



## **SEDIBELO PLATINUM MINES LIMITED**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015**

*December 10, 2015*

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the three and nine months ended September 30, 2015 contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial and operating performance of Sedibelo Platinum Mines Limited (the "Company" or "SPM"), its subsidiaries and affiliated companies (which together with Sedibelo Platinum Mines Limited is referred to as "the Group"), and its mineral projects, the future price of 4E metals (commonly used to refer to platinum, palladium, rhodium and gold), 4E production levels, mining rates, the future price of copper and nickel, future exchange rates, the estimation of mineral resources and reserves, the realization of mineral resource estimates or their conversion into reserves, costs and future costs of production, capital and exploration expenditures, including ongoing capital expenditure at the Pilanesberg Platinum Mine ("PPM"), costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations and exploration operations, timing and receipt of approvals, licenses, and conversions under South African mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "targeted" or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

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

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

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

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**Introduction**

**1.1 Incorporation of Sedibelo Platinum Mine Limited's shares**

Sedibelo Platinum Mines Limited ("the Company") is a registered Guernsey company. The Company reports in accordance with the provisions of The Companies (Guernsey) Law, 2008. During December 2013 the company changed its name from Platmin to Sedibelo Platinum Mines ("SPM") bringing it in line with its main subsidiaries' new enlarged regional profile.

**1.2 Principal activity**

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

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

- the opencast West Pit on the farm Tuschenkomst 135JP and
- the opencast East pit on the farm Wilgespruit 2JQ and
- a PGM concentrator, adjacent to West pit.

The principal focus of the Group is to maximise metal output from the concentrator. As at December 31, 2013, the consolidation of PGM mineral rights on the farms Tushenkomst 135JP, Wilgespruit 2JQ and Magazynskraal 3JQ, created a single block of mineral rights comprising 26.9 million 4E PGM Measured & Indicated Resource ounces and 23.2 million 4E PGM Inferred Resource ounces. These will mostly be developed from new infrastructure. Around 8 million ounces of these resources will be accessed via open cast mining and the balance is shallow compared to existing PGM producers in the Bushveld Complex. Surface and shallow mining is less hazardous than deep underground mines and enjoys embedded cost advantages.

PPM management supervises haul contractors and contractors specialising in drilling, blasting and run of mine ore preparation. The contractors include MCC Contracts (Proprietary) Limited ("MCC"), a wholly-owned subsidiary of Eqstra Holdings Limited and Trollope Mining Services (Proprietary) Limited ("Trollope"). Management are responsible for the overall mining strategy, planning and scheduling of the various mining sub cycles.

The operation of the PGM concentrator was historically outsourced to specialist contractors. From July 1, 2012 PPM has operated the concentrator as owner-manager. This has given PPM direct control of its PGM concentrator.

PGM concentrate is toll refined via contracts with Northam Platinum Limited ("Northam") and Impala Refining Services Limited ("IRS") to produce platinum, palladium, rhodium, and gold (collectively referred to as "4E"), plus iridium, ruthenium, copper and nickel.

## Management's Discussion and Analysis for the three and nine months ended September 30, 2015

### 1.3 Acquisition, exploration and development of other PGM properties

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

### 1.4 Purpose of this MD&A

This Management Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided to enable the reader to assess and understand the financial position and results of operations for the three and nine months ended September 30, 2015, in comparison to previous corresponding periods. Certain information in this MD&A must be read in conjunction with the audited consolidated financial statements of Sedibelo Platinum Mines Limited for the year ended December 31, 2014 and the notes thereto (collectively, the annual financial statements) prepared in accordance with International Financial Reporting Standards ("IFRS").

These documents can be found at [www.sedibeloplatinum.com](http://www.sedibeloplatinum.com).

