SEDIBELO PLATINUM MINES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2014

March 27, 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 twelve months ended December 31, 2014 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. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

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

1. Introduction

1.1 Incorporation of Sedibelo Platinum Mine Limited's shares

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

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

- the opencast West Pit on the farm Tuschenkomst 135JP and
- the opencast East Pit on the farm Wilgespruit 2JQ, due to start up during 2015 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, Benhaus Mining (Proprietary) Limited ("Benhaus") 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.

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 twelve months ended December 31, 2014, 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.platmin.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.

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. This completed the consolidation transaction.

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.

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.

On December 3, 2012 after the consolidation was 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.

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 December 31, 2014:

	Dec 31, 2014 USD'000	Dec 31, 2013 USD'000
Equity*	1,512,534	1,610,495
Net current assets, including cash*	206,886	266,948
Cash and cash equivalents*	166,793	212,599
Restricted cash investments and guarantees	18,412	47,661

* 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 USD166.793 million from December 31, 2013 to December 31, 2014. This net decrease is primarily due to the devaluation of the rand, repayment of the revolving credit facility and operating losses incurred during the twelve months ended December 31, 2014.

3.3 Results of operations

Key operational statistics for the quarter and twelve months are summarised as follows:

		For the three months ended		For the twelve months ended	
		Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Average milled head grade	g/t	1.93	2.05	1.99	2.00
Average concentrator recovery rate	%	76	69	72	61
Average recovered grade	g/t	1.47	1.41	1.43	1.23
Total 4E ounces dispatched and sold*	Ounces	41,313	42,830	154,412	149,193
Total profit / (loss)	USD'000	22,996	(40,938)	2,148	(92,130)

* 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 91% to the gross revenue earned by the PPM during the twelve month period ended December 31, 2014.

3.4 Market trends and outlook

US dollar PGM prices decreased by approximately 14% between 2013 and 2014.
The long term price outlook for PGM remains positive, but as industrial metals, prices of PGM are expected to fluctuate depending on 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.

3.4 Market trends and outlook (continued)

Information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risks, the Group's exposure to these financial risks, and the Group's management of capital are contained in Note 26 to the consolidated financial statements.

3.5 Events or uncertainties during the three and twelve months period ended December 31, 2014

- The ongoing improvements to metal dispatches during 2014 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.

- The group received a section 11 approval to consolidate key mining rights. This completes the last legal steps of the consolidation of contiguous properties. As per the consolidation agreements, 34,210,665 and 6,613,522 shares in Sedibelo Platinum Mines were released during February 2014 to the Bakgatla and the IDC respectively.

- 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.

4. Results of operations

4.1 Financial performance for the quarter ended December 31, 2014

The Group recorded a net profit of USD22.996 million and USD2.148 million for the three and twelve month periods ended December 31, 2014 compared to a loss of USD40.938million and USD92.130 million, for the three and twelve month periods ended December 31, 2013.

The results are summarised as follows:

