a form of assistance to Ehlobo in order to establish its business. Upon the disposal of Ehlobo's 26% shareholding in Sylvania Metals the loan was determined to be irrecoverable by the Directors of Sylvania and subsequently written off.

4.2 Termination of consultancy contracts

In prior financial years, the Group was focused on identifying and pursuing investment opportunities in mineral exploration and mineral treatment projects. Key management were contracted through fixed term consultancy agreements so as to reduce the administration of the Group. As a result of the Group moving into a more operational phase, permanent employees were appointed by the Board and the consulting agreements terminated. This resulted in a termination fee of $295,000 (2011: $1,470,942). A further $185,814 was paid for the termination of the contract of consultant not considered key management.

5. Income tax

	2012 $	2011 $
Major components of tax expense for the years ended 30 June 2012 and 30 June 2011		
Income tax recognised in profit or loss		
Current income tax:		
Current income tax charge	280,224	80,501
Adjustments in respect of current income tax of previous year	221,918	54,496
Deferred income tax:		
Relating to origination and reversal of temporary differences	966,686	4,083,301
Total tax expense	1,468,828	4,218,298
The prima facie income tax expense on pre-tax accounting profit/ loss from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting (loss)/profit before income tax	(2,502,975)	5,826,424
Tax (benefit)/expense at rate of 28% (2011: 30%)	(700,833)	1,747,927
Non-deductible expenses	1,474,514	2,192,019
Over provision in respect of prior year	69,049	–
Benefit of tax losses and timing differences not brought to account	626,098	274,640
Benefit of tax losses not brought to account	–	3,712
Income tax expense	1,468,828	4,218,298
Income tax recognised directly in equity:		
The following amounts were charged/(credited) directly to equity during the period:		
Deferred tax		
Revaluation of financial assets	13,552	–

Sylvania Platinum is a Bermudan incorporated company and has no tax liability under that jurisdiction with respect to income derived. Certain foreign subsidiaries generated income which 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. The tax rate used in the previous year was a corporate tax rate of 30% based on Australian tax law. As the Group's operations are predominantly in South Africa, the rate has been changed in the current year.

	2012 $	2011 $
Deferred tax assets comprise:		
Unrealised gains and losses on foreign exchange	2,351,245	–
Losses available for offset against future taxable income	2,628	6,136,901
Other	448,923	–
	2,802,796	6,136,901
Set-off against deferred tax liabilities	(2,802,796)	(6,136,901)
	–	–
Deferred tax liabilities comprise:		
Exploration and evaluation assets	15,951,637	21,509,772
Property, plant and equipment	10,471,685	11,017,444
Other	2,630	1,057,879
	26,425,952	33,585,095
Set-off deferred tax assets	(2,802,796)	(6,136,901)
Deferred tax liabilities net	23,623,156	27,448,194

The Group has estimated tax losses arising in Australia of $18,670,603 (2011: $18,678,899) that are available for offset against future taxable profits of the tax consolidated Group in Australia. These losses are subject to specific tests under Australian tax legislation before they can be set off against future taxable income. In addition, the Group has estimated tax losses arising in South Africa of $9,523,879 (2011: $3,718,089) that are available indefinitely for offset against future taxable profits of the company in which the losses arose.

	2012	2011
	$	$
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	**18,375,537**	16,741,875
Tax losses	**8,016,606**	5,283,236
Capital losses	**702,964**	1,356,283
	27,095,107	23,381,394

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 and 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 balance sheet date, the possibility of default is remote.

Reconciliation of deferred tax assets/(liabilities):

	Opening balance	Charged to income statement	Charged to equity	Exchange difference	Closing balance
	$	$	$	$	$
2012					
Other temporary differences	**(1,057,879)**	**965,246**	**17,973**	**2,874,828**	**2,800,168**
Plant and equipment	**(11,017,444)**	**(882,668)**	**–**	**1,428,425**	**(10,471,687)**
Exploration and evaluation	**(21,509,772)**	**–**	**–**	**5,558,135**	**(15,951,637)**
Tax losses	**6,136,901**	**(1,049,265)**	**(4,421)**	**(5,083,215)**	**–**
	(27,448,194)	**(966,687)**	**13,552**	**4,778,173**	**(23,623,156)**
2011					
Other temporary differences	(914,119)	210,488	–	(354,248)	(1,057,879)
Plant and equipment	(5,955,676)	(4,306,054)	–	(755,714)	(11,017,444)
Exploration and evaluation	(17,806,803)	–	–	(3,702,969)	(21,509,772)
Tax losses	6,001,062	12,265	–	123,574	6,136,901
	(18,675,536)	(4,083,301)	–	(4,689,357)	(27,448,194)

6. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year.

	2012	2011
	Cents per share	Cents per share
Basic (loss)/earnings per share - cents per share	**(1.32)**	0.39
Diluted (loss)/earnings per share - cents per share	**(1.32)**	0.39

6. Earnings per share (continued)

	2012 $	2011 $
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	**(3,971,803)**	1,094,260
Earnings attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(3,971,803)**	1,094,260
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	**301,750,079**	279,157,428
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**301,750,079**	279,157,428

Diluted earnings per share

At 30 June 2012, due to the net loss incurred, the Sylvania shares exercisable through the share option scheme are not dilutive.

In the financial year to 30 June 2010 SA Metals Pty Ltd (SAM), a wholly owned subsidiary of Sylvania negotiated the cancellation of a royalty agreement between SA Metals and Minex Projects (Pty) Ltd (Minex), whereby Minex was to receive R5,000,000 (approximately $657,000) in cash and 3,000,000 shares in the listed parent entity subject to certain conditions. The conditions have subsequently been met and the cash payment was made. The shares will only be issued when Minex obtains South African Reserve Bank approval, which to date has not been obtained. The value of the shares at the date of signing the agreement was $0.84, and has been raised against share capital.

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

7. Equity accounted investments in joint ventures

The Group has a 25% interest in the assets, liabilities and output of an unincorporated joint venture, CTRP, which operates a chrome tailings retreatment plant at Kroondal in South Africa (2011: 25%).

