



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, 2017

November 29, 2017

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, 2017 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.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

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;
- the opencast East Pit on the farm Wilgespruit 2JQ,
- a PGM concentrator, adjacent to West Pit and
- a chromite removal plant, adjacent to West Pit.

The principal focus of the Group is to maximise metal output from the concentrator. The consolidation of PGM mineral rights on the farms Tushenkomst 135JP, Wilgespruit 2JQ and Magazynskraal 3JQ, created a single block of mineral rights. As at December 31, 2016 the block of mineral rights comprised 25.3 million 4E PGM Measured & Indicated Resource ounces and 54.4 million 4E PGM Inferred Resource ounces. These will mostly be developed from new infrastructure. Around 6 million ounces of these resources will be accessed via open cast mining and the balance is shallow compared to existing PGM producers in the Bushveld Complex. Surface and shallow mining is less hazardous than deep underground mines and enjoys embedded cost advantages.

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

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.

The construction of a chromite removal plant was undertaken during 2017 to increase the revenue stream with minimal incremental operational costs. The chromite removal plant was commissioned during September 2017. Revenue from chrome sales is expected from November 2017.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

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, 2017, 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, 2016 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.

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, 2017	Average nine months ended Sep 30, 2017	Average three months ended Sep 30, 2017	At Dec 31, 2016	Average nine months ended Sep 30, 2016	Average three months ended Sep 30, 2016
South African Rand (USD:ZAR)	13.55	13.20	13.18	13.61	14.93	14.07

2. Overall performance

2.1. Financial condition

The following is a summary of key financial indicators as at September 30, 2017:

	Sep 30, 2017 USD'000	Dec 31, 2016 USD'000
Equity*	1,093,767	1,141,046
Net current assets, including cash*	22,609	60,621
Cash and cash equivalents*	15,913	50,307
Restricted cash investments and guarantees	15,331	12,897

* Variances to comparative periods include the effects of ZAR:USD foreign exchange rate changes, although immaterial.

2.2. Cash flows

Cash and cash equivalents at September 30, 2017, decreased to USD15.913 million from December 31, 2016. This net decrease is primarily due to:

- investment in sustainable and growth capex, water infrastructure and new technologies; and
- operating losses incurred during the nine months ended September 30, 2017.

Operating cash flow for the nine months ending September 30, 2017 was 6% less than the comparable prior year period, reflecting the net negative effect of lower ZAR metal prices on revenue generation despite lower cash operating costs.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

2.3. 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, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
Averaged milled head grade	g/t	1.37	1.87	1.40	1.89
Average concentrator recovery rate	%	76	79	76	77
Average recovered grade	g/t	1.05	1.47	1.07	1.46
Total 4E ounces dispatched and sold*	Ounces	31,192	41,282	92,776	121,625
Total loss	USD'000	(15,729)	(18,075)	(56,294)	(47,677)

* 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.

Lower ounces dispatched and sold was a direct result of a mining strategy to reduce mining volumes and supplement feed to the concentrator with low grade DMS material. This strategy has had a negative impact on the overall head grade as well as ounces produced. However, reducing mining volumes has had a positive effect on total cost. Sales of 4E metal contributed approximately 91% to the gross revenue earned by PPM during the nine month period ended September 30, 2017.

2.4. Safety

The Group strives for zero harm to employees and has recorded 4.5 million Fatality Free Shifts ("FFS") as at the end of September 2017.

2.5. Market trends and outlook

Average US dollar PGM prices increased by approximately 6% during the nine-month period ended September 30, 2017 compared to the same prior year period. The increase in commodity prices was offset by a strengthened ZAR, resulting in a 6% year-on-year decrease in the ZAR 4E basket price. The long-term price outlook for PGM's remains uncertain. PGM prices are expected to fluctuate with world economic activity. The South African Rand is one of the most volatile currencies in the world, which is closely linked to changing market sentiment.

Data collected since 1975 indicates that Platinum above ground stocks are at their lowest levels. A deficit of 275,000 ounces is expected in 2018, further reducing the availability of above ground stocks. The World Platinum Investment Council has a broad portfolio of new market development initiatives aimed at increasing the range of sustainable platinum investment products globally. Potential demand growth areas that have been identified include the automotive industry and investments.

The South African mining environment continues to be 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.

