

# Regulatory Story

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**Sylvania Platinum Limited** - SLP Final Results  
Released 07:00 21-Aug-2017

RNS Number : 47390  
Sylvania Platinum Limited  
21 August 2017

## **Sylvania Platinum Limited Results for the year ended 30 June 2017 ("Sylvania", "the Company" or "the Group") AIM (SLP)**

**21 August 2017**

The Directors of the Company are pleased to present the results for the financial year ended 30 June 2017. Unless otherwise stated, the consolidated financial information contained in this report is presented in US Dollars. The complete Annual Report for the financial year ended 30 June 2017 is available on the Company website ([www.sylvaniaplatinum.com](http://www.sylvaniaplatinum.com)).

### **Financial snapshot**

- Group revenue increased 28% year-on-year to \$50.5 million (FY2016: \$39.5 million);
- EBITDA increased 54% to \$20.0 million for the Sylvania Dump Operations ("SDO") (FY2016: \$13.0 million);
- Group EBITDA improved by 65% to \$18.3 million (FY2016 \$11.1 million);
- General and administrative costs are down by 12% from \$2.26 million in FY2016 to \$2.00 million;
- Gross profit up by 84% year-on-year from \$7.73 million in FY2016 to \$14.26 million;
- Profit after income tax of \$8.87 million achieved (FY2016: \$3.73 million);
- Basic earnings per share ("EPS") improved 139% to 3.06 US cents per share from 1.28 US cents per share in FY2016;
- Group capital and exploration expenditure increased by 162% to \$4.67 million (FY2016: \$1.78 million);

### **Operations snapshot**

- Fourth consecutive year of record SDO production at steady state, achieving 70,869 ounces - a 17% increase from the previous record of 60,643 ounces achieved in FY2016;
- Group cash cost \$453/oz, a 4% decrease year-on-year from \$470/oz in FY2016.

## SYLVANIA OVERVIEW

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

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

Cash generated from operations before working capital movements was \$18.8 million, with net changes in working capital amounting to a reduction of \$3.1 million and \$0.6 million net finance income received. A total of \$4.2 million was paid in tax for the year. During the year, a net amount of \$0.4 million was received from the insurers after a review of the underlying investment for the rehabilitation insurance guarantee. \$0.7 million was spent on exploration activities, \$3.5 million on stay in business capital and capital projects for the SDO plants (FY2016: \$1.2 million) and \$0.4 million on an investment in a joint venture R&D project. A part payment of \$0.6 million was received from Ironveld Holdings (Pty) Ltd under the terms of the loan agreement with Ironveld Plc.<sup>1</sup> The Company spent \$0.6 million on share transactions and the impact of exchange rate fluctuations on cash held at the year-end was \$1.0 million.

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

<sup>1</sup>The full capital amount of ZAR15.0 million was repaid in July 2017

Commenting on the annual results, Sylvania Platinum's CEO, Terry McConnachie, said:

*"Four consecutive years of increased ounce production, with plants at steady state, is commendable and I congratulate our management team for the excellent production performance in excess of 70,000 ounces for the year. We managed to improve on our previous Company record by 17% and I am excited for future production once Project Echo is complete and the possible further expansion through the Phoenix acquisition, announced in the fourth quarter report. The ounces were produced at a Group cash cost of \$453/oz which is 4% down from the previous year. Although our Group capex has increased to \$4.67 million for the year, this was largely as a result of Project Echo and Grasvally Bulk-Sample costs.*

*Our Group remains cash positive and the Group cash balance increased to \$15.3 million (a 128% increase) even with the increased capex spend and a tax payment of \$4.2 million. We furthermore see cash generated from operations (after income tax expense) of \$12.0 million whilst the average gross basket price was \$935/oz, a 10% increase on the previous year's \$850/oz.*

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

### Financial and production summary Half-year and Full year

	Unit	Jan - Jun 2017 H2	Jul - Dec 2016 H1	+ - % Change		FY 2017	FY 2016	+ - % Change
<b>Group Revenue</b>								
Revenue <sup>2</sup>	\$'000	25,956	24,551	6%		50,497	39,511	28%
Gross Basket Price	\$/oz	956	915	4%		935	850	10%
Gross Cash Margin - Group	%	36%	38%	-5%		36%	28%	29%
Capital & Exploration Expenditure	\$'000	3,775	973	288%		4,669	1,780	162%
EBITDA <sup>3</sup>	\$'000	9,106	9,215	-1%		18,327	11,083	65%
Ave R/\$ rate <sup>2</sup>	R/\$	13.22	14.02	-6%		13.61	14.43	-6%
<b>Group Cash Cost<sup>4</sup></b>								
Per 3E & Au oz	\$/oz	474	425	12%		453	470	-4%

