



## **SEDIBELO RESOURCES LIMITED**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE- AND SIX MONTHS ENDED JUNE 30, 2023**

*August 29, 2023*

#### **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 six months ended June 30, 2023, contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial and operating performance of Sedibelo Resources Limited (the "Company", "SRL", "we", "us" or "our"), its subsidiaries and affiliated companies (which together with Sedibelo Resources Limited is referred to as "the Group"), and its mineral projects, the future price of and demand for 4E metals (commonly used to refer to platinum, palladium, rhodium and gold), 4E production levels, mining rates, expected increases in global interest rates, inflation expectations, expected economic growth, the future price of copper, nickel and chrome, 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 and 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 MD&A, include among others, forecast production; the possible impacts from emerging risks such as those related to climate change and the transition to a lower carbon economy; recovery rates and grade; expectations, targets, estimates, and assumptions in respect of 4E metal prices and production; life expectancies for the Company's mines; development projects and initiatives, including with respect to the Kellplant (as defined herein), Sedibelo Underground (as defined herein) – and the Mphahlele project, including expectations regarding financing, engineering and confirmatory studies and completion dates; statements regarding the Company's sustainability and environmental, social and governance goals, including its net-zero by 2040 target; expectations regarding the development of solar and wind projects, including expectations regarding completion dates and power purchase agreements in respect thereof and the amount of energy to be produced from such projects; expectations regarding reef mining on the East pit; expectations regarding the Company's new enterprise resource planning system; allocation of funds for current commitments; expectations regarding deliveries to be made pursuant to the Impala Offtake Agreement and Northam Offtake Agreement (each as defined herein and as each may be amended or supplemented from time to time); future operations; and the Ukraine war issue currently occurring, including its impacts on PGM (as defined herein) supply and demand.

Such forward-looking statements are based on a number of material factors and assumptions, including that contracted parties provide goods and/or services per the agreed time frames; the availability of financing on commercially reasonable terms; that budgets and production forecasts are accurate; that equipment necessary for construction and development is available as scheduled and does not incur unforeseen breakdowns; that no labor 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 ("USD") relative to the South African rand ("ZAR"); changes in project parameters as plans continue to be refined; future prices of 6E and base 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, labor disputes, industrial unrest and strikes and other risks of the mining industry; political instability, insurrection or war; the effect of

HIV/AIDS on labor force availability and turnover; public health crisis such as Covid; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors discussed in the section entitled "Risk Factors" in the Company's MD&A for the year ended December 31, 2022 (the "Annual MD&A"). 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 SRL 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.

### VOLUME INFORMATION

All tonnage information in this MD&A is expressed in metric tonnes and all references to ounces are to troy ounces, in each case, unless otherwise specified.

### MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this MD&A concerning the industry in which the Company operates, including market opportunity and market size, is based on information from various sources, including public information and publications on the industry prepared by official public sources and private sources, such as World Platinum Investment Council and Johnson Matthey. This information involves a number of assumptions and limitations. While the Company believes the market opportunity and market size information included in this MD&A is generally reliable, such information is merely an estimate and an approximation. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those discussed in the section entitled "Risk Factors" in the Company's MD&A for the year ended December 31, 2022. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by the Company.

### ROUNDING

The Company has made rounding adjustments to some of the figures included in this MD&A. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

### SCIENTIFIC AND TECHNICAL DATA

Information in this MD&A concerning: (i) the existing and planned mining activities on the western limb of the Bushveld Complex; (ii) the development stage underground platinum group metal project on the eastern limb of the Bushveld Complex (the "Mphahlele Project"); and (iii) the exploration stage platinum group metal project to mine the Kruidfontein region ("Kruidfontein Project") has been prepared in accordance with the requirements of the Modernization of Property Disclosures for Mining Registrants set forth in subpart 1300 of Regulation S-K ("S-K 1300") which became widely applicable on January 1, 2021. While the definitions and standards of NI 43-101 (as defined below) and S-K 1300 have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported with respect to scientific and technical information on mineral properties, the respective standards embody slightly different approaches and definitions. Accordingly, information containing descriptions of the Company's mineral properties set forth herein may not be comparable to similar information made public by Canadian companies subject to the reporting and disclosure requirements under Canadian securities laws and the rules and regulations thereunder. Mineral resources and mineral reserves have been estimated in accordance with the SAMREC Code (2016 Edition) which would be identical if estimated and reported according to the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") "Standards on Mineral Resources and Reserves, Definitions and Guidelines" prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM.