	2012 $	2011 $
Carrying amount of investment in jointly controlled entity		
Balance at beginning of the financial year	**1,547,891**	2,349,723
Distribution received from jointly controlled entity	**–**	(724,932)
Advances made to jointly controlled entity	**161,000**	–
Share of jointly controlled entity's loss from ordinary activities, after income tax	**(475,413)**	(76,900)
Balance at end of financial year	**1,233,478**	1,547,891
Foreign currency translation movements		
Balance at beginning of financial year	**1,266,922**	903,249
Movement during the financial year	**(451,765)**	363,673
Balance at end of financial year	**815,157**	1,266,922
	2,048,635	2,814,813

	2012	2011
	$	$
Share of joint venture entity's results and financial position		
Non-current assets	645,704	827,002
Current assets	743,434	987,305
Total assets	1,389,138	1,814,307
Non-current liabilities	–	–
Current liabilities	428,285	292,356
Total liabilities	428,285	292,356
Revenue	1,085,804	1,291,845
Expenses	(1,561,216)	(1,368,745)
Loss from ordinary activities before income tax	(475,412)	(76,900)
Income tax expense	–	–
Loss from ordinary activities after income tax	(475,412)	(76,900)

Contingencies & commitments

The jointly controlled entity does not have any contingencies or capital commitments.

8. Other financial assets

	2012	2011
	$	$
Available-for-sale investments carried at fair value		
Listed shares	76,861	458,168
Financial assets at fair value through profit and loss		
Listed shares	16,374	42,380
Total	93,235	500,548

Available-for-sale financial assets consist of investments in ordinary shares and options, and therefore have no fixed maturity date or coupon rate.

9. Exploration and evaluation assets

	Mineral rights	Deferred exploration expenditure	Total
	$	$	$
2012			
Balance at beginning of financial year	346,601	75,776,843	76,123,444
Foreign currency movements	(57,747)	(4,030,628)	(4,088,375)
Direct expenditure for the year	–	4,871,128	4,871,128
Asset held for sale (note 14)	–	(1,303,856)	(1,303,856)
Balance at end of financial year	288,854	75,313,487	75,602,341
2011			
Balance at beginning of financial year	310,017	59,078,819	59,388,836
Consideration for the termination of future royalty agreement between SA Metals and Minex	–	2,511,039	2,511,039
Foreign currency movements	36,584	13,200,620	13,237,204
Direct expenditure for the year	–	986,365	986.365
Balance at end of financial year	346,601	75,776,843	76,123,444

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.

10. Property, plant and equipment

	Property	Mining property	Construction in progress	Plant and equipment	Equip-ment	Leasehold improve-ments	Computer equipment and software	Furniture and fittings	Office equipment	Motor vehicles	Total
	$	$	$	$	$	$	$	$	$	$	$
2012											
At 1 July 2011											
Cost or fair value	1,190,780	9,093,996	9,289,347	69,331,682	659,985	35,761	245,008	68,686	137,052	500,975	90,553,272
Accumulated depreciation	–	(4,743,954)	–	(12,072,577)	(254,453)	(24,776)	(175,612)	(44,603)	(80,200)	(313,127)	(17,709,302)
Net book value	1,190,780	4,350,042	9,289,347	57,259,105	405,532	10,985	69,396	24,083	56,852	187,848	72,843,970
Year ended 30 June 2012											
Opening net book value	1,190,780	4,350,042	9,289,347	57,259,105	405,532	10,985	69,396	24,083	56,852	187,848	72,843,970
Exchange differences	(203,324)	(699,825)	(1,938,289)	(9,612,588)	(68,587)	(1,600)	(16,357)	(3,965)	(7,621)	(32,069)	(12,584,225)
Additions	101,936	–	7,135,973	7,950,406	137,068	2,893	158,250	8,847	53,143	57,118	15,605,634
Disposals	–	–	–	–	–	–	(6,812)	–	–	–	(6,812)
Asset held for sale (note 14)	–	–	–	–	–	–	(4,270)	(5,637)	–	–	(9,907)
Depreciation charge	(11,893)	(455,533)	–	(6,584,867)	(118,411)	(7,103)	(64,653)	(12,942)	(23,939)	(76,622)	(7,355,963)
	1,077,499	3,194,684	14,487,031	49,012,056	355,602	5,175	135,554	10,386	78,435	136,275	68,492,697
At 30 June 2012											
Cost or fair value	1,089,392	8,394,171	14,487,031	67,669,500	728,466	37,054	368,666	66,966	182,574	526,024	93,549,844
Accumulated depreciation	(11,893)	(5,199,487)	–	(18,657,444)	(372,864)	(31,879)	(233,112)	(56,580)	(104,139)	(389,749)	(25,057,147)
	1,077,499	3,194,684	14,487,031	49,012,056	355,602	5,175	135,554	10,386	78,435	136,275	68,492,697
2011											
At 1 July 2010											
Cost or fair value	–	8,599,079	19,962,995	46,081,830	606,937	33,967	209,574	60,340	121,407	473,766	76,149,895
Accumulated depreciation	–	(4,313,151)	–	(5,310,135)	(131,062)	(17,132)	(100,130)	(29,017)	(60,748)	(224,213)	(10,185,588)
Net book value	–	4,285,928	19,962,995	40,771,695	475,875	16,835	109,444	31,323	60,659	249,553	65,964,307
Year ended 30 June 2011											
Opening net book value	–	4,285,928	19,962,995	40,771,695	475,875	16,835	109,444	31,323	60,659	249,553	65,964,307
Exchange differences	29,262	494,917	2,035,597	5,098,279	53,048	1,794	11,614	3,427	9,822	27,209	7,764,969
Additions	1,161,518	–	–	5,442,328	–	–	23,820	7,705	5,823	–	6,641,194
Disposals	–	–	–	–	–	–	–	(2,786)	–	–	(2,786)
Reallocations between asset classes	–	–	(12,709,245)	12,709,245	–	–	–	–	–	–	–
Depreciation charge	–	(430,803)	–	(6,762,442)	(123,391)	(7,644)	(75,482)	(15,586)	(19,452)	(88,914)	(7,523,714)
	1,190,780	4,350,042	9,289,347	57,259,105	405,532	10,985	69,396	24,083	56,852	187,848	72,843,970
At 30 June 2011											
Cost or fair value	1,190,780	9,093,996	9,289,347	69,331,682	659,985	35,761	245,008	68,686	137,052	500,975	90,553,272
Accumulated depreciation	–	(4,743,954)	–	(12,072,577)	(254,453)	(24,776)	(175,612)	(44,603)	(80,200)	(313,127)	(17,709,302)
	1,190,780	4,350,042	9,289,347	57,259,105	405,532	10,985	69,396	24,083	56,852	187,848	72,843,970

Impairment of mining properties

On 27 April 2008 Sylvania announced that it had signed an amendment to an existing Services and Supply Agreement to treat ROM from the Brokenhill, Spitzkop and Buffelsfontein East mining operations. It was expected that attributable PGM production would increase by approximately 6,000 ounces per annum in the short term, increasing to approximately 33% of production in five to six years as current dumps were depleted. It was estimated that 300,000 tonnes of ROM material a year would be made available to Sylvania for treatment. This ROM was expected to have an average grade of 1.4 g/t and the chrome ore recovered from the treatment was to be returned to the supplier at a nominal charge.