### 1.5 Reporting currency and periods

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

The following exchange rates to the USD were relevant:

	At Sep 30, 2015	Average nine months ended Sep 30, 2015	Average three months ended Sep 30, 2015	At Dec 31, 2014	Average nine months ended Sep 30, 2014	Average three months ended Sep 30, 2014
South African Rand (USD:ZAR)	13.92	12.28	12.99	11.57	10.73	10.76

## 2. The consolidation of mineral rights on Tushenkomst 135JP, Wilgespruit 2JQ and Magazynskraal 3JQ and related transactions

On March 23, 2011 Sedibelo Platinum Mines announced the acquisition of the western portion of the Sedibelo PGM Project concession ("Sedibelo West") on the farm Wilgespruit 2JQ from the Bakgatla Ba Kgafela Tribe ("Bakgatla") and Itereleng Bakgatla Mineral Resources Proprietary Limited ("IBMR"). Sedibelo West is contiguous with and down-dip of the eastern boundary of the Tuschenkomst open pit. These two mining areas are referred to collectively as West Pit.

During April 2012 the requisite approval from the Department of Mineral Resources ("DMR") to incorporate the Sedibelo West area into the West pit was secured.

On November 29, 2012, the Group completed the consolidation of the Wilgespruit and Magazynskraal properties contiguous to West Pit. This consolidation is a key to unlocking significant investment value by creating a safe, cost effective, long life PGM producer of industry significance.

On December 3, 2012 after the consolidation was materially completed, the Industrial Development Corporation ("IDC") subscribed for new shares representing 16.2% of Sedibelo Platinum for USD364.512 million (ZAR3.24 billion) in cash. The introduction of the IDC as a key shareholder is an exciting development for the Group.

In order to finalise the consolidation and as per the consolidation transaction agreements, 34,210,665 and 6,613,522 shares in Sedibelo Platinum Mines were released in February 2014 to the Bakgatla Ba Kgafela Tribe and the Industrial Development Corporation respectively.

Sedibelo Platinum Mines is ideally placed in terms of infrastructure and management experience with the ore body to expedite "brownfields" development of the Western Limb. In addition, as this development momentum accelerates, the company could participate in the industry rationalisation which is unfolding.

## Management's Discussion and Analysis for the three and nine months ended September 30, 2015

### 2. The consolidation of mineral rights on Tushenkomst 135JP, Wilgespruit 2JQ and Magazynskraal 3JQ and related transactions (continued)

During July 2014, Pallinghurst EMG African Queen LP subscribed for 81,036,386 new shares in Sedibelo Platinum Mines in exchange for a consideration of USD61.133 million.

During November 2014, Pallinghurst Ivy Lane Capital Limited subscribed for 5,740,792 new shares in SPM in exchange for a consideration of USD4.331 million, bringing the total issued shares of SPM to 3,095,401,663.

### 3. Overall performance

#### 3.1 Financial condition

The following is a summary of key financial indicators as at September 30, 2015:

	Sep 30, 2015 USD'000	Dec 31, 2014 USD'000
Equity*	1,205,877	1,512,534
Net current assets, including cash*	124,286	206,886
Cash and cash equivalents*	102,168	166,793
Restricted cash investments and guarantees	17,315	18,412

\* Variances with comparative period to a large extent due to effects of ZAR:USD foreign exchange rate changes

#### 3.2 Cash flows

Cash and cash equivalents decreased to USD102.168 million from December 31, 2014 to September 30, 2015. This net decrease is primarily due to devaluation of the rand, investment activities and operating losses incurred during the nine months ended September 30, 2015.

#### 3.3 Results of operations

Key operational statistics for the quarter are summarised as follows:

		For the three months ended		For the nine months ended	
		Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Averaged milled head grade	g/t	2.06	1.87	1.99	2.02
Average concentrator recovery rate	%	78	75	76	71
Average recovered grade	g/t	1.61	1.41	1.52	1.42
Total 4E ounces dispatched and sold*	Ounces	46,435	41,312	128,918	113,099
Total loss	USD'000	(21,928)	(16,957)	(60,781)	(20,866)

\* Metal produced and declared is based on provisional assay results and therefore subject to change until such time that final assay results are received. These changes are not material.

Sales of 4E metal contributed approximately 92% to the gross revenue earned by the PPM during the nine month period ended September 30, 2015.