The information on PPM contained in this MD&A is based in part on a Technical Report entitled "The PPM-Sedibelo-Magazynskraal PGM Project, North West Province, South Africa", with an effective date of December 31, 2021 and filed on the Company's SEDAR+ profile on May 30, 2022 (the "PSM Technical Report"). The PSM Technical Report was prepared by SRK Consulting (South Africa) (PTY) Ltd. ("SRK Consulting") and authored by Andrew J McDonald, Ivan Doku, Mark Wanless, Jacob van Graan and Joseph Mainama, each of whom approved the scientific and technical information contained in the PSM Technical Report and that such person authored and is a "qualified person" and "independent" within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The PSM Technical Report is available for review on SEDAR+ under the Company's profile. Information in this MD&A of a scientific or technical nature relating to PPM and arising since the date of the PSM Technical Report has been prepared under the supervision of Jan van der Merwe, who is a "qualified person" under NI 43-101.

The information on the Mphahlele Project contained in this MD&A is based in part on a Technical Report "Mphahlele PGM Project, Limpopo Province, South Africa", with an effective date of December 31, 2021 and filed on the Company's SEDAR+

profile on May 30, 2022 (the "Mphahlele Technical Report"). The Mphahlele Technical Report was prepared by SRK Consulting and authored by Andrew J McDonald, Mark Wanless and Marcin Wertz, each of whom approved the scientific and technical information contained in the Mphahlele Technical Report, and that such person authored and is a "qualified person" and "independent" within the meanings of NI 43-101. The Mphahlele Technical Report is available for review on SEDAR+ under the Company's profile. Information in this MD&A of a scientific or technical nature relating to the Mphahlele Project and arising since the date of the Mphahlele Technical Report has been prepared under the supervision of Jan van der Merwe, who is a "qualified person" under NI 43-101.

The information on the Kruidfontein Project contained in this MD&A is based in part on a Technical Report entitled "Kruidfontein PGM Project, North West Province, South Africa, NI 43-101 Technical Report Preliminary Economic Assessment", with an effective date of December 31, 2021 and filed on the Company's SEDAR+ profile on May 30, 2022 (the "Kruidfontein Technical Report"). The Kruidfontein Technical Report was prepared by SRK Consulting and authored by Andrew J McDonald, Ivan Doku and Marcin Wertz, each of whom approved the scientific and technical information contained in the Kruidfontein Technical Report, and that such person authored and is a "qualified person" and "independent" within the meanings of NI 43-101. The Kruidfontein Technical Report is available for review on SEDAR+ under the Company's profile. Information in this MD&A of a scientific or technical nature relating to the Kruidfontein Project and arising since the date of the Kruidfontein Technical Report has been prepared under the supervision of Jan van der Merwe, who is a "qualified person" under NI 43-101.

## Introduction

### 1.1 Incorporation of Sedibelo Resources Limited's shares

Sedibelo Resources Limited (the "Company") is registered in Guernsey. The Company reports in accordance with the provisions of The Companies (Guernsey) Law, 2008.

### 1.2 Principal activity

SRL 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 ("PGMs") mineral deposits in South Africa. Through its 100% owned subsidiary, Pilanesberg Platinum Mines Proprietary Limited ("PPMPL"), the Group has established the Pilanesberg Platinum Mine ("PPM") on the western limb of the Bushveld Complex (the "Western Limb").

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

- The opencast West pit on the farm Tuschenkomst 135JP;
- The developing opencast East pit on the farm Wilgespruit 2JQ;
- Sedibelo-Magazynskraal underground project ("Sedibelo Underground")
- A PGM concentrator, adjacent to West pit; and
- A chromite recovery plant, adjacent to West pit.

The current metal prices and stripping required, do not yield profitable ounces in the West pit. A decision was made to suspend mining in the West pit from October 2023 until market prices improve to mine the West pit profitably. The mineral properties and rights, stripping costs and producing mines balance relating to the open West pit at PPM were impaired during the three-month period ended June 30, 2023.

PPM management supervises contractors specialising in drilling, blasting, and run of mine ore preparation, the load and haul contractors, and manages the PGM concentrator and chromite plant. The Group's principal focus is to maximise profitable metal output from the concentrator and to develop its underground assets adjacent to its current open pit operations, to expand its life of mine ("LoM") and bring the cost of its operations down to the lower end of the PGM cost curve.