<b>SDO Revenue</b>								
Revenue	\$'000	25,956	24,551	6%		50,497	39,511	28%
Gross Basket Price	\$/oz	956	915	4%		935	850	10%
Gross Cash Margin - SDO	%	40%	41%	-2%		40%	33%	21%
Capital Expenditure	\$'000	3,020	837	261%		3,794	1,420	167%
EBITDA	\$'000	10,058	9,945	1%		20,012	12,957	54%
Ave R/\$ rate	R/\$	13.22	14.02	-6%		13.61	14.43	-6%
<b>SDO Cash Cost<sup>3</sup></b>								
Per PGM Feed ton	\$/t	26	25	4%		26	23	13%
Per 3E & Au oz	\$/oz	449	405	11%		426	437	-3%

	Unit	Jan - Jun 2017 H2	Jul - Dec 2016 H1	+ - % Change		FY 2017	FY 2016	+ - % Change
<b>Production - SDO</b>								
Plant Feed	T	1,073,857	1,063,150	-1%		2,137,007	2,179,468	-2%
Feed Head Grade	g/t	2.75	2.40	15%		2.65	2.40	10%
PGM Plant Feed Tons	T	594,116	574,796	3%		1,168,912	1,133,908	3%
PGM Plant Grade	g/t	4.07	4.05	0%		4.06	4.03	1%
PGM Plant Recovery	%	45.4%	46.7%	-3%		46.4%	43.2%	7%
Total 3E and Au	Oz	35,050	35,819	-2%		70,869	60,643	17%

<sup>2</sup> The functional currency for SDO is SA Rand and the exchange rate shown is the average over the period indicated.

<sup>3</sup> EBITDA is Earnings before Interest, taxation, impairment adjustments, depreciation and amortisation.

<sup>4</sup> Cash costs include plant operating costs such as mining, processing, administration, royalties and production taxes, but are exclusive of depreciation, amortisation, reclamation, capital, project development and exploration costs.

## A. SYLVANIA DUMP OPERATIONS

### Health, safety and environment

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

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

### Operations

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

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

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

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

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

### **Project Echo**

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

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

## **EXPLORATION AND OPENCAST MINING PROJECTS**

### **Harriet's Wish, Aurora and Cracouw Exploration**

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

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

### **Nonnenworth, La Pucella and Altona Platinum Exploration**

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

### **Volspruit Platinum Exploration**

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

This year has seen the Company actively pursue an appeal against the decision of the Limpopo Department of Economic Development, Environment and Tourism ("LEDET") not to grant an EA for the project. Interested and Affected Parties ("I&APs") submitted comments to the appeal, to which Sylvania responded in the first quarter. To date no decision has been forthcoming but it is hoped that one will be reached soon and this will be communicated to all stakeholders.

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

### **Grasvalley Chrome Exploration**

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

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

FY2017 was an eventful period in terms of the EA for the project. The Company was issued notification in the second quarter that the EA for the project had been granted, but this was soon appealed by I&APs. The

Company filed all documents necessary to finalise the appeal during the third quarter and was pleased to receive communication from the DMR during the fourth quarter that the appeal was set aside. Accordingly, the EA for processing the waste rock dumps stands.

The Company began extraction of a Chrome Bulk Sample during the third quarter, pursuant to consent granted by the DMR in terms of section 20 of the Mineral and Petroleum Resources Development Act ("MPRDA"). The plan is to extract 15,000 tons of Run of Mine ("ROM") and at the end of FY2017 a total of five bulk sample open-pits had been blasted with total excavated ROM stockpiles measuring 6,167 tons. The remainder is to be extracted once the beneficiation testing of the initial stockpiles is finalised. The initial results were positive - a combined concentrate of >50% Cr<sub>2</sub>O<sub>3</sub> - however a decision has been taken to move beneficiation to a more suitable plant in Steelpoort to better liberate the chrome from the ore.

## FINANCIALS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	1	50,497,045	39,510,771
Cost of sales		(36,241,259)	(31,780,332)
<b>Gross profit</b>		<b>14,255,786</b>	<b>7,730,439</b>
Other income		271,852	42,985
Profit on sale of property, plant and equipment		37,449	5,734
Foreign exchange (loss)/gain		(22,583)	288,528
Profit on sale of financial assets at fair value through profit and loss		-	729
Loss on sale of available-for-sale financial assets		-	(4,851)
Impairment of exploration and evaluation assets		-	(8,280)
General and administrative costs	2	(1,980,978)	(2,259,578)
<b>Operating profit before finance costs and income tax expense</b>		<b>12,561,526</b>	<b>5,795,706</b>
Finance income		888,548	396,399
Finance costs		(244,292)	(218,270)
<b>Profit before income tax expense</b>		<b>13,205,782</b>	<b>5,973,835</b>
Income tax expense		(4,333,218)	(2,240,300)
<b>Net profit for the year</b>		<b>8,872,564</b>	<b>3,733,535</b>
		<b>Cents</b>	<b>Cents</b>
Profit per share for profit attributable to the ordinary equity holders of the Company:			
<a href="#">Basic earnings per share</a>		3.06	1.28
Diluted earnings per share		3.02	1.24

- Revenue is generated from the sale of PGM ounces produced at the seven retreatment plants.
- General and administrative costs include consulting fees (\$0.1 million), legal fees (\$0.04 million), travel (\$0.2 million), advisor and PR costs (\$0.1 million), Directors' fees (\$0.3 million), share based payments (\$0.4 million) and other smaller administrative costs.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2017**