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**3.4 Market trends and outlook**

US dollar PGM prices decreased by approximately 17% during the nine month period ended September 30, 2015. The long term price outlook for PGM's remains uncertain. PGM prices are expected to fluctuate with world economic activity.

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

**3.5 Events or uncertainties during the nine month period ended September 30, 2015**

Quarterly metal dispatches were 46,435 oz for Q3 2015. Ongoing improvements resulted from technical and managerial progress combined with industrial and community peace. Substantial managerial effort is directed at securing and maintaining this peace, as without it, the company cannot achieve its objectives.

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**
**4. Results of operations**
**4.1 Financial performance for the quarter ended September 30, 2015**

The Group recorded a net loss of USD21.928 million and USD60.781 million for the three and nine month periods ended September 30, 2015 compared to a net loss of USD16.957 million and USD20.866 million, for the three and nine month periods ended September 30, 2014. The results are summarised as follows:

	For the three months ended		For the nine months ended	
	Sep 30, 2015 USD'000	Sep 30, 2014 USD'000	Sep 30, 2015 USD'000	Sep 30, 2014 USD'000
<b>Revenue</b>	<b>39,128</b>	<b>51,861</b>	<b>124,963</b>	<b>147,610</b>
<b>Cost of operations</b>	<b>(67,855)</b>	<b>(70,381)</b>	<b>(188,622)</b>	<b>(165,900)</b>
On mine operations	(31,088)	(38,064)	(89,693)	(81,526)
Concentrator plant operations	(11,365)	(9,776)	(30,238)	(37,884)
Beneficiation and transport	(5,124)	(5,010)	(15,943)	(12,685)
Salaries	(3,875)	(9,058)	(11,415)	(9,613)
<i>Subtotal</i>	<i>(51,452)</i>	<i>(61,908)</i>	<i>(147,289)</i>	<i>(141,708)</i>
Depreciation of operating assets	(16,864)	(8,740)	(42,073)	(24,464)
Change in inventories	461	267	740	272
<b>Gross loss</b>	<b>(28,727)</b>	<b>(18,520)</b>	<b>(63,659)</b>	<b>(18,290)</b>
<b>Operating expenses</b>	<b>(6,267)</b>	<b>(4,584)</b>	<b>(17,198)</b>	<b>(15,629)</b>
Employee expenses	(2,220)	(1,537)	(6,390)	(4,872)
General and administrative expenses	(2,174)	(1,741)	(6,509)	(4,311)
Amortisation and depreciation	(262)	(288)	(851)	(974)
Consulting and professional fees	(1,188)	(522)	(2,070)	(1,333)
Royalty tax	(210)	(226)	(623)	(727)
Audit fees	11	(265)	(314)	(550)
Impairment of mining assets	9	11	(381)	(2,713)
Share-based payments expense	(232)	(16)	(59)	(149)
<b>Other income</b>	<b>11,676</b>	<b>4,033</b>	<b>16,980</b>	<b>4,310</b>
Other income	58	17	117	138
Profit / (Loss) on scrapping of assets	-	-	13	(18)
Securities transfer tax	-	(199)	-	(63)
Impairment of loans	-	(3)	-	(21)
Profit on sale of asset	3	-	1	-
Foreign exchange gain	11,615	4,218	16,849	4,274
<b>Net finance income</b>	<b>1,217</b>	<b>2,519</b>	<b>3,420</b>	<b>9,148</b>
Finance income	2,049	3,167	5,103	10,435
Finance costs	(832)	(648)	(1,683)	(1,287)
<b>Share of profit from investments accounted for using the equity method</b>	<b>186</b>	<b>(331)</b>	<b>(169)</b>	<b>(331)</b>
<b>Loss before taxation</b>	<b>(21,915)</b>	<b>(16,883)</b>	<b>(60,626)</b>	<b>(20,792)</b>
Income tax	(13)	(74)	(155)	(74)
<b>Loss for the period</b>	<b>(21,928)</b>	<b>(16,957)</b>	<b>(60,781)</b>	<b>(20,866)</b>
<b>Other comprehensive loss</b>	<b>(160,477)</b>	<b>152,283</b>	<b>(234,361)</b>	<b>(180,343)</b>
Exchange difference on loans designated as net investments	(94,784)	-	(79,832)	-
Exchange difference on translation from functional to presentation currency	(66,225)	154,876	(155,267)	(177,875)
Movements in Other reserves	532	(2,593)	738	(2,468)
<b>Total comprehensive (loss) / income</b>	<b>(182,405)</b>	<b>135,326</b>	<b>(295,142)</b>	<b>(201,209)</b>