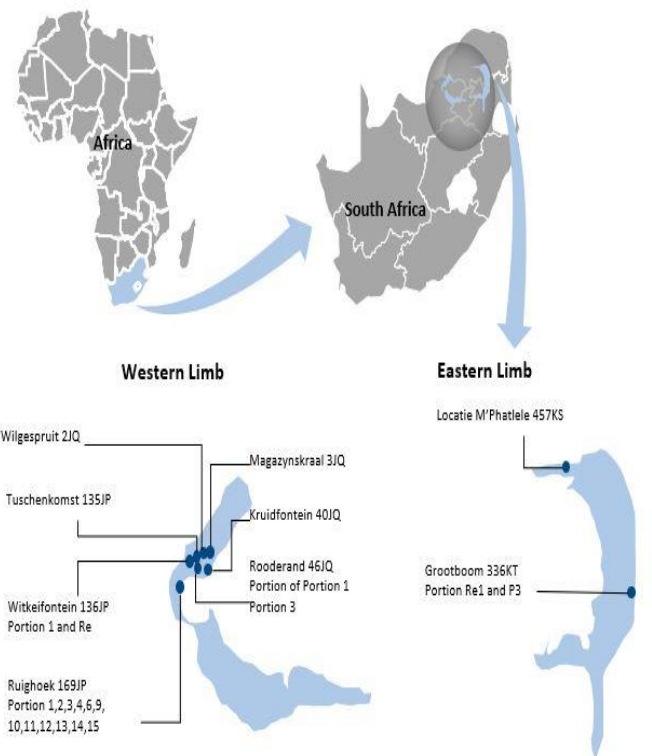
The three-year offtake agreement (the "Impala Offtake Agreement") with Impala Platinum Limited ("Impala") will continue until PPM has delivered the minimum quantity of 6E and base metal concentrate to Impala under the agreement, estimated to be in September 2023. However, the Company concluded a non-exclusive three-year offtake agreement (the "Northam Offtake Agreement") with Northam Platinum Limited ("Northam") on June 20, 2022, to deliver 6E and base metal concentrate from January 2023 and continue after the Impala Offtake Agreement concludes. Refer to section 1.4 below for additional information regarding the Impala Offtake Agreement and the Northam Offtake Agreement.

The consolidation of PGM mineral rights on the farms Tuschenkomst 135JP, Wilgespruit 2JQ, Kruidfontein 40 JQ & portions of Middelkuil 8 JQ and Modderkuil 39 JQ and Magazynskraal 3JQ, created a single block of mineral rights on the Western Limb of the Bushveld Complex.

At December 31, 2022, the block of mineral rights on the Western Limb comprised 17.9 million 4E PGM Measured & Indicated Resource ounces and 47.64 million 4E PGM Inferred Resource ounces, which includes the Kruidfontein Project. These ounces will be developed with new mining infrastructure, utilizing the current processing infrastructure at PPM to extract both PGMs and chromite. Surface and shallow underground mining provide embedded cost advantages.