	For the three months ended		For the twelve months ended	
	Dec 31, 2014 USD'000	**Dec 31, 2013 USD'000**	**Dec 31, 2014 USD'000**	**Dec 31, 2013 USD'000**
Revenue	**45,475**	**49,095**	**193,085**	**184,846**
Cost of operations	**(42,383)**	**(84,257)**	**(208,283)**	**(272,458)**
On mine operations	(27,582)	(45,216)	(109,108)	(150,092)
Concentrator plant operations	(10,384)	(15,011)	(48,268)	(60,119)
Beneficiation and transport	(5,219)	(4,909)	(17,904)	(16,202)
Salaries	(6,466)	(1,758)	(16,079)	(6,775)
Subtotal	*(49,651)*	*(66,894)*	*(191,359)*	*(233,188)*
Depreciation of operating assets	(19,607)	(17,816)	(44,071)	(38,357)
Change in inventories	26,875	453	27,147	(913)
Gross profit / (loss)	**3,092**	**(35,162)**	**(15,198)**	**(87,612)**
Operating expenses	**(11,419)**	**(7,956)**	**(24,335)**	**(22,396)**
Employee expenses	(3,750)	(3,797)	(8,622)	(9,045)
General and administrative expenses	(6,052)	(807)	(10,363)	(4,352)
Amortisation and depreciation	(292)	(276)	(1,266)	(874)
Consulting and professional fees	(1,075)	(2,932)	(2,408)	(6,117)
Royalty tax	(230)	(245)	(957)	(859)
Audit fees	9	107	(541)	(269)
Share-based payments expense	(29)	(6)	(178)	(880)
Other income / (expenses)	**29,187**	**(1,554)**	**30,802**	**1,621**
Other income / (expense)	2,833	(471)	2,971	242
Impairment of loans and water and power rights	-	(115)	-	(267)
Impairment of exploration projects	31	(1,369)	(2,682)	(1,402)
Impairment of assets	(5)	-	(26)	-
Securities transfer tax	(64)	(55)	(127)	(85)
Profit on sale of asset	-	-	-	3
Foreign exchange gain / (loss)	26,392	456	30,666	3,130
Net finance income / (costs)	**2,391**	**3,734**	**11,539**	**16,257**
Finance income	2,758	4,064	13,193	17,879
Finance costs	(367)	(330)	(1,654)	(1,622)
Share of loss from investments accounted for using the equity method	**(290)**	**-**	**(621)**	**-**
Profit / (Loss) before taxation	**22,961**	**(40,938)**	**2,187**	**(92,130)**
Income tax	35	-	(39)	-
Profit / (Loss) for the period	**22,996**	**(40,938)**	**2,148**	**(92,130)**

4.1 Financial performance for the quarter ended December 31, 2014 (continued)

The Group generated revenues of USD45.475 million and USD193.085 million based on metal sales during the three and twelve month periods ended December 31, 2014. Of this USD41,906 million and USD175.522 million relate to 4E revenue and USD3.569 million and USD17.563 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 USD1,033 (2013: USD1,172) and USD1,133 (2013: USD1,244) per 4E ounce for the three and twelve month periods ended December 31, 2014.

During the three and twelve month periods 41,313 oz and 154,412 oz were respectively dispatched which represent a decrease of 3.5% for the comparative 3 month period and an increase of 3.5% for the twelve month full year comparative period. The increase in dispatches is a result of improved concentrator performance and recoveries. The decrease in the 3 month period is due to reduced reef quality and the 22 day Merensky mill outage during the second quarter.

Cost of operations totalled USD42.383 million and USD208.283 million for the three and twelve month periods ended December 31, 2014, compared to the USD84.257 million and USD272.458 million for the three and twelve month periods ended December 31, 2013. The decrease in operating expenses in 2014 was principally the result of excess waste stripping capitalised as required by IFRS. USD62.076 million was capitalised to stripping assets. An impairment review is performed on deferred stripping assets at each year end.

Operating expenses and other income totalled an income of USD17.768 million and USD6.467 million for the three and twelve month periods ended December 31, 2014, compared to an expense of USD9.510 million and USD20.775 million for the three and twelve month periods ended December 31, 2013.

The decrease in finance income to USD2.758 million and USD13.193 million during the three and twelve month periods ended December 31, 2014, compared to USD4.064 million and USD17.879 million during the three and twelve month periods ended December 31, 2013, was a result of the decreased cash and cash equivalents on hand.

The finance cost of USD0.367 million and USD1.654 million during the three and twelve month periods ended December 31, 2014, compared to USD0.330 million and USD1.622 million during the three and twelve month periods ended December 31, 2013, relates mainly to interest paid on the finance lease liability with ESKOM and the interest paid on the Revolving Credit Facility.

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 for toll smelting 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 four quarters of 2014.

Q1 FY2014:

January operating results were depressed by seasonal holidays and the depletion of reef stockpiles during Q4 2013. There was a sharp recovery in performance towards budgeted levels during February and March 2014. Metal dispatches for the quarter were 35 922 oz. Waste and soil hauled was 4.2 million bcm; reef hauled was 826 kt and tonnes milled were 797 kt. Recovered grades had increased to about 1.4 g/t by the end of the quarter.