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**4.1 Financial performance for the quarter ended September 30, 2015 (continued)**

The Group generated revenues of USD39.128 million and USD124.963 million based on metal sales during the three and nine month period ended September 30, 2015. Of this USD36.118 million and USD114.469 million relate to 4E revenue and USD3.010 million and USD10.494 million relate to iridium, ruthenium, copper and nickel. Revenues represent the amounts recorded when PGM concentrates are physically delivered to the smelter. These are provisionally priced on the date of delivery. Metal prices and assayed quantities at the point of sale are provisional. Adjustments in respect of final assayed quantities and/or prices arising between the date of recognition and the date of settlement are recognised in the period in which the adjustment arises and reflected through revenue and receivables.

The Group recorded an average delivered basket price of USD869 (2014: USD1,161) and USD989 (2014: USD1,170) per 4E ounce for the three and nine months periods ended September 30, 2015.

During the three and nine month periods 46,435 oz and 128,918 oz were respectively despatched which represent an increase of 12% for the comparative 3 month period and an increase of 14% for the nine month comparative period.

Cost of operations totalled USD67.855 million and USD188.622 million for the three and nine months periods ended September 30, 2015, compared to the USD70.381 million and USD165.900 million for the three and nine months periods ended September 30, 2014. The increase in the cost of operations can be attributed to an increase in volumes mined and processed, which also contributed to an acceleration in amortisation of mining and plant assets. The short term portion of the deferred stripping asset, being amortised over 12 months, had the most significant impact on the increase in cost of operations.

Operating expenses totalled USD6.267 million and USD17.198 million for the three and nine month periods ended September 30, 2015, compared to USD4.584 million and USD15.629 million for the three and nine month periods ended September 30, 2014. Employee expenses included performance bonuses and settlements that did not form part of the comparative period. Consulting and professional fees includes legal fees incurred to secure access to future developments. Less expenditure that relates to deferred stripping was capitalised in the current financial year.

Other income totalled USD11.676 million and USD16.980 million for the three and nine month periods ended September 30, 2015, compared to USD4.033 million and USD4.310 million for the three and nine month periods ended September 30, 2014. The variance from 2014 is due to the revaluation of the cash and cash equivalents held in USD. The weaker ZAR resulted in a gain on revaluation.

The decrease in finance income to USD2.049 million and USD5.103 million during the three and nine month periods ended September 30, 2015, compared to USD3.167 million and USD10.435 million during the three and nine month periods ended September 30, 2014, was a result of the decrease in cash balances due to operating losses incurred during the year.

The finance cost of USD0.832 million and USD1.683 million during the three and nine month periods ended September 30, 2015, compared to USD0.648 million and USD1.287 million during the three and nine month periods ended September 30, 2014, relates mainly to interest paid on the finance lease liability with ESKOM and the interest paid on the Revolving Credit Facility.

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**4.2 Pilanesberg Platinum Mine**

**History**

- Stripping of soil and waste overburden began during March 2008. Reef mining commenced during December 2008. Stock-piling of PGM-bearing ore ahead of the concentrator began during December 2008. Milling operations commenced during March 2009. Delivery of the first concentrate to Northam took place during April 2009. Commercial production was declared on January 1, 2011.
- Site establishment commenced during October 2007 and construction was completed during February 2009. In March 2009, reef processing through the UG2 circuit commenced and metals in concentrate were produced for smelting, refining and sale to Northam in terms of the Concentrate Agreement. During June 2009, following the installation by ESKOM of an additional 23MVA of power (for a total of 37MVA), the Merensky circuit commenced processing reef.
- As part of the construction of PPM, power supply of 37MVA from ESKOM was commissioned on June 7, 2009. In addition, a complete 10MVA standby diesel generator was constructed at a cost of USD17.380 million (ZAR144.350 million). The construction of this generator was completed on December 2, 2009. Insurance guarantees for the amount of USD12.729 million (ZAR105.718 million) have been provided to ESKOM for the supply of power and related infrastructure.