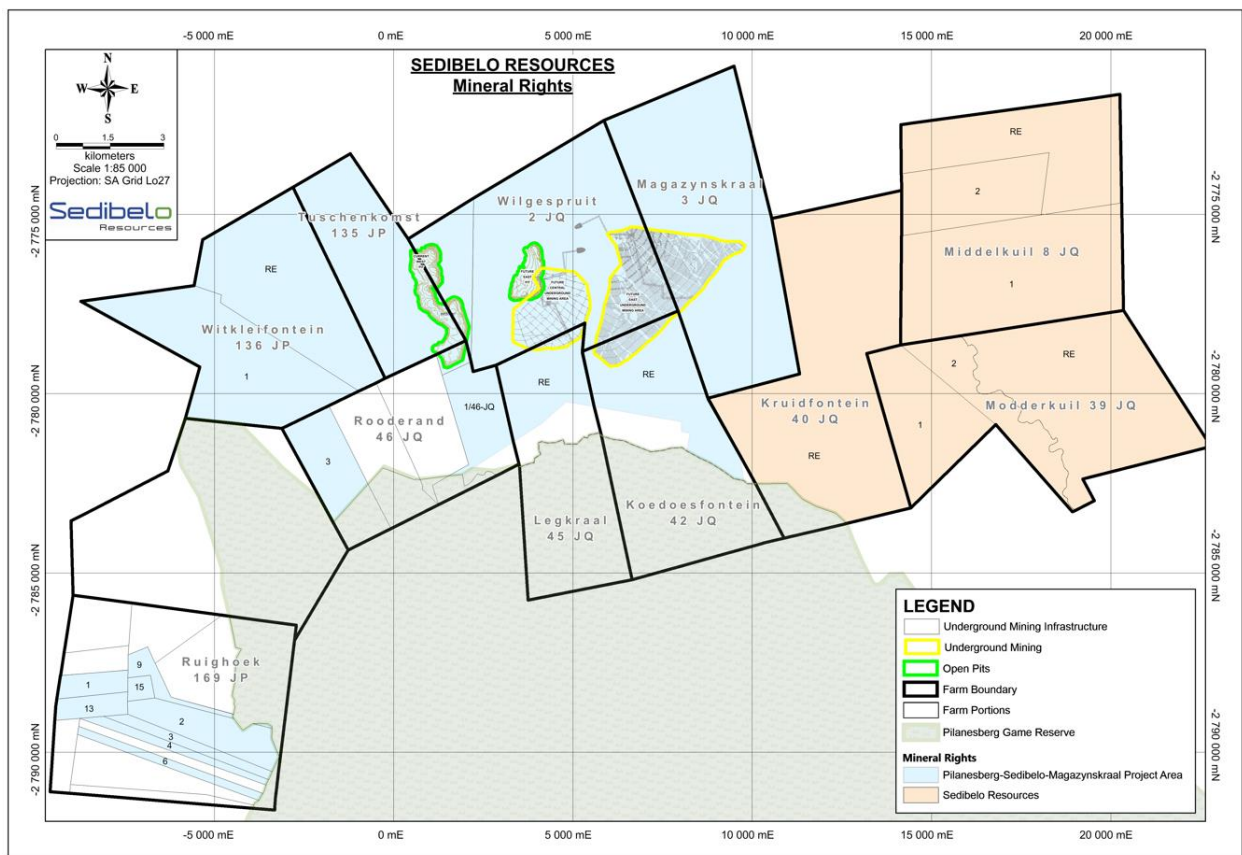
The Group also holds valuable interests in PGM deposits on the eastern limb of the Bushveld Complex (the "Eastern Limb") through its development project namely, Mphahlele; comprising of 5.09 million 4E PGM Measured & Indicated Resource\* ounces and 6.54 million 4E PGM Inferred Resource\* ounces at December 31, 2022.

*\*Includes 100% of the resources, only 75% is attributable to the Company.*



### 1.3 Development projects

Figure 1. Sedibelo Resources Western Limb development areas





### **Sedibelo East pit**

The Sedibelo East pit is situated on the farm Wilgespruit 2JQ and is adjacent to West pit situated on the Farm Tuschenkomst 135JP. The East pit is currently operated as a second open pit in conjunction with the West pit. The current Life of Mine ("LOM") for the East pit had to be adjusted because of a significant decline in current commodity prices. This mine plan for a smaller open pit reduces stripping of waste and will be mined until 2029 depending on the PGM market. Infrastructure development of the East pit commenced in January 2022 and reef mining commenced in May 2022. The East pit is expected to reach steady state production in Q3 2023.

### **Sedibelo-Underground project**

The development of Sedibelo Underground was approved in December 2020. The project feasibility study ("FS") was published in July 2020 and had an effective date of March 31, 2020. This study was designed with the objective of minimising the project's capital requirements to a steady state and that the current open pit operations could support the underground operations during the ramp up phase.

Lengthy delays have occurred since the development of the East portal commenced due to unanticipated geological conditions. Accordingly, the East Portal structure has been redesigned to ensure a safe long-term structure based on the actual ground conditions. The impact of this has been factored into the commercial bid evaluation and CBE (Capital Budget Estimate), which have been updated. The focus during Q2 of 2023 has been the consolidation of the East portal box cut to deal with the geological conditions encountered. This work is scheduled to be completed by the end of August 2023.

Market conditions and outlook have changed significantly since the Company embarked on the project. The free cash flow originally estimated from current open pits at current spot and forecast prices will now not be able to fully fund the project. Alternative sources of funding are being explored.