	Notes	2017 \$	2016 \$
Net cash inflow from operating activities	3	12,074,340	1,929,245
Net cash outflow from investing activities	4	(3,631,791)	(1,437,476)
Net cash outflow from financing activities	5	(791,782)	(1,368,254)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,650,767</b>	<b>(876,485)</b>
<b>Effect of exchange fluctuations on cash held</b>		<b>963,328</b>	<b>(832,835)</b>
<b>Cash and cash equivalents beginning of year</b>		<b>6,707,022</b>	<b>8,416,342</b>
<b>Cash and cash equivalents, end of year</b>		<b>15,321,117</b>	<b>6,707,022</b>

3. Net cash inflow from operating activities includes a net operating cash inflow of \$15,717,566, net finance income of \$575,197 and taxation paid of \$4,218,423.
4. Net cash outflow from investing activities includes payments for property, plant and equipment of \$3,524,927, exploration and evaluation assets of \$676,448, cash inflow of \$20,359 proceeds on disposal of property, plant and equipment, cash inflow of \$585,031 from Ironveld Holdings for a loan facility granted, a net amount of \$392,309 received for the rehabilitation insurance guarantee on review of the underlying investment and \$428,115 spent for an investment in a joint venture.
5. The net cash outflow from financing activities consists of the repayment of borrowings of \$226,762 and payments for share transactions of \$565,020.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 30 June 2017**

	Notes	2017 \$	2016 \$
<b>Assets</b>			
<b>Non-current assets</b>			
Equity-accounted investees	6	446,104	-
Other financial assets	7	586,271	710,055
Exploration and evaluation assets		57,587,900	55,723,424
Property, plant and equipment		32,257,692	30,132,591
<b>Total non-current assets</b>		<b>90,877,967</b>	<b>86,566,070</b>
<b>Current assets</b>			
Cash and cash equivalents	8	15,321,117	6,707,022
Trade and other receivables	9	19,502,105	16,055,698
Other financial assets	7	1,148,327	1,343,255
Inventories	10	1,797,930	1,693,024

Current tax asset		<b>756,225</b>	80,679
<b>Total current assets</b>		<b>38,525,734</b>	25,879,678
<b>Total assets</b>		<b>129,403,701</b>	112,445,748
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Issued capital	11	<b>2,979,819</b>	2,979,819
Reserves	12	<b>72,623,111</b>	66,917,322
Retained profit		<b>30,036,689</b>	21,164,125
<b>Total equity</b>		<b>105,639,619</b>	91,061,266
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	13	<b>323,419</b>	171,286
Provisions	14	<b>3,626,989</b>	2,809,228
Deferred tax liability		<b>14,591,815</b>	12,076,899
<b>Total non-current liabilities</b>		<b>18,542,223</b>	15,057,413
<b>Current liabilities</b>			
Trade and other payables		<b>5,075,120</b>	6,115,147
Interest bearing loans and borrowings	13	<b>146,739</b>	211,922
<b>Total current liabilities</b>		<b>5,221,859</b>	6,327,069
<b>Total liabilities</b>		<b>23,764,082</b>	21,384,482
<b>Total liabilities and shareholders' equity</b>		<b>129,403,701</b>	112,445,748

6. Equity-accounted investees consist of a 50% interest in a new joint venture research and development project, Tizer Sylvania Consortium, which operates a pilot pelletiser plant in South Africa.
7. Other financial assets consist of the investment linked to the rehabilitation insurance guarantee included in non-current assets and the loan receivable granted to Ironveld Holdings (Pty) Ltd from Sylvania Metals (Pty) Ltd, a South African subsidiary of the Group which is included in current assets.
8. The majority of the cash and cash equivalents are held in South Africa and ZAR denominated balances make up \$9,424,561 (ZAR 123,106,763) of the total cash and cash equivalents balance.
9. Trade and other receivables consist mainly of amounts receivable for the sale of PGM's.
10. Inventory held is stores and materials for the SDO and concentrate produced, but not delivered at 30 June 2017.
11. The total number of issued ordinary shares at 30 June 2017 is 297,981,896 Ordinary Share of US\$0.01 each (including 8,105,887 shares held in treasury).
12. Reserves include the share premium reserve, foreign currency translation reserve, which is used to record exchange differences arising from the translation of financial statements of foreign controlled entities, share-based payments reserve, reserve for own shares, the non-controlling interests reserve and the equity reserve.
13. Interest bearing loans and borrowings are secured instalment sale agreements over various motor vehicles and plant and equipment.
14. Provision is made for the present value of closure, restoration and environmental rehabilitation costs in the financial period when the related environmental disturbance occurs.

1. The financial information contained in this announcement does not comprise full financial statements.
2. The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments, embedded derivatives, and investments carried at fair value

through profit or loss, which have been measured at fair value. The consolidated financial information is presented in US Dollars.

## CORPORATE INFORMATION

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