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

2.6. Events or uncertainties during the three and nine month periods ended September 30, 2017

Metal dispatches were 24% lower for both the three and nine month periods ended September 30, 2017 compared to the prior year period. The reduced metal dispatches are in line with the new short-term mine plan, reducing mining volumes and cost while the ZAR metal prices are unfavourable.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

3. Results of operations

3.1. Financial performance for the quarter ended September 30, 2017

The Group recorded a net loss of USD15.729 million and USD56.294 million for the three and nine month periods ended September 30, 2017 compared to a net loss of USD18.075 million and USD47.677 million, for the three and nine month periods ended September 30, 2016. The results are summarised as follows:

	For the three months ended		For the nine months ended	
	Sep 30, 2017 USD'000	Sep 30, 2016 USD'000	Sep 30, 2017 USD'000	Sep 30, 2016 USD'000
Revenue	30,791	42,998	87,942	111,532
Cost of operations	(40,448)	(49,013)	(125,594)	(136,022)
On mine operations	(11,955)	(22,333)	(42,941)	(63,747)
Concentrator plant operations	(12,046)	(11,067)	(32,672)	(27,851)
Beneficiation and transport	(3,157)	(4,931)	(10,172)	(13,349)
Salaries	(4,227)	(3,820)	(12,390)	(10,399)
<i>Subtotal</i>	<i>(31,385)</i>	<i>(42,151)</i>	<i>(98,175)</i>	<i>(115,346)</i>
Depreciation of operating assets	(9,297)	(7,434)	(27,698)	(21,322)
Change in inventories	234	572	279	646
Gross loss	(9,657)	(6,015)	(37,652)	(24,490)
Administrative and general expenses	(5,110)	(5,662)	(15,506)	(14,784)
Employee expenses	(2,487)	(2,196)	(7,358)	(5,469)
General operating expenses	(1,699)	(2,724)	(5,459)	(6,644)
Amortisation and depreciation	(165)	(230)	(640)	(685)
Consulting and professional fees	(597)	(300)	(1,357)	(1,231)
Royalty tax	(154)	(212)	(498)	(552)
Audit fees	(8)	-	(194)	(198)
Share-based payments expense	-	-	-	(5)
Other expenses	(710)	(7,104)	(2,696)	(4,086)
Other income	(158)	79	83	147
Profit on disposal of assets	(1)	1	-	1
Foreign exchange loss	(552)	(7,184)	(2,779)	(4,234)
Net finance income / (cost)	15	(455)	119	(692)
Finance income	864	1,531	2,845	3,065
Finance costs	(849)	(1,986)	(2,726)	(3,757)
Share of (loss) / profit from investments accounted for using the equity method	(267)	190	(554)	(107)
Loss before taxation	(15,729)	(19,046)	(56,289)	(44,159)
Income tax	-	971	(5)	(3,518)
Loss for the period	(15,729)	(18,075)	(56,294)	(47,677)
Other comprehensive (loss) / income	(42,312)	77,151	9,015	124,417
Exchange difference on loans designated as net investments	(48,801)	37,739	(75,227)	53,255
Exchange difference on translation from functional to presentation currency	6,475	39,194	84,292	70,947
Movements in Other reserves	14	218	(50)	215
Total comprehensive (loss) / income	(58,041)	59,076	(47,279)	76,740

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

3.1 Financial performance for the quarter ended September 30, 2017 (continued)

General

Revenue and cost compared to prior year periods are influenced by the conversion from the Group's functional (ZAR) to the Group's presentation (USD) currency. The ZAR strengthened by 6% and 12% from the comparative three and nine month periods.

Revenue

The Group generated revenues of USD30.791 million based on metal sales during the three-month period ended September 30, 2017. Of this USD27.662 million relates to 4E revenue and USD3.129 million relates to iridium, ruthenium, copper and nickel. Revenues represent the amounts recorded when PGM concentrates are physically delivered to the smelter. Metal prices and assayed quantities at the point of sale are provisional. Adjustments in respect of final assayed quantities and/or prices arising between the date of recognition and the date of settlement are recognised in the period in which the adjustment arises and reflected through revenue and receivables.

Revenue decreased by 29% for the three-month period ended September 30, 2017 from the comparative period in 2016. This decrease was the net result of:

- a 6% decrease in ZAR 4E basket price year-on-year; and
- a 24% decrease in 4 E ounces dispatched.

Cost of operations

Cost of operations totalled USD40.448 million and USD125.594 million for the three and nine month periods ended September 30, 2017, compared to the USD49.013 million and USD136.022 million for the three and nine month periods ended September 30, 2016. The cost of operations has improved mainly as a result of lower mining cost through improved mining contractor rates entered into during Q2 of 2016, and a decrease in mining activities.