**Extraction and processing of ore**

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

**Operations**

The following important operating developments occurred during the first three quarters of 2015.

**Q1 FY2015:**

Metal dispatches for the quarter were 36 066 oz. Waste and soil hauled was 4.5 million bcm; reef hauled was 930 kt and tonnes milled were 787 kt. Recovery grades remained at 1.4 g/t by the end of the quarter. The January operating results were depressed by seasonal holidays and the depletion of reef stockpiles during Q4 2014. There was a sharp recovery in performance towards budgeted levels during February and March 2015.

**Q2 FY2015:**

A new record for the quarter has been achieved with metal dispatches for the quarter of 46,417 oz. However, due to very low metal prices and continued high waste stripping, the quarter resulted in a loss of USD20.735 million. Waste and soil hauled was 6.1 million bcm; reef hauled was 1,147 kt and tonnes milled were 937 kt. Recovery grades increased to 1.55 g/t by the end of the quarter.

**Q3 FY2015:**

Metal dispatched for the quarter was marginally ahead of the previous quarterly record at 46 435 oz. Waste and soil hauled was 5.4 million bcm; reef hauled was 1,396 kt and tonnes milled were 930 kt. Recovery grades increased to 1.6 g/t by the end of the quarter.

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**4.2 Pilanesberg Platinum Mine (continued)**
*Operational performance during the three and nine month periods ended September 30, 2015*

	Unit	For the three months ended		For the nine months ended	
		Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Reef delivered to the ROM pad	Tonnes	1,395,935	1,014,915	3,472,297	2,718,574
Reef processed	Tonnes	1,028,285	972,471	2,894,123	2,658,284
Reef milled	Tonnes	929,956	905,935	2,654,161	2,471,841
Average milled head grade	g/t	2.06	1.87	1.99	2.02
Average recovery rate	%	78	75.5	76	71.0
Average recovered grade	g/t	1.61	1.41	1.52	1.42
4E ounces dispatched and sold*	Oz	46,435	41,312	128,918	113,099
4E basket price **					
- USD	USD	869	1,158	989	1,166
- ZAR	ZAR	11,292	12,462	12,100	12,496
Gross revenue from metal sales					
- USD	USD'000	39,128	51,861	124,963	147,610
- ZAR	ZAR'000	512,038	558,097	1,534,964	1,583,497

\* Metal produced and declared is based on provisional assay results and therefore subject to change until such time that final assay results are received. These changes are not material.

\*\* Basket price for 4E i.e. platinum, palladium, rhodium and gold.

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**4.3 Exploration and development of other PGM properties**

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

The total exploration expenditure on various Pilanesberg exploration projects was USD33.152 thousand (ZAR430.538 thousand) for the quarter ended September 30, 2015. Total exploration expenditure since the inception of the Pilanesberg exploration projects of USD1.882 million (ZAR26.202 million) has been capitalised in accordance with the Group's accounting policies as part of "Exploration and evaluation assets".

**Work program**

The Pilanesberg exploration projects consist of properties adjacent to PPM, including Sedibelo West.

**4.3.2 Mphahlele Project (on the Eastern Limb of the Bushveld Complex)**

During the quarter ended September 30, 2015, a total of USD34.815 thousand (ZAR452.139 thousand) was spent on the Mphahlele Project bringing the cumulative expenditure to date on the project by the Group to USD7.951 million (ZAR110.667 million), excluding acquisition costs. In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

**Work program**

In light of the fact that the board has decided to focus resources and management on bringing PPM into full production, the Mphahlele Project was put on a reduced work program for the short term. Expenditure during the period was limited to activities related to water and power guarantees.