First production of the PGMs from the ROM material retreatment was expected in the fourth quarter of 2008, ramping up to more than 200 ounces per month towards the end of the first quarter of 2009. Subsequent to the agreement being signed, the world economy went into a slump resulting in a change to the chrome market with the annual demand for chrome products being dramatically reduced. This resulted in the plans for mining of ROM material at Lannex plant serving Brokenhill and Spitzkop and the Mooinooi plant serving Buffelsfontein East being stopped. The Sylvania Board of Directors can in no way determine whether or not these mines will resume operations. This does not affect the carrying value of the Lannex plant as sufficient material has been identified for the Lannex plant to operate at design capacity.

The right to treat the ROM material from Brokenhill, Spitzkop and Buffelsfontein East Chrome mines cannot be sold to a third party and Sylvania is in no way entitled to any form of compensation for operations at these mines ceasing. Subsequent to the financial year end at 30 June 2010, Mooinooi Mine supplied ROM material to the Sylvania Mooinooi plant and this mining property is being depreciated at the current estimated useful life of the Mooinooi plant.

Based on the above information it was resolved by the Directors of Sylvania to impair the asset value attributable to this transaction at the Lannex plant at 30 June 2010, resulting in an impairment of R32,799,630 ($4,313,495). A review was performed on the mining properties at 30 June 2012 and no change in impairment was identified.

Leased assets

Equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease:

	2012	2011
	$	$
Equipment		
Cost	612,375	628,921
Accumulated depreciation	(273,216)	(269,588)
	339,159	359,333
Motor vehicles		
Cost	85,799	187,825
Accumulated depreciation	(30,180)	(75,533)
	55,619	112,292

	Future minimum lease payments due	Finance charges	Present value of minimum lease payments due
	$	$	$
At 30 June 2012			
Due within one year	230,048	(27,861)	202,187
Due between one and five years	249,309	(20,093)	229,216
	479,357	(47,954)	431,403
At 30 June 2011			
Due within one year	197,500	(30,978)	166,522
Due between one and five years	330,688	(32,532)	298,156
	528,188	(63,510)	464,678

10. Property, plant and equipment (continued)

Non-current assets pledged as security

Leased assets are pledged as security for the related finance lease liability. No other non-current assets are pledged as security for any liabilities.

11. Cash and cash equivalents

	2012	2011
	$	$
Cash at bank and on hand	5,675,606	7,928,486
Short-term deposits	10,021,293	15,568,606
	15,696,899	23,497,092

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 $15,696,899 (2011: $23,497,092).

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

	2012	2011
	$	$
Bank guarantees are held as follows:		
Eskom	1,456,203	–
The Department of Mineral Resources	28,977	–
Mervyn Taback Inc [(a)]	2,678,500	
(a) The group has pledged a part of its short-term deposits as a guarantee for the payment of the purchase price of properties in Zoetveld Mining and Prospecting (Pty) Ltd. Refer to note 24 for details.		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	5,675,606	7,928,486
Short-term deposits	10,021,293	15,568,606
Cash at banks and short-term deposits attributable to assets held for sale (note 14)	19,781	–
	15,716,680	23,497,092

12. Trade and other receivables

	2012	2011
	$	$
Trade receivables	11,246,738	19,429,304
Other receivables	1,695,605	712,526
	12,942,343	20,141,830

Trade receivables are due from major minerals mining and processing companies. None of the amounts are past due or impaired. At 30 June 2012 gross sales of $9,218,185 (2011: $12,446,182) were subject to price adjustments. Refer to note 4.

Other receivables are non-interest bearing and are generally on 30-90 day terms. No other receivables are considered to be past due or impaired.

13. Inventories

	2012	2011
	$	$
Stores and materials	596,719	628,065

Stores and materials

Strategic spares are held in stock for engineering breakdowns. Spares and materials are carried at the lower of cost or net realisable value.

14. Asset held for sale

On 8 July 2011, Sylvania announced its decision to dispose of a significant portion of its magnetite iron ore assets, subject to shareholder and regulatory approvals. SA Metals and GAU, both wholly owned subsidiaries of Sylvania, hold the prospecting rights to the magnetite iron ore assets which are located on the Northern Limb of the Igneous Bushveld Complex.

On 7 March 2012, Sylvania announced that it had entered into a conditional, legally binding agreement with Mercury whereby Mercury would acquire the rights to the iron ore assets in exchange for 203,022,285 fully paid Mercury shares (Consideration Shares). The Consideration Shares were issued at a deemed issue price of 6.75 pence, being the closing price of Mercury shares on AIM on 6 March 2012.

The acquisition of the iron ore assets by Mercury is covered under Rule 14 of the AIM Rules for Companies and was therefore conditional upon the approval of Mercury's shareholders at a general meeting (the General Meeting).

The SPA was conditional upon the fulfilment of certain conditions including, inter alia:

- completion of certain outstanding due diligence by Mercury in relation to the iron ore assets and no material adverse matters arising prior to the distribution of the AIM Admission Document;
- completion of certain outstanding due diligence by Sylvania in relation to Mercury and no material adverse matters arising prior to the distribution of the AIM Admission Document;
- the completion of the restructuring of the corporate Group currently holding the iron ore assets (Ironveld); and
- approval by Mercury shareholders and readmission of the enlarged Mercury Group to trading on AIM.

As announced on 16 August 2012, the disposal of the iron ore assets was completed and admission of the enlarged Mercury Group (now renamed Ironveld plc) took place (refer to note 28).

The major classes of assets and liabilities of Ironveld classified as held for sale as at 30 June 2012 are as follows:

	2012	2011
	$	$
Assets		–
Exploration and evaluation assets	1,303,856	–
Property, plant and equipment	9,907	–
Trade and other receivables	10,345	–
Cash and cash equivalents	19,781	–
Assets held for sale	1,343,889	–
Liabilities		
Trade and other payables	36,475	–
Liabilities directly associated with assets classified as held for sale	36,475	–
Net assets directly associated with asset held for sale	1,307,414	–

15. Issued capital

Authorised capital

	2012	2012
	No. of shares	$
Ordinary shares with a par value of $0.10	1,000,000,000	100,000,000

Issued capital

	2012	2011	2012	2011
	No. of shares	No. of shares	$	$
Share capital				
Ordinary shares				
Ordinary shares fully paid	298,381,896	298,868,805	29,557,290	29,639,275
Shares reserved for employee share plan shares	2,383,000	2,383,000	–	–
	300,764,896	301,251,805	29,557,290	29,639,275