### **Kell project**

The Kell process is a hydrometallurgical process that uses pressure oxidation and solvent extraction-electrowinning to extract valuable metals from concentrate. The development of a plant that utilizes the Kell process technology to process concentrate from the Company's mining operations as well as from third parties into PGM's is under evaluation. This is an opportunity for SRL to spearhead the production of lower carbon footprint PGM's in the market.

The building of a Kellplant at PPM has been delayed pending an updated FS for a plant that only processes PPM material.

## **1.4 Offtake agreements**

### **Impala Offtake Agreement**

Historically, substantially all our reported revenues have been derived from the Impala Offtake Agreement, an ordinary course agreement that PPMP entered into with Impala on August 23, 2018, for a three-year term.

PPMPL sell and deliver to Impala for treatment and processing, on an exclusive basis, a specified minimum quantity of 6Es and base metals in concentrate as derived from all ore mined at the PPM and all concentrate produced at the PPM to which PPMPL shall have title or shall be the owner. The parties have agreed that Impala will be responsible for the smelting and refining of the concentrate delivered to it, on the basis that: (i) the fee payable for the smelting and refining of the concentrate is determined in accordance with a predetermined formula; and (ii) PPMPL is liable to pay such fee to Impala. The price paid by Impala for the 6Es, and base metals extracted from the concentrate is determined in accordance with a predetermined formula, linked to index prices, taking into consideration the quality of the 6Es and base metals extracted from the flotation concentrate, less the smelting and refining fee.

The term of the Impala Offtake Agreement expired on May 21, 2022. At the time of expiry, PPMPL had delivered approximately 78% of the minimum quantity required to be delivered under the Impala Offtake Agreement. As such, PPMPL has performed substantially all of its obligations under the Impala Offtake Agreement, and the Impala Offtake Agreement is no longer an agreement on which we are substantially dependent. However, Impala has an ongoing right to receive metals on the terms specified in the Impala Offtake Agreement because PPMPL did not deliver the specified minimum quantity of 6Es, and base metals (nickel and copper) required to be delivered under the Impala Offtake Agreement by May 21, 2022. PPMPL and Impala have agreed terms for the outstanding deliveries and PPMPL will continue to make deliveries to Impala until such time as the minimum quantity to be delivered has been met.

### Northam Offtake Agreement

The Company signed the Northam Offtake Agreement on June 20, 2022. The term of the Northam Offtake Agreement is from the first day of the calendar month following the first to occur of (i) the day on which the minimum contractual delivery quantity has been delivered to Impala under the Impala Offtake Agreement, and (ii) the day on which Impala waives its right to receive the remainder of the minimum quantity outstanding, whichever occurs earlier. Impala has not waived their right to the minimum quantity outstanding. The company anticipates the outstanding volume of concentrate to be delivered to Impala by September 2023. The Northam Offtake Agreement may be terminated by either of the parties in the third year (2025) by giving three (3) months' written notice.

### 1.5 Market trends and outlook

Johnson Matthey forecasts PGM demand to remain relatively robust, especially for platinum, which could see double-digit gains (assuming investment stays in positive territory for the remainder of the year).

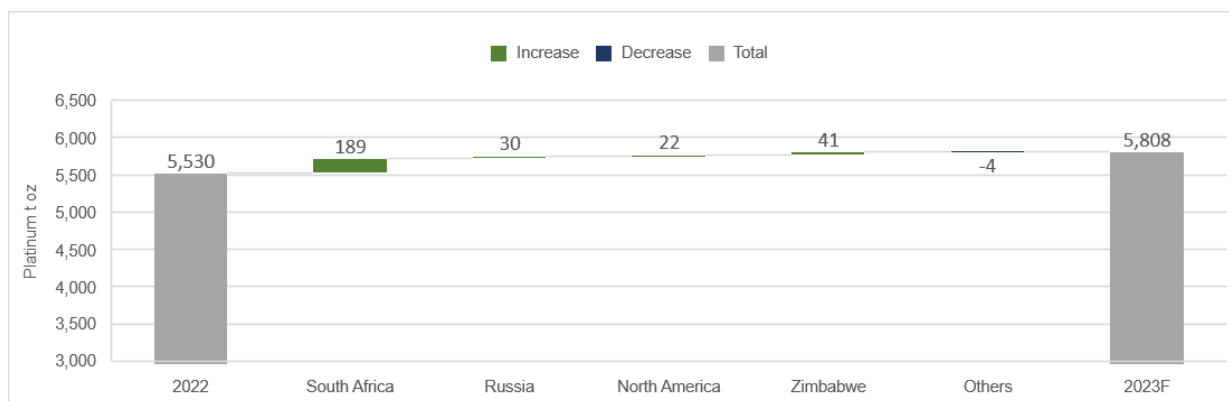
The PGM operating environment remains exceptionally difficult, with PGM miners facing severe pressure from electricity shortages, rising costs, ageing assets, and socioeconomic challenges.