Administrative and general expenses

Administrative and general expenses totalled USD5.110 million and USD15.506 million for the three and nine month periods ended September 30, 2017, compared to USD5.662 million and USD14.784 million for the three and nine month periods ended September 30, 2016. The variance to the comparative nine month period relates to the effect of the appreciating ZAR:USD exchange rate in addition to the effect of inflation on cost. The variance to the comparative three-month period is a result of increased expenditure on community projects during Q3 for 2016.

Other income / expense

Other expenses totalled USD0.710 million and USD2.696 million for the three and nine month periods ended September 30, 2017, compared to an expense of USD7.104 million and USD4.086 for the three and nine month periods ended September 30, 2016. The significant decrease in other expenses is a result of rand volatility. A foreign exchange loss of USD0.552 million and USD2.779 million for the three and nine month periods ended September 30, 2017 compared to a foreign exchange loss of USD7.184 million and USD4.234 million during the three and nine month periods ended September 30, 2016.

Finance income

The increase in finance income to USD0.864 million and USD2.845 million during the three and nine month periods ended September 30, 2017, compared to USD1.531 million and USD3.065 million during the three and nine month periods ended September 30, 2016, was a result of reduced cash balances. More than 39% of the Group's funds are held in USD denominated deposits, earning lower interest rates.

Finance cost

The decrease in finance cost of USD0.849 million and USD2.726 million during the three and nine month periods ended September 30, 2017, compared to USD1.986 million and USD3.757 million during the three and nine month periods ended September 30, 2016, is the result of the lower utilisation of the Investec RCF facility during 2017.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

3.2 Financial condition for the nine months ended September 30, 2017

	As at Sep 30, 2017 USD'000	As at Dec 31, 2016 USD'000
Cash and cash equivalents	15,913	50,307
Other current assets	45,924	56,501
Total current assets	61,837	106,808
Restricted cash investments and guarantees	15,331	12,897
Other non-current assets	1,084,144	1,094,837
Total non-current assets	1,099,475	1,107,734
Total Assets	1,161,312	1,214,542
Current liabilities	39,228	46,187
Non-current liabilities	28,317	27,309
Total liabilities	67,545	73,496
Total shareholders' equity	1,095,558	1,143,287
Non-controlling interests	(1,791)	(2,241)
Total equity	1,093,767	1,141,046
Other information:		
Debt (current and long-term)	4,530	4,136
Key Financial Ratios:		
Current ratio ¹	1.576	2.313
Working capital ²	22,609	60,621
Debt/Equity ratio ³	6.17%	6.43%

1 Current ratio = Current Assets/Current liabilities

2 Working capital = Current Assets – Current Liabilities

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

General

The balances at September 30, 2017 compared to the balances at December 31, 2016 are influenced by the conversion from the Group's functional (ZAR) to the Group's presentation (USD) currency. The ZAR spot price at September 30, 2017 strengthened by 0.4% from the spot price at December 31, 2016.

Balance sheet review

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

Total assets decreased by USD53 million during the nine months ended September 30, 2017. This decrease is primarily due to:

- A 21% decrease in Revenue that has a direct impact on outstanding receivables; and
- A decrease in available cash.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

3.2 Financial condition for the nine months ended September 30, 2017 (continued)

Total liabilities decreased by USD6 million during the nine months ended September 30, 2017. The Revolving Commodity facility allows PPM to fix prices for concentrate deliveries to its offtakers, and receive the cash proceeds thereof upon assay rather than having to wait for settlement from the smelters in terms of existing concentrate agreements. The RCF balance was USD6.424 lower than the balance on December 31, 2016 as a direct result of lower revenue. The decommissioning and rehabilitation provision increased by USD1.344 million as a result of the unwinding of interest.

SPM's capital structure comprises of shareholders' equity with very low levels of debt. As at September 30, 2017 total debt was USD4.530 million and the debt-to-equity ratio was 6.17% compared to total debt of USD4.136 million and a debt-to-equity ratio of 6.43% as at December 31, 2016.

3.3 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.

Construction of a chromite removal plant commenced during January 2017. The extraction of chromite from the UG2 circuit as an additional revenue stream at a small incremental operational cost will result in a positive contribution to operating results. The plant was commissioned during September 2017, with the first revenue from this stream expected in November 2017.

Operations

The following important operating developments occurred during the first half of 2017.