**4.3.3 Grootboom Project (on the Eastern Limb of the Bushveld Complex)**

During the quarter ended September 30, 2015, the Company spent USD Nil (ZAR Nil) on Grootboom, bringing the cumulative expenditure to date on the project to USD3.170 million (ZAR44.131 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

**Work program**

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

**4.3.4 Loskop Project (on the Eastern Limb of the Bushveld Complex)**

Lonmin Plc is the operator of the Loskop Project and acquired its 50% interest in the joint venture in August 2006 and expenditure since then has been shared on a 50/50 basis.

During the quarter ended September 30, 2015, the Company spent USD782 (ZAR10.154 thousand) on the Loskop Project. Total cumulative exploration expenditure on this project since inception is USD0.260 million (ZAR3.624 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**
**5. Summary of Quarterly Results**

USD'000	In accordance with IFRS							
	Sep '15	Jun '15	Mar '15	Dec '14	Sept '14	Jun '14	Mar '14	Dec '13
Revenue	39,128	46,364	39,471	45,475	51,861	48,094	47,655	49,095
Cost of operations	(67,855)	(63,570)	(57,197)	(42,383)	(70,381)	(38,304)	(57,215)	(84,257)
Gross (loss) / profit	(28,727)	(17,206)	(17,726)	3,092	(18,520)	9,790	(9,560)	(35,162)
Other operating income / (cost)	5,409	(4,218)	51,136	17,768	(272)	(7,236)	(3,793)	(9,510)
Net finance income	1,217	898	1,305	2,391	2,519	3,470	3,159	3,734
Profit/(Loss) from associate	186	(208)	(147)	(290)	(331)	-	-	-
Profit/(Loss) before taxation	(21,915)	(20,734)	34,568	22,961	(16,604)	6,024	(10,194)	(40,938)
Profit/(Loss) for the period	(21,928)	(20,735)	34,427	22,996	(16,678)	6,024	(10,194)	(40,938)

**6. Capital Resources**
**6.1 Working capital**

As at September 30, 2015, Sedibelo Platinum Mines' total working capital was USD124.286 million (December 31, 2014: USD206.886 million). Working capital is based on the total cash and cash equivalents (USD102.168 million), inventory (USD7.725 million) and trade and other receivables (USD56.272 million) less trade payables and accrued liabilities (USD21.946 million), less short term portion of borrowings (USD0.138 million), less short term portion of finance lease (USD0.664 million) and revolving commodity facility (USD19.158 million). Sedibelo Platinum Mines' cash and cash equivalents are held in short term and liquid interest earning deposits at highly reputable financial institutions of a high quality credit standing within the Republic of South Africa and in the United Kingdom.

**6.2 Restrictions on the repayments of inter-group loans**

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

The shareholder loan from Sedibelo Platinum Mines to PSA amounted to USD1.173 billion at September 30, 2015, and has primarily been used to fund the development of PPM.

## Management's Discussion and Analysis for the three and nine months ended September 30, 2015

### 7. Liquidity

#### 7.1 Unrestricted cash

The Company had unrestricted cash and cash equivalents of USD102.168 million at September 30, 2015.

#### 7.2 Restricted cash

The Group had restricted cash investments and guarantees forming part of its non-current assets totalling USD17.315 million (USD18.412 million at December 31, 2014).

#### 7.3 Contractual Obligations

The Group's contractual obligations are as follows:

Contractual obligations USD'000	Payments due by period as at September 30, 2015			
	Total	< 1 year	1-3 years	After 3 years
Employee entitlements <sup>(1)</sup>	1,408	1,408	-	-
Operating lease <sup>(2)</sup>	25	25	-	-
Finance lease <sup>(3)</sup>	2,717	664	1,328	725
Asset Retirement Obligation <sup>(4)</sup>	15,567	-	-	15,567
Mining costs <sup>(5)</sup>	134,329	134,329	-	-
Magalies Water project <sup>(6)</sup>	3,057	3,057	-	-
Open Purchase Orders	10,345	10,345	-	-
<b>Total Contractual Obligations</b>	<b>167,448</b>	<b>149,828</b>	<b>1,328</b>	<b>16,292</b>