Q2 FY2014:

Metal dispatches of 35 865 oz were achieved during the quarter. Waste hauled was 5.3 million bcm; reef hauled was 877 kt and the volume milled was 769 kt. Recovered grades increased to 1.46 g/t. Production of metal was disrupted by a 22 day outage of the Merensky mill for breakdown repairs and shortage of quality reef. Waste hauled was increased during this quarter to provide access to additional reef in the 2nd half of the year.

Q3 FY2014:

Metal dispatches of 41 312 oz were achieved during the quarter. Waste hauled was 4.9 million bcm; reef hauled was 1,015 kt and the volume milled was 906 kt. Recovered grades decreased to 1.41 g/t by the end of the quarter.

Q4 FY2014:

Metal dispatches for the quarter were at an all time high of 41,313 oz. Waste hauled was 5 million bcm; reef hauled was 850 kt and tonnes milled were 893 kt. Recovered grades increased to about 1.47 g/t by the end of the quarter due to continued focus on improvements to concentrator performance.

4.2 Pilanesberg Platinum Mine (continued)

Operational performance during the three and twelve month period ended December 31, 2014

		For the three months ended		For the twelve months ended	
	Unit	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Reef delivered to the ROM pad	Tonnes	849,994	990,804	3,568,568	3,837,970
Reef processed	Tonnes	977,417	1,000,002	3,635,701	3,959,935
Reef milled	Tonnes	892,631	941,404	3,364,472	3,737,124
Average milled head grade	g/t	1.93	2.05	1.99	2.00
Average recovery rate	%	76	69	72	61
Average recovered grade	g/t	1.47	1.41	1.43	1.23
4E ounces dispatched and sold*	Oz	41,313	42,830	154,412	149,193
4E basket price **					
- USD	USD	1,033	1,172	1,133	1,244
- ZAR	ZAR	11,583	11,900	12,267	11,966
Gross revenue from metal sales					
- USD	USD'000	45,475	49,095	193,098	184,846
- ZAR	ZAR'000	511,078	496,630	2,094,574	1,782,964

* 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.

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 USD Nil (ZAR Nil) for the quarter ended December 31, 2014. Project costs were capitalised and transferred to producing mines to the amount of USD2.383 million (ZAR26.795 million) and projects were impaired to the amount of USD 2.682 million (ZAR29.177 million). Total exploration expenditure since the inception of the Pilanesberg exploration projects of USD2.555 million (ZAR25.751 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 December 31, 2014, a total of USD66.130 thousand (ZAR740.873 thousand) was spent on the Mphahlele Project bringing the cumulative expenditure to date on the project by the Group to USD9.425 million (ZAR109.057 million), excluding acquisition costs. In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

During the quarter under review, the Company continued with activities related to securing water and power.

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 2014 fiscal year was limited to activities related to water and power guarantees. The development plan for these assets will be addressed during 2015.

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

During the quarter ended December 31, 2014, the Company spent USD2.548 thousand (ZAR28.543 thousand) on Grootboom, bringing the cumulative expenditure to date on the project to USD3.812 million (ZAR44.107 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 December 31, 2014, the Company incurred USD2.735 thousand (ZAR30.637 thousand) on the Loskop Project. Total cumulative exploration expenditure on this project since inception is USD0.308 million (ZAR3.568 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

5. Summary of Quarterly Results

	In accordance with IFRS							
USD'000	Dec '14	Sept '14	Jun '14	Mar '14	Dec '13	Sept '13	Jun '13	Mar '13
Revenue	45,475	51,861	48,094	47,655	49,095	48,799	46,436	40,516
Cost of operations	(42,383)	(70,381)	(38,304)	(57,215)	(84,257)	(57,262)	(62,455)	(64,569)
Gross profit / (loss)	3,092	(18,520)	9,790	(9,560)	(35,162)	(8,463)	(16,019)	(24,053)
Other operating income / (cost)	17,768	(272)	(7,236)	(3,793)	(9,510)	(4,229)	(4,797)	(6,239)
Net finance income	2,391	2,519	3,470	3,159	3,734	3,442	4,721	4,360
Loss from associate	(290)	(331)	-	-	-	-	-	-
Profit/(Loss) before taxation	22,961	(16,604)	6,024	(10,194)	(40,938)	(9,250)	(16,095)	(25,932)
Profit/(Loss) for the period	22,996	(16,678)	6,024	(10,194)	(40,938)	(9,250)	(16,095)	(25,932)