Q1 FY2017:

The Q1 performance is in line with the operational plan for 2017 whereby production volumes from mining is limited to reduce cost, and the plant is processing at capacity by supplementing plant feed with DMS discard. Some 38% of the milled tonnes for Q1 was DMS discard.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017
3.3 Pilanesberg Platinum Mine (continued)
Q2 FY2017:

The mining contractor, MCC, gave notice to terminate their contract which ended on June 30, 2017. Trollope Mining Services has been engaged to take over load and haul operations on July 1, 2017. The Q2 production volumes have been lower than anticipated as a result of the change over between contractors. 4E ounces dispatched has been in line with the operational plan as the plant is processing at capacity by supplementing plant feed with DMS discard.

Q3 FY2017:

The availability of excavating equipment delayed the new mining contractor from operating at the required capacity during Q3. 4E ounces dispatched has been behind the operational plan as a result of the changeover between mining contractors, dilution, and processing more low grade material than planned. The plant continues to process at capacity by supplementing plant feed with DMS discard.

Operational performance during the three and nine month periods ended September 30, 2017

	Unit	For the three months ended		For the nine months ended	
		Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
Reef delivered to the ROM pad	Tonnes	605,555	955,658	1,970,076	3,060,695
Reef processed	Tonnes	961,403	971,104	2,805,947	2,833,537
Reef milled	Tonnes	916,197	876,055	2,684,332	2,603,613
Average milled head grade	g/t	1.37	1.87	1.40	1.89
Average recovery rate	%	76	79	76	77
Average recovered grade	g/t	1.05	1.47	1.07	1.46
4E ounces dispatched and sold*	Oz	31,192	41,282	92,776	121,625
4E basket price **					
- USD	USD	951	946	927	880
- ZAR	ZAR	12,526	13,305	12,246	12,857
Gross revenue from metal sales					
- USD	USD'000	30,791	42,998	87,942	111,532
- ZAR	ZAR'000	405,831	605,034	1,159,667	1,661,576

* 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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3.4 Exploration and development of other PGM properties

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

The total exploration expenditure on various Pilanesberg exploration projects was USD0.054 million (ZAR0.711 million) for the quarter ended September 30, 2017. Total exploration expenditure since the inception of the Pilanesberg exploration projects of USD2.664 million (ZAR36.087 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.

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

During the quarter ended September 30, 2017, a total of USD0.045 million (ZAR0.594 million) was spent on the Mphahlele Project bringing the cumulative expenditure to date on the project by the Group to USD8.569 million (ZAR116.080 million), excluding acquisition costs. In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

Work program

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

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

During the quarter ended September 30, 2017, the Company spent USD Nil (ZAR Nil) on Grootboom, bringing the cumulative expenditure to date on the project to USD3.265 million (ZAR44.235 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

Work program

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

3.4.4 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, 2017, the Company spent USD2.418 thousand (ZAR31.924 thousand) on the Loskop Project. Total cumulative exploration expenditure on this project since inception is USD0.286 million (ZAR3.871 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, 2017
4 Summary of Quarterly Results

USD'000	In accordance with IFRS							
	Sep '17	Jun '17	Mar '17	Dec '16	Sep '16	Jun '16	Mar '16	Dec '15
Revenue	30,791	30,392	26,759	35,548	42,998	37,030	31,504	38,336
Cost of operations	(40,448)	(42,573)	(42,573)	(44,897)	(49,013)	(45,363)	(41,646)	(59,660)
Gross loss	(9,657)	(12,181)	(15,814)	(9,349)	(6,015)	(8,333)	(10,142)	(21,324)
Other operating (cost)/income	(5,820)	(7,272)	(5,110)	(12,380)	(12,766)	(5,624)	(480)	1,332
Net finance income / (cost)	15	144	(40)	(135)	(455)	(181)	(56)	(323)
(Loss)/Profit from associate	(267)	(138)	(149)	(533)	190	(150)	(147)	(276)
Loss before taxation	(15,729)	(19,447)	(21,113)	(22,397)	(19,046)	(14,288)	(10,825)	(20,591)
Loss for the period	(15,729)	(19,452)	(21,113)	(22,407)	(18,075)	(18,777)	(10,825)	(20,584)

5 Capital Resources
5.1 Working capital

As at September 30, 2017, Sedibelo Platinum Mines' total working capital was USD22.609 million (December 31, 2016: USD60.621 million). Working capital is based on the total unrestricted cash plus cash equivalents (USD15.913 million), inventory (USD8.875 million) and trade and other receivables (USD37.049 million) less trade payables and accrued liabilities (USD22.655 million), less short term portion of borrowings (USD0.265 million), less finance lease (USD0.891 million) and less revolving commodity facility (USD15.417 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.