- (1) The employee entitlements include the leave pay due to employees in terms of their employment contracts.
- (2) This includes the contractual monthly payments for the rental of the Company's corporate office. These commitments can be cancelled by giving one year's notice.
- (3) These amounts constitute the minimum lease payments due to ESKOM for the substation and related infrastructure supplied at PPM.
- (4) The amount of USD15.567 million represents the gross asset retirement obligation to rehabilitate the opencast pit and plant at PPM at the end of life of mine, in accordance with the mining license and approved EMP.
- (5) Committed mining expenses include the estimated cost that will be incurred by the main mining contractors to carry out the opencast mining operations.
- (6) USD3.057 million for the Magalies water project's estimated future obligation. This represents the commitment in respect of the pipeline project.

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**8. Environmental Matters**

**8.1 Overview**

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

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

**8.2 PPM rehabilitation**

As at September 30, 2015, PPM had USD14.872 million (ZAR207.006 million) in guarantees with the DMR of which an amount of USD3 thousand (ZAR40 thousand) is supported by cash deposits. The remainder of guarantees have been provided on an insurance basis with a portion of the total guarantees being paid over into a separate bank account controlled by the Group and ceded in favour of the insurance company.

The application to amend the Environmental Management Plan to convert the open void being created at the TSW pit into a water capture and storage facility was lodged with the DMR during August 2011. During April 2012 the DMR approved this amendment

**8.3 Rehabilitation of other development projects**

In respect of the Mphahlele Project, the DMR required a rehabilitation guarantee of USD1.193 million (ZAR16.610 million) to be lodged before the issuing of the Mining Right. The guarantee was provided to the DMR by way of an insurance backed guarantee through the Lombard Insurance Group. Ongoing contributions are made by the Group to fund the balance of the liability over the remaining life of the prospecting permit.

In respect of the Grootboom Project, the DMR required a rehabilitation guarantee of USD0.494 million (ZAR6.882 million). The guarantee was provided to the DMR by way of an insurance backed guarantee through the Lombard Insurance Group.

**9. Mineral and Petroleum Resources Royalty Act, 2008 (Act no. 28 of 2008)**

The South African Government has enacted the Mineral and Petroleum Resources Royalty Act (the "Royalty Act"), which imposes a royalty payable to the South African Government by businesses based upon financial profits made through the transfer of mineral resources. The royalty has been payable from March 1, 2010 and is based on a percentage calculated by means of a formula, from a minimum of 0.5% up to a maximum of 5% of gross sales of refined mineral resources or 7% on gross sales of unrefined mineral resources.

During the period ended September 30, 2015, USD0.623 million (ZAR7.656 million) was paid for royalty expense.

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**10. Critical accounting estimates**

The Company's significant accounting principles and methods of application are disclosed in the notes of the Company's consolidated financial statements for the year ended December 31, 2014. The following is a discussion of the critical accounting policies and estimates which management believes are important for an understanding of the Company's financial results.

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

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

*Determination of consolidation*

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

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

Management have further consolidated Born Free Investments 330 Proprietary Limited, Defacto Investments 275 Proprietary Limited, Dream World Investments 226 Proprietary Limited and Taung Platinum Exploration Proprietary Limited even though the Group owns less than half of the share capital of those entities as it was determined that the Group manages the financial and operating policies of those entities.

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

*Share based payment transactions*

Transactions which may result in the entity issuing its own equity are within the scope of *IFRS2 – Share based payments* when the fair value of the instrument is greater than the proceeds received. The fair value of the equity-settled instruments granted is measured at grant date using the Black-Scholes model and is recognised as an expense with a corresponding increase in reserves. The fair value of cash-settled instruments granted is measured at each reporting date using generally accepted valuation techniques and is recognised as an expense with a corresponding increase in non-current liabilities.

*Impairment of non-current assets*

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

*Inventory*

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

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**10. Critical accounting estimates (continued)**

*Decommissioning and rehabilitation provision*

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision represents management's best estimate of the present value of the rehabilitation costs anticipated to be incurred at the end of the mine's life. See Note 14 of the consolidated financial statements.