15. Issued capital (continued)

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	Issue price	
			$	$
			(a)	
1 July 2010	Opening balance	240,696,254		147,266,101
1 July 2010	Consideration for the termination of royalty agreement between SA Metals and Minex [(b)]	–	0.84	2,511,039
29 September 2010	First tranche of shares issued to Africa Asia Capital Limited	7,711,888	0.77	5,939,264
1 December 2010	Second tranche of shares issued to Africa Asia Capital Limited	51,170,663	0.71	36,145,887
	Transaction costs			(57,547)
28 February 2011	Restructuring of Group with the establishment of new parent entity	–		(161,846,865)
		299,578,805		29,957,879
22 June 2011	Share buy-back	(200,000)		(20,000)
28 June 2011	Share buy-back	(100,000)		(10,000)
29 June 2011	Share buy-back	(400,000)		(40,000)
30 June 2011	Share buy-back	(10,000)		(1,000)
	Transaction costs			(247,604)
30 June 2011	Closing balance	298,868,805		29,639,275
1 July 2011	Opening balance	298,868,805		29,639,275
2 April 2012	Share buy-back	(486,909)		(48,690)
	Transaction costs	–		(33,295)
30 June 2012	Closing balance	298,381,896		29,557,290

(a) The issue price has been rounded for presentation purposes.

(b) In the prior financial year SAM, a wholly owned subsidiary of Sylvania, negotiated the cancellation of a royalty agreement between SA Metals and Minex, whereby Minex was to receive R5,000,000 (R1,000,000 payable as a non-refundable deposit in cash within 30 days of signature date, and the remaining R4,000,000 payable in cash by Sylvania to Minex on the closing date), as well as 3,000,000 shares in the listed parent entity. The agreement was subject to the suspensive condition that Sylvania conducted metallurgical test work in relation to the properties governed by the Contractor Agreement to its reasonable satisfaction and Sylvania gave to Minex a written notice that it has satisfied those conditions. The conditions have been met and the cash payments made. The shares will be issued after Minex has received South African Reserve Bank approval, which to date has not been obtained.

The shares shall be issued to Minex as follows:

- 500,000 shares to be issued on the closing date; and
- 5 further tranches of 500,000 shares each to be issued on the lapse of each six month period following successively after the closing date.

Each issue of Sylvania shares will be accompanied by share certificates. The benefit and risk in and to the Sylvania shares shall be deemed to have passed to Minex with effect from the date of each relevant issue. Minex shall be entitled on written notice to Sylvania, to inform Sylvania that Minex wishes to defer a subsequent issue of shares to the next issue, provided that Sylvania consents in writing to such deferral. The value of the shares at the date of signing the agreement was $0.84.

Movements in shares reserved for employee share plan shares

Date	Details	Number of shares
1 July 2011	On issue at beginning of the year	2,383,000
30 June 2012	**On issue at the end of the year**	**2,383,000**

Information relating to the employee share plan, including details of shares issued under the plan, is set out in note 22.

Share options

	2012	2011
	$	$
Employee option plan options exercisable (refer note 22)		
– at $1.05 per share on or before 30 June 2012	–	6,000,000
– at $Nil per share on or before 29 December 2021	13,000,000	–
	13,000,000	6,000,000

16. Reserves

	Share premium reserve	Net unrealised gains reserve	Share based payments reserve	Foreign currency translation reserve	Non-controlling interest reserve	Equity reserve	Total
		$	$	$	$	$	$
Balance as at 1 July 2010	–	(146,630)	7,501,962	1,880,566	2,140,442	–	**11,376,340**
Included in other comprehensive income:							
Unrealised gain/(loss) on available-for-sale financial assets	–	(48,484)	–	–	–	–	**(48,484)**
Currency translation differences	–	–	–	21,723,273	–	–	**21,723,273**
Total other comprehensive income	**–**	**(48,484)**	**–**	**21,723,273**	**–**	**–**	**21,674,789**
Non-controlling interest acquisition reserve	–	–	–	–	(41,919,735)	–	**(41,919,735)**
Share and option-based payments expense	–	–	1,395,488	–	–	–	**1,395,488**
Restructuring of Group with the establishment of new parent entity	160,398,686	–	(8,227,817)	–	–	(29,741,213)	**122,429,656**
Share buy-back	(354,461)	–	–	–	–	–	**(354,461)**
Balance as at 30 June 2011	160,044,225	(195,114)	669,633	23,603,839	(39,779,293)	(29,741,213)	**114,602,077**

16. Reserves (continued)

	Share premium reserve	Net unrealised gains reserve	Share based payments reserve	Foreign currency translation reserve	Non-controlling interest reserve	Equity reserve	Total
		$	$	$	$	$	$
Balance as at 30 June 2011	160,044,225	(195,114)	669,633	23,603,839	(39,779,293)	(29,741,213)	114,602,077
Included in other comprehensive income:							
Impairment on available-for-sale financial assets	–	195,114	–	–	–	–	195,114
Currency translation differences	–	–	–	(17,211,584)	–	–	(17,211,584)
Total other comprehensive loss	–	195,114	–	(17,211,584)	–	–	(17,016,470)
Share and option-based payments expense	–	–	724,481	–	–	–	724,481
Share buy-back	(105,842)	–	–	–	–	–	(105,842)
Balance as at 30 June 2012	159,938,383	–	1,394,114	6,392,255	(39,779,293)	(29,741,213)	98,204,246

Nature and purpose of reserves

- **Net unreserved gains reserve**
  - This reserve records fair value changes on available-for-sale investments.
- **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 22.
- **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) as at the date of the insertion of Sylvania Platinum as the ultimate holding company.

17. Retained earnings

	2012	2011
	$	$
Balance as at 1 July	**20,450,460**	(20,061,009)
(Loss)/profit for the year	**(3,971,803)**	1,094,260
Accumulated losses of former parent entity transferred to equity reserve following the insertion of Sylvania Platinum as ultimate holding company	**–**	39,417,209
Balance as at 30 June	**16,478,657**	20,450,460

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

18. Interest bearing borrowings

	2012	2011
	$	$
Secured		
Current liabilities		
Payable within one year	**174,654**	166,522
Non-current liabilities		
Payable within one to five years	**256,063**	298,156

These loans are secured over various motor vehicles and equipment and are repayable in monthly installments of $20,899 (2011; $20,437) and bear interest at rates varying between 7.75% and 9% (2011: 8% and 10%) p.a. Refer to note 10 for further detail on non-current assets pledged as security.