6. Capital Resources

6.1 New equity raisings

- As at December 31, 2014, Sedibelo Platinum Mines' total working capital was USD206.886 million (December 31, 2013: USD266.948 million). Working capital is based on the total unrestricted cash plus cash equivalents (USD166.793 million), inventory (USD8.916 million) and trade and other receivables (USD69.461 million) less trade payables and accrued liabilities (USD33.330 million), less short term portion of finance lease (USD0.169 million) and revolving commodity facility (USD4.785 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.

- 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.

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 USD1,114.357 million at December 31, 2014, and has primarily been used to fund the development of PPM.

7. Liquidity

7.1 Unrestricted cash

The Company had unrestricted cash and cash equivalents of USD166.793 million at December 31, 2014.

7.2 Restricted cash

The Group had restricted cash investments and guarantees forming part of its non-current assets totalling USD18.412 million (USD47.661 million at December 31, 2013).

7.3 Contractual Obligations

The Group's contractual obligations are as follows:

Contractual obligations	**Payments due by period as at December 31, 2014**			
USD'000	**Total**	**< 1 year**	**1-3 years**	**After 3 years**
Employee entitlements (1)	1,131	1,131	-	-
Operating lease (2)	44	33	11	-
Finance lease (3)	3,220	169	1,351	1,700
Asset Retirement Obligation (4)	18,472	-	-	18,472
Open Purchase Orders	6,137	6,137	-	-
Mining costs (5)	148,284	148,284	-	-
Magalies water project(6)	877	877	-	-
Total Contractual Obligations	178,165	156,631	1,362	20,172

(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. Please refer to note 14 of the financial statements.
(4) This amount of USD18,472 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 over the next 12 months.
(6) USD0.877 million for the Magalies water project's estimated future obligation. This represents the commitment in respect of the pipeline project.

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

The DMR required a rehabilitation guarantee in respect of PPM of USD4.321 million (ZAR50.000 million) before approving the application for its Mining Right. This guarantee was provided by Guardrisk Insurance Company Limited ("Guardrisk") on an insurance basis. Ongoing contributions are made by PPM to fund the balance of the ZAR50.000 million Guardrisk guarantee over the remaining life of the mine.

During March 2012 a guarantee of USD4.367 million (ZAR45.544 million) was provided to the DMR to facilitate the Sedibelo West incorporation and approval.

As at December 31, 2014, PPM had USD53.307 million (ZAR616.795 million) in guarantees with the DMR of which an amount of USD23.556 million (ZAR272.562 million) is supported by cash deposits.

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 USD1.414 million (ZAR16.360 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 USD0.595 million (ZAR6.882 million). A 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 quarter ended December 31, 2014, USD0.230 million (ZAR2.577 million) was accrued for royalty expense. Royalty expense amounting to USD0.957 million (ZAR10.381 million) was incurred in respect of metals sold from January 1, 2014 to December 31, 2014.

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, Setseka Mining 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 Lifezone SA Ventures 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.

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 15 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 that have not been disclosed in the financial statements.

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.

11. Other (continued)

11.4 Changes in Accounting Policies including Initial Adoption

There were no changes in the accounting policies applied since the issue of the audited consolidated financial statements for the year ended December 31, 2013.

New and amended standards and interpretations effective for the year

IAS 32 "Financial instruments: Presentation". The Group adopted the amendment on financial instruments asset and liability offsetting as described in the statement, effective for accounting periods beginning on or after 1 January 2014. The amendment had no effect on the Group's financial position or performance.

12. Outstanding share data

As at December 31, 2014, there were 5,858,000 outstanding options exercisable for common shares and a further 7,132,000 unvested share options, totalling 12,990,000 options outstanding, which, if exercised, would result in the issue of an equal number of additional common shares.

As at December 31, 2014, 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.

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 December 31, 2014. 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, 2013 or in the quarter ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect its internal controls over financial reporting.