*Reserves and Resources*

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

Factors impacting the determination of proved and probable reserves are:

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

*Depreciation – units of production*

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

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

**11. Other**

**11.1 Off-Balance Sheet Arrangements**

The Group has not entered into any off-balance sheet arrangements.

**11.2 Proposed Transactions**

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

**11.3 Financial Instruments and Other Instruments**

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

## Management's Discussion and Analysis for the three and nine months ended September 30, 2015

### 11. Other (continued)

#### 11.4 Changes in Accounting Policies including Initial Adoption

The board of directors has elected to designate the intercompany loan between Hodos and PSA as a net investment as permitted by IAS 21. The effect of the adoption is that unrealized foreign exchange movements that arise in Hodos on the ZAR denominated loan with PSA, will be reclassified and accounted for as a movement in Other Comprehensive Income, and no longer as a movement in the statement of Profit and Loss.

The volatility of the ZAR results in misleading unrealised foreign currency profits and losses on the statement of income that distorts the true profit or loss reported to the users of the financial statements. By designating the loan as a net investment, the exchange rate gain or loss that arise on this loan, will be included in other comprehensive income where the corresponding gain or loss from translating the net assets of the subsidiary will also be accounted for.

The effect is that the consolidated income statement will not reflect any exchange rate difference on the loan. This is consistent with the fact that the loan has no impact on the Group cash flows unless the investment is sold.

The effect of the change is only applicable on the statement of changes in equity for the comparative information presented and is as follows:

	Accumulated deficit USD'000	Restated accumulated deficit USD'000
Profit for the year	2,615	(21,560)
Other comprehensive loss for the year	-	24,175
<b>Total comprehensive loss</b>	<b>2,615</b>	<b>2,615</b>
<b>Balance at 31 December 2014</b>	<b>(691,616)</b>	<b>(691,616)</b>

The effect of the adjustment on the current period is as follows:

	Before reclassification		After reclassification	
	Three months ended Sep 30, 2015 USD'000	Nine months ended Sep 30, 2015 USD'000	Three months ended Sep 30, 2015 USD'000	Nine months ended Sep 30, 2015 USD'000
Other (expense) / income	(83,108)	(62,852)	11,676	16,980
Operating loss	(118,102)	(142,661)	(23,318)	(63,877)
Loss before income tax	(115,651)	(139,410)	(21,915)	(60,626)
<b>Loss for the period</b>	<b>(115,664)</b>	<b>(139,565)</b>	<b>(21,928)</b>	<b>(60,781)</b>

There were no other changes in the accounting policies applied since the issue of the audited consolidated financial statements for the year ended December 31, 2014.

There were no standards that became effective that required first time adoption by the Sedibelo Platinum mines during the period ended September 30, 2015.

**Management's Discussion and Analysis for the three and nine months ended September 30, 2015**

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**12. Outstanding share data**

As at September 30, 2015, there were 3,284,000 outstanding options exercisable for common shares and a further 2,416,000 unvested share options, totalling 5,940,000 options outstanding at September 30, 2015, which, if exercised, would result in the issue of an equal number of additional common shares.

As at September 30, 2015, the Company had 3,095,401,663 common shares in issue.

**13. Risks and uncertainties**

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

*Impairment indicators considered for the period ended September 30, 2015*

Management identified the following indicators of impairment for the PPM cash generating unit ("CGU"):

- The operating loss results for PPM
- A significant deterioration in metal prices during the 9 month period ended September 30, 2015

Due to the deterioration in metal prices, the life of mine plans are in the process of being evaluated which could lead to a significant change in the value of the operation. Management will carry out a full impairment assessment for the PPM CGU at year end based on the triggers identified.

**14. Internal control over financial reporting**

Management has evaluated or caused to be evaluated, the effectiveness of the Company's disclosure controls and procedures and the internal control over financial reporting and concluded that the Company's disclosure and internal control over financial reporting was effective as of the end of the financial quarter ended September 30, 2015. The Company has identified no material weakness in the design of its internal controls over financial reporting. There has been no change in the Company's internal controls over financing reporting since its year-end MD&A for the period ended December 31, 2014 or during the nine months ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect its internal controls over financial reporting.