19. Provisions

	2012	2011
	$	$
Provision for rehabilitation	**1,257,235**	974,832
Movement in provision		
Balance at beginning of financial year	**974,832**	801,732
Foreign currency movements	**(188,174)**	96,539
Unwinding of discount factor	**41,807**	76,561
Arising during the year	**428,770**	–
Balance at end of financial year	**1,257,235**	974,832

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 between five and 50 years. The timing of rehabilitation work is therefore inherently uncertain.

20. Trade and other payables

	2012	2011
	$	$
Trade payables	4,766,503	2,981,097
Other payables	2,856,689	2,569,549
	7,623,192	5,550,646

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.

21. Reconciliation of (loss)/profit before tax to net cash flow from operating activities

	2012	2011
	$	$
(Loss)/profit before tax	**(2,502,975)**	5,826,424
Adjusted for:		
Equity accounted net loss from joint venture	**475,413**	(76,900)
Capital loss/(gain) on sale of non-current assets	**8,669**	(1,489)
Derecognition of loan payable	**–**	(167,181)
Bad debts	**–**	577,544
Loss on financial assets at fair value through profit and loss	**24,770**	(39,556)
Impairment of available-for-sale financial assets	**368,797**	–
Net foreign exchange difference	**–**	164
Finance costs	**41,807**	114,477
Depreciation	**7,355,963**	7,523,714
Provisions	**116,847**	76,561
Share-based payments	**724,481**	1,395,488
Net operating loss before working capital changes	**6,613,772**	15,229,246
Changes in working capital:		
Decrease/(increase) in trade receivables	**4,321,058**	(8,524,886)
(Increase)/decrease in inventories	**(77,540)**	17,590
Increase in trade and other payables	**2,067,945**	1,185,362
	12,925,235	7,907,312
Interest received	**7,424**	–
Income tax refunded/(paid)	**1,355,826**	(199,136)
	14,288,485	7,708,176

22. Share based payment plan

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. This plan replaces the employee incentive option plan and employee incentive share plan as approved as part of the implementation of the Scheme of Arrangement by the Group shareholders in 2007.

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 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 vesting on 30 December 2013, a further 40% of the options vesting on 30 December 2014 and the remaining 40% of the options vesting on 30 December 2015, subject to the participant's continued employment.

The fair values of the options granted are determined at the grant date using a Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted (the exercise price, the term of the option), the impact of dilution, 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 30 June 2012:

Expected volatility (%)	66.1
Risk-free rate (%)	5.57
Expected life (years)	10 years
Share price ($)	0.33
Exercise price ($)	Nil
Expected dividend yield ($)	Nil

Grant date	Expiry date	Exercise price*	Fair value at grant date*	Balance at start of the year	Granted during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at end of year
				Number	Number	Number	Number	Number
Options 2012								
10 Jun 2009	30 Jun 2012	**$1.05**	**$1.55**	**6,000,000**	**–**	**(6,000,000)**	**–**	**–**
29 Dec 2011	29 Dec 2021	**Nil**	**$0.33**	**–**	**13,000,000**	**–**	**13,000,000**	**–**
Total				**6,000,000**	**13,000,000**	**(6,000,000)**	**13,000,000**	**–**
Weighted average exercise price				**$1.05**	**–**	**$1.05**	**–**	**–**
Options 2011								
17 Mar 2008	30 Jun 2011	$2.89	$1.09	400,000	–	(400,000)	–	–
17 Mar 2008	30 Jun 2011	$2.67	$1.14	600,000	–	(600,000)	–	–
18 Aug 2008	30 Jun 2011	$1.63	$1.33	3,383,000	–	(3,383,000)	–	–
18 Dec 2008	30 Jun 2011	$1.63	$1.63	2,250,000	–	(2,250,000)	–	–
10 Jun 2009	30 Jun 2012	$1.05	$1.55	6,000,000	–	–	6,000,000	6,000,000
31 Jul 2009	30 Jun 2011	$1.40	$1.21	359,909	–	(359,909)	–	–
Total				12,992,909	–	(6,992,909)	6,000,000	6,000,000
Weighted average exercise price				$1.32	–	$1.55	$1.05	$1.05

** Prices are in Australian dollars*

22. Share-based payment plan (continued)

The weighted average remaining contractual life of the share options is 10 years (2011: one year).

The weighted average share price at the date of exercise of options during the year ended 30 June 2012 was nil as no options were exercised during the current financial year (2011: $Nil).

Employee share plan

Set out below are summaries of shares (in substance options) issued under the plan:

Shares 2012

There are no shares issued under the employee share plan outstanding as at 30 June 2012.

Shares 2011

Issue date	Expiry date	Exercise price*	Balance at start of the year	Issued during the year	Expired during the year	Balance at the end of the year	Vested at the end of the year
		$	Number	Number	Number	Number	Number
20 Dec 2006	20 Dec 2010	0.90	200,000	–	(200,000)	–	–
17 Mar 2008	30 Jun 2011	2.89	500,000	–	(500,000)	–	–
17 Mar 2008	30 Jun 2011	2.67	33,000	–	(33,000)	–	–
18 Aug 2008	30 Jun 2011	1.63	950,000	–	(950,000)	–	–
23 Dec 2008	30 Jun 2011	1.63	700,000	–	(700,000)	–	–
Total			2,383,000	–	(2,383,000)	–	–

** Prices are in Australian dollars*

Expense recognised through profit and loss

	2012	2011
	$	$
Options under employee option plan	724,481	1,317,085
Shares under employee share plan	–	78,403
Total expense	724,481	1,395,488

23. Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables, loans, finance leases and other 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 accounts receivable and cash and short-term deposits, which arise directly from its operations. The Group also holds available-for-sale investments and financial assets at fair value through profit or loss.

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, interest rate risk and foreign currency risk), liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks, which are summarised below.

The Group's senior management oversees the management of financial risks. The Board provides assurance to the Group's senior management 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 Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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, available-for-sale financial assets and financial assets at fair value through profit or loss and interest bearing loans and 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 2012 and 30 June 2011.

The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings/accumulated losses.

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

	2012	2011
	$	$
Financial assets		
Loans and receivables		
Trade and other receivables *	12,864,530	20,141,830
Cash and cash equivalents	15,716,680	23,497,092
Financial assets at fair value through profit and loss	16,374	42,380
Available-for-sale financial assets	76,861	458,168
	28,674,445	44,139,470
Financial liabilities		
Other financial liabilities at amortised cost		
Interest bearing loans and borrowings	(430,717)	(464,678)
Trade and other payables	(7,659,667)	(5,550,646)
	(8,090,384)	(6,015,324)

** 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 four types of risk: commodity price risk, interest rate risk, equity price risk and currency risk. Financial instruments affected by market risk include receivables, loans, borrowings, deposits, available-for-sale financial instruments and financial assets at fair value through profit or loss.