5.2 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 USD1.284 billion at September 30, 2017, 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, 2017

6. Liquidity

6.1 Unrestricted cash

The Company had unrestricted cash and cash equivalents of USD15.913 million at September 30, 2017.

6.2 Restricted cash

The Group had restricted cash investments and guarantees forming part of its non-current assets totalling USD15.331 million (USD12.897 million at December 31, 2016).

6.3 Contractual Obligations

The Group's contractual obligations are as follows:

Contractual obligations USD'000	Payments due by period as at September 30, 2017			
	Total	< 1 year	1-3 years	After 3 years
Employee entitlements ⁽¹⁾	1,987	1,987	-	-
Operating lease ⁽²⁾	149	149	-	-
Finance lease ⁽³⁾	1,287	891	396	-
Asset Retirement Obligation ⁽⁴⁾	23,656	-	-	23,656
Mining costs ⁽⁵⁾	4,614	4,614	-	-
Open Purchase Orders	7,451	7,451	-	-
Total Contractual Obligations	39,144	15,092	396	23,656

- (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 USD23,656,000 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 for the required notice period, should the contracts be cancelled.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

7. Environmental Matters

7.1 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.

7.2 PPM rehabilitation

As at September 30, 2017, the Company had USD24.909 million (ZAR337.431 million) in guarantees with the DMR. The guarantees have been provided on an insurance basis with a portion of the total guarantees being paid over into a separate bank account controlled by the Group and ceded in favour of the insurance company.

7.3 Rehabilitation of other development projects

Guarantees required by the DMR for prospecting and mining rights held by the Group were provided by way of both cash and insurance backed guarantees. The insurance backed guarantees were issued by the Lombard Insurance Group. Ongoing contributions are made by the Group to fund the balance of the liability over the remaining life of the prospecting permit.

8. 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 nine months ended September 30, 2017, USD0.498 million (ZAR6.571 million) was accrued for royalty expense.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

9. 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, 2016. The following is a discussion of the critical accounting policies and estimates which management believes are important for an understanding of the Company's financial results.

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

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

Determination of consolidation

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

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

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

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

Impairment of non-current assets

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

Inventory

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

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

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

Factors impacting the determination of proved and probable reserves are:

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

Depreciation – units of production

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

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

10. Other

10.1 Off-Balance Sheet Arrangements

At September 30, 2017, the Group had USD40.434 million in guarantees to the DMR and Eskom, of which USD15.331 million is funded.

10.2 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.

10.3 Financial Instruments and Other Instruments

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

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

10. Other (continued)

10.4 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, 2016. At the date of the issue of this report, the following new accounting standard was in issue but not yet effective. The standard is expected to have an impact on the Company's financial statements.

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

Impact assessment

The Group is in the process of assessing the impact of IFRS 16. The standard is effective for year-ends beginning on or after 1 January 2019.

IFRS 15 Revenue from Contracts with Customers

Impact assessment

The Group is in the process of assessing the impact of IFRS 15. Provisional pricing arrangements with customers will need to be considered to determine whether the contracts include embedded derivative or variable consideration. The standard is effective for year-ends beginning on or after 1 January 2018.

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

11. Outstanding share data

As at September 30, 2017, the Company had 3,095,401,663 common shares in issue.

12. 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.

Access to mining property

A delay is anticipated in mining Wilgespruit due to disruptions by local communities. Access to the land, in order to execute a mining right to mine the minerals, has been restricted as a result of the continued occupation of the land by the community. On 17 February 2017, a judgment was delivered that ordered the land users to vacate the land within 30 days. On March 8, 2017, a notice of Application for Leave to Appeal was received.

On June 22, 2017, the Application for Leave to Appeal was dismissed. In the written judgment, the judge rejected any arguments that the respondents raised, and stated that they do not have any prospects of success on appeal.

On July 24, 2017, the farmers lodged their application in the Supreme Court of Appeal which has also been dismissed. On 12 October 2017, an Application for Leave to Appeal to the Constitutional Court was received, resulting in the eviction order once again being suspended.

Management's Discussion and Analysis for the three and nine months ended September 30, 2017

13. 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 nine months ended September 30, 2017. The Company has identified no material weakness in the design of its internal controls over financial reporting. There has been no change in the Company's internal controls over financial reporting since its year-end MD&A for the period ended December 31, 2016 or during the nine months ended September 30, 2017, that has materially affected, or is reasonably likely to materially affect its internal controls over financial reporting.