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.

23. Financial risk management objectives and policies (continued)

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

	2012	2011
	$	$
Financial assets		
Trade receivables	**9,218,185**	19,429,304

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

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.

	2012		2011	
	Profit/(loss)	Equity increase/ (decrease)	Profit/(loss)	Equity increase/ (decrease)
10% (2011: 10%) increase in PGM prices	**809,765**	**809,765**	1,398,910	1,398,910
10% (2011: 10%) decrease in PGM prices	**(809,765)**	**(809,765)**	(1,398,910)	(1,398,910)

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).

As at 30 June 2011 and 2012 the Group had no exposure to foreign currency risk.

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 and interest bearing borrowings, relating to finance leases on motor vehicles and equipment.

Cash and cash equivalents are exposed to AUD, ZAR and GBP 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 risk is managed by the Group 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:

	2012	2011
	$	$
Financial assets		
Cash and cash equivalents	**15,716,680**	23,497,092
Financial liabilities		
Interest bearing loans and borrowings	**(430,717)**	(464,678)

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 $48,683 (2011: $74,544). The impact on equity would have been the same.

Equity price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's Board of Directors reviews and approves all equity investment decisions. At the reporting date, the exposure to listed equity securities at fair value was $93,235 (2011: $500,548).

At reporting date, if the equity prices had been 5% higher or lower, the impact on net loss for the year ended 30 June 2012 and equity would have been immaterial.

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 two specific customers as per contractually agreed terms. The two customers have complied with all contractual sales terms and have 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.

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	5+ years	Total
	$	$	$	$	$	$
2012						
Non-interest bearing	**7,659,667**	**7,659,667**	**7,659,667**	**–**	**–**	**7,659,667**
Finance lease liability	**430,717**	**479,357**	**230,048**	**249,309**	**–**	**479,357**
	8,090,384	**8,139,024**	**7,889,715**	**249,309**	**–**	**8,139,024**
2011						
Non-interest bearing	5,550,635	5,550,635	5,550,635	–	–	5,550,635
Finance lease liability	464,678	528,188	144,184	384,004	–	528,188
	6,015,313	6,078,823	5,694,819	384,004	–	6,078,823

Fair value of financial instruments

For financial assets and liabilities, 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 the carrying amount exceeds net fair value at balance sheet date.

Fair value hierarchy

The table below presents the Group's financial assets and liabilities measured and recognised at fair value, by valuation method in the hierarchy defined below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
2012 Assets				
Available-for-sale financial assets	**76,861**	**–**	**–**	**76,861**
Financial assets at fair value through profit or loss	**16,374**	**–**	**–**	**16,374**
	93,235	**–**	**–**	**93,235**
2011 Assets				
Available-for-sale financial assets	458,168	–	–	458,168
Financial assets at fair value through profit or loss	42,380	–	–	42,380
	500,548	–	–	500,548

24. Commitments and contingencies

Operating lease commitments

Future minimum lease payments (net of GST) as at 30 June are as follows:	2012	2011
	$	$
Office premises		
The Group has a number of commercial lease arrangements whereby it lease its current office premises, both in Perth and Johannesburg. These leases have an average life of five years with an option to renew at the end of the lease term.		
Within one year	**173,508**	273,145
After one year but not more than five years	**140,488**	150,271
More than five years	**–**	–
	313,996	423,416
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.		
Within one year	**31,742**	25,332
After one year but not more than five years	**100,079**	64,778
More than five years	**–**	–
	131,821	90,110
Finance lease commitments		
The Group has installment sale agreements for various items of motor vehicles and plant and equipment.		
Motor vehicles		
Within one year	**7,928**	32,876
After one year but not more than five years	**30,622**	1,967
More than five years	**–**	–
	38,550	34,843
Plant and equipment		
Within one year	**194,259**	133,646
After one year but not more than five years	**198,595**	296,189
More than five years	**–**	–
	392,854	429,835
Commitments for plant construction		
At 30 June 2012 commitments were signed for continued improvements of Millsell, Steelpoort, Mooinooi, Lannex and Doornbosch plants, the expansion of the Mooinooi flotation plant as well as exploration on the Northern Limb.		
Within one year	**7,988,659**	5,198,502
After one year but not more than five years	**–**	–
More than five years	**–**	–
Commitments for property		
An agreement was entered into by subsidiary company Zoetveld Mining and Prospecting (Pty) Ltd on 23 April 2012 to purchase properties consisting of farms. The purchase price is based on fair values of those properties at that date.		
Within one year	**2,678,500**	–
After one year but not more than five years	**–**	–
More than five years	**–**	–

Contingent liabilities

The Group had no contingencies at 30 June 2012.

25. 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, including their personally related parties, is set out below:

	Balance at the start of the year	Issued under share and option plan	Other changes during the year	Balance at the end of the year
Director 2012				
T M McConnachie	500,000	–	–	500,000
R D Rossiter	1,032,000	–	–	1,032,000
G M Button	300,000	–	–	300,00
Director 2011				
T M McConnachie	500,000	–	–	500,000
R D Rossiter	1,032,000	–	–	1,032,000
G M Button	300,000	–	–	300,000

All equity transactions with key management personnel other than those arising under the Group's Incentive Option Plan 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, including personally related parties is set out below:

	Balance at the start of the year	Issued under share and option plan	Other changes during the year	Balance at the end of the year
Director 2012				
T M McConnachie	–	2,000,000	–	2,000,000
R D Rossiter	–	1,000,000	–	1,000,000
G M Button	–	1,000,000	–	1,000,000
L M Carroll	–	1,500,000	–	1,500,000
R A Williams	–	500,000	–	500,000

Key management personnel compensation

	2012	2011
	$	$
Short-term	3,605,619	2,780,969
Post-employment	38,682	50,532
Share-based payments	637,738	113,267
	4,282,039	2,944,768
Consultants previously considered key management:		
Consulting fees	–	501,219
Termination payments (refer note 4.2)	295,000	1,470,942
Share-based payments	55,215	190,616
	350,215	2,162,777
Total	4,632,254	5,107,545

Compensation options: granted under the employee option plan

Options provided as remuneration and shares issued on exercise of such options

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 22.

25. Key management disclosure (continued)

Compensation shares: issued under the employee share plan

Shares provided as remuneration

Details of shares provided as remuneration can be found in note 22.

26. 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 (%)	
			2012	2011
Sylvania Resources Pty Ltd	Australia	Ordinary	100	100
Twinloop Nominees Pty Ltd	Australia	Ordinary	100	100
Great Australian Resources Pty Ltd	Australia	Ordinary	100	100
SA Metals Pty Ltd	Australia	Ordinary	100	100
Platinum Mining Ventures Limited	Australia	Ordinary	100	100
Sylvania Holdings Limited	Mauritius	Ordinary	100	100
Aralon Holdings Limited	Mauritius	Ordinary	100	100
Ironveld Holdings Mauritius Limited	Mauritius	Ordinary	100	–
Ironveld Mauritius Limited	Mauritius	Ordinary	100	–
Sylvania South Africa (Pty) Ltd	South Africa	Ordinary	74	74
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
Great Australian Resources SA (Pty) Ltd	South Africa	Ordinary	100	100
Hacra Mining & Exploration Company (Pty) Ltd	South Africa	Ordinary	100	100
Pan Palladium SA (Pty) Ltd	South Africa	Ordinary	100	100
Ironveld Holdings (Pty) Ltd	South Africa	Ordinary	100	–
Ironveld Mining (Pty) Ltd	South Africa	Ordinary	100	–
Lapon Mining (Pty) Ltd	South Africa	Ordinary	100	–
HW Iron (Pty) Ltd	South Africa	Ordinary	100	–
Luge Prospecting and Mining Company (Pty) Ltd	South Africa	Ordinary	100	–
Volspruit Mining Company (Pty) Ltd	South Africa	Ordinary	100	–
Zoetveld Mining and Prospecting (Pty) Ltd	South Africa	Ordinary	100	–

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.

Several subsidiary companies were newly incorporated in accordance with the conditions of the agreement entered into with Mercury requiring the completion of the restructuring of the corporate Group currently holding the iron ore assets (refer note to 28).

Other related parties relationships

Entities controlled or significantly influenced by key management	Summer Sun Trading 210 (Pty) Ltd Southridge Properties (Pty) Ltd Realm Resources Ltd Ferrum Crescent Ltd

Loans to/(from) related parties

There are no outstanding balances with related parties as at 30 June 2012.

Terms and conditions with related parties

All loans were granted on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between related parties.

Outstanding balances are unsecured and are repayable in cash.

Jointly controlled entity

The Group has a 25% interest in the assets, liabilities and output of an unincorporated joint venture, CTRP, which operates a chrome tailings retreatment plant at Kroondal in South Africa (2011: 25%).

Terms and conditions with jointly controlled entity

Payments made on behalf of CTRP are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

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:

	2012	2011
	$	$
Service fees paid to related parties		
Summer Sun Trading 210 (Pty) Ltd	**(16,811)**	(8,810)
Southridge Properties (Pty) Ltd	**(2,178)**	(4,197)
Recoveries from related parties		
Summer Sun Trading 210 (Pty) Ltd	**–**	1,382
Realm Resources Ltd	**15,832**	17,102
Ferrum Crescent Ltd	**84,020**	194,427
	80,863	199,904

27. Closed Group class order disclosure

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

Name	Country of incorporation	Equity interest %	Investment AU$
Sylvania Resources Proprietary Limited	Australia	100	190,356,566

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 Platinum and Sylvania Resources entered into a Deed of Cross Guarantee on 23 June 2011. The effect of the deed is that Sylvania Platinum 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 Platinum 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 Comprehensive Income

	2012 $	2011 $
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other income	32,504	14,690
Foreign exchange loss	(24,248)	(17,581)
Impairment of available-for-sale financial assets	(368,797)	–
Share-based payment expense	(430,513)	(513,646)
General and administrative costs	(4,425,776)	(5,986,429)
Operating loss	(5,216,830)	(6,502,966)
Finance revenue	324,015	617,728
Loss before income tax expense	(4,892,815)	(5,885,238)
Income tax (expense)/benefit	–	–
Net loss for the year	(4,892,815)	(5,885,238)

Consolidated Statement of Financial Position	2012	2011
	$	$
Assets		
Non-current assets		
Investments	99,811,753	103,337,582
Available-for-sale financial assets	76,861	458,168
Loans receivable	77,630,055	80,004,236
Property, plant and equipment	19,971	28,976
Total non-current assets	177,538,640	183,828,962
Current assets		
Cash and cash equivalents	5,148,594	9,611,383
Trade and other receivables	357,901	310,084
Total current assets	5,506,495	9,921,467
Total assets	183,045,135	193,750,429
Equity and liabilities		
Shareholders' equity		
Issued capital	29,557,290	29,639,275
Reserves	161,441,644	167,389,720
Accumulated losses	(8,440,701)	(3,547,886)
Equity attributable to the owners of the parent	182,558,233	193,481,109
Non-controlling interest	–	–
Total equity	182,558,233	193,481,109
Current liabilities		
Trade and other payables	486,902	269,320
Total current liabilities	486,902	269,320
Total liabilities	486,902	269,320
Total liabilities and shareholders' equity	183,045,135	193,750,429

28. Events after the balance sheet date

On 8 July 2011 Sylvania announced its decision to dispose of a significant portion of its magnetite iron ore assets, subject to shareholder and regulatory approvals. SA Metals and GAU, both wholly owned subsidiaries of Sylvania hold the prospecting rights to the magnetite iron ore which are located on the Northern Limb of the Igneous Bushveld Complex.

A review of the Northern Limb revealed that magnetite layers are present across the entire Northern Limb properties held by Sylvania. In those areas where Sylvania did not hold prospecting rights for the iron ore, application was made to the DMR and these rights were granted on 20 June 2012.

On 7 March 2012, Sylvania announced that it had entered into a conditional legally binding agreement (the agreement) with Mercury whereby Mercury would acquire the rights to the iron ore assets in exchange for 203,022,285 fully paid Mercury shares (Consideration Shares). The Consideration Shares were issued at a deemed issue price of 6.75 pence , being the closing price of Mercury shares on AIM on 6 March 2012.

The acquisition of the iron ore assets by Mercury is covered under Rule 14 of the AIM Rules for Companies and was therefore conditional upon the approval of Mercury's shareholders at the General Meeting.

28. Events after the balance sheet date (continued)

The SPA was conditional upon the fulfilment of certain conditions including, inter alia:

- completion of certain outstanding due diligence by Mercury in relation to the iron ore assets and no material adverse matters arising prior to the distribution of the AIM Admission Document;
- completion of certain outstanding due diligence by Sylvania in relation to Mercury and no material adverse matters arising prior to the distribution of the AIM Admission Document;
- the completion of the restructuring of the corporate group currently holding the iron ore assets; and
- approval by Mercury shareholders and readmission of the enlarged Mercury Group to trading on AIM.

As announced on 16 August 2012 the disposal of the Iron Ore Assets was completed and admission of the enlarged Mercury Group (now renamed Ironveld plc) took place.

Distribution of the Consideration Shares to the Sylvania shareholders was also made on 16 August 2012 on the basis that for every Sylvania Ordinary Share held by Sylvania shareholders, 0.675 of an ordinary share in Mercury was received.

Shareholders on the Sylvania share register who hold less than 2,000 Ordinary Shares and any Sylvania shareholders who had registered addresses in the United States, Canada and Japan (collectively Ineligible Holders) did not receive Consideration Shares, but instead received a cash dividend based on the equivalent value of the Dividend in Specie.

Sylvania sold the Consideration Shares due referred to above, being approximately 64,872 Consideration Shares in aggregate based on the Company's share register on the trading day 15 August 2012, so as to satisfy the Cash Dividend payable to those shareholders. The proceeds of such sale, net of expenses, were paid to Ineligible Holders in Sterling, other than in the case of Australian resident holders who were paid in Australian Dollars.

Fractional entitlements of Consideration Shares which otherwise would have arisen will be sold for the benefit of Sylvania.

Sylvania has also entered into a facility agreement with Ironveld plc whereby Sylvania (through its South African subsidiary, Sylvania Metals Pty Ltd) will provide a loan facility of up to ZAR15 million (approximately $1.8 million) to Ironveld, the company which holds the Iron Ore Assets (Facility). Ironveld plc has guaranteed all obligations of Ironveld under the Facility. The funds to be made available under the Facility will be used to further fund the development of the Iron Ore Assets.

The Facility will mature on 30 June 2016, at which time the amount utilised under the Facility (and all accrued interest) will need to be repaid. As security for the amount due under the Facility, Ironveld plc agreed that on Admission to AIM it issued to Sylvania warrants to subscribe for up to £1.5 million ($2.3 million) of ordinary shares in Ironveld plc at a price equal to the 90 day VWAP on the business day preceding the exercise, (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 which 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 plc to repay the Facility.

For so long as any amount remains owing under the Facility, Sylvania has the right to appoint a director to the board of Ironveld plc. Pursuant to this right, Sylvania has appointed Terry McConnachie (CEO of Sylvania) as a non-executive director of Ironveld plc. Peter Cox (currently CEO of Iron Ore Assets) has been appointed a director, and will serve as CEO of Ironveld plc. These appointments became effective on 15 August 2012.

Summons received from Platmin South Africa (Pty) Ltd

On 13 September 2012 Sylvania announced that a summons was received by the Company regarding a claim being brought by Platmin South Africa (Pty) Ltd (Platmin) (previously known as Boynton Investments (Pty) Ltd (Boynton)), a subsidiary of Platmin Limited, declaring that Platmin as the co-owner of the tailings, or, alternatively, the co-owner of the PGMs contained in the Lannex Tailings Dam situated on the Farm Grootboom in the District of Lydenburg, Mpumulanga, South Africa.

This claim is the same in nature as a motion put before the North Gauteng High Court, Pretoria by Boynton against Sylvania in 2009. On 14 April 2009, Boynton withdrew that application and was ordered by the North Gauteng High Court, Pretoria to pay Sylvania's legal costs including the costs of two legal counsels appointed by Sylvania to oppose the matter.

The Board of Sylvania continues to refute these claims and intends to again defend them vigorously.

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 International Financial Reporting Standards (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company'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 Company'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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding assets of the Company 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.

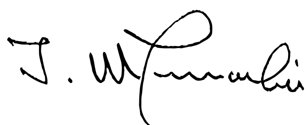
Directors' Responsibility Statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company 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 Company 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



TM McConnachie
Chief Executive Officer

12 October 2012

ERNST & YOUNG

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Independent auditor's report to the members of Sylvania Platinum Limited

We have audited the accompanying financial report of Sylvania Platinum Limited, which comprises the statements of financial position as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

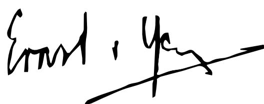
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial positions of the company and the consolidated entity as of 30 June 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Ernst & Young
Perth

12 October 2012

Liability limited by a scheme approved
under Professional Standards Legislation

026-RK-PB-Sylvania

Additional information for listed public companies

Shareholders Profile as at 3 September 2012

Shareholders holding 3% or more fully paid shares

	Shareholder	Number of shares	% shareholding
1	Africa Asia Capital	58,882,551	19.6
2	Audley Capital	38,252,574	12.7
3	M&G Investments Management	29,280,250	9.7
4	JP Morgan Asset Management	18,643,959	6.2
5	Odey Asset Management	17,831,860	5.9
6	Capital Research Global Investors	15,000,000	5.0
7	UBS Securities	11,757,900	3.9
8	Henderson Global Investors	10,022,241	3.3
		199,671,335	**66.3**

Glossary of terms 2012

The following definitions apply throughout the annual financial statements:

AACL	Africa Asia Capital Limited
AGM	Annual General Meeting
AIM	Alternative Investment Market of the London Stock Exchange
AQPSA	Aquarius Platinum (South Africa) (Pty) Ltd
ASX	Australian Securities Exchange
BEE	Black Economic Empowerment
Boynton	Boynton Investments (Pty) Ltd
CGU	Cash generating unit
The Code	UK Corporate Government Code
CTRP	Chrome Tailings Retreatment Project
DI	Depositary interests
DMR	Department of Mineral Resources
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIA	Environmental Impact Assessment
EIR	Effective interest rate
Ehlobo	Ehlobo Metals (Pty) Ltd
EMPR	Environmental Management Programme Report
GAU	Great Australian Resources Pty Ltd (Formerly Great Australian Resources Limited)
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial reporting Standards
Ironveld	Ironveld Holdings (Pty) Ltd

JORC	Joint Ore Reserves Committee
JV	Joint Venture
LSE	London Stock Exchange
LTI	Lost-time injury
Mercury	Mercury Recycling Group Plc
MPRDA	Mineral and Petroleum Resources Development Act
NASDAQ	National Association of Securities Dealers Automated Quotations
NOMR	New Order Mining Rights
PGM	Platinum group metals comprising mainly platinum, palladium, rhodium and gold
Platmin	Platmin South Africa (Pty) Ltd
ROM	Run-of-mine
SAM	SA Metals Pty Ltd (formerly SA Metals Limited)
SAMREC	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SDO	Sylvania dump operations
Shares	Common shares
Sylvania	Sylvania Platinum Limited, a company incorporated in Bermuda
VWAP	Volume-weighted average price
WULA	Water Use Licence Application
AUD	Australian Dollar
GBP	Great British Pound
USD	United States Dollar
ZAR	South African Rand

Notes

2012 Annual Report

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www.sylvaniaplatinum.com