Automotive PGM consumption is expected to see marginal gains in 2023, with battery electric vehicles expected to capture all of the growth in light vehicle production. Although emissions legislation is set to tighten again, with the implementation of real driving emissions ("RDE") testing in India and China (in April and July 2023, respectively) and the phase-in of Euro 6e regulations starting in September, most automakers can meet the new requirements without any material increases to PGM loadings. In the heavy-duty sector – where demand has been boosted in the past two (2) years by the enforcement of China 6 limits on heavy diesel trucks – thrifting of PGM loadings will partly offset underlying growth in vehicle volumes. World auto PGM demand is forecast to rise by just 1% to 12.2 million oz this year.

The individual PGM will see divergent demand trends, as platinum-for-palladium substitution on gasoline vehicles gains momentum, reflecting catalyst fitment decisions taken over the past three (3) years when palladium prices were exceptionally high. Platinum automotive demand is forecast to rise by 11%, to exceed three (3) million oz for the first time since 2017, while palladium use will contract by 2%. Rhodium consumption is not directly affected by substitution decisions, and will remain flat, with thrifting efforts broadly offset by the on-going legislative focus on Nitrogen Oxides (NOx) emissions under real driving conditions.

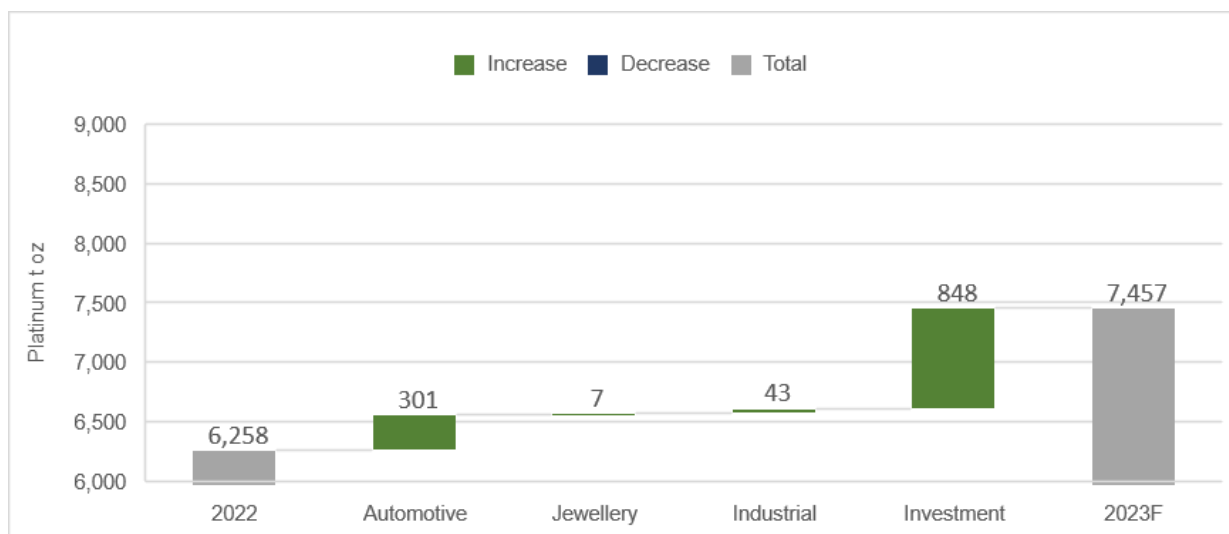
PGM use in some smaller applications is forecast to rise strongly in 2023. Platinum consumption in non-automotive fuel cells could exceed 100,000 oz for the first time, reflecting strong investment in fuel cell power plants in Korea, and increased use of fuel cell powered forklift trucks in United States warehouses. In the pollution control sector, demand will be boosted by increased fitment of PGM-containing aftertreatment systems to non-road mobile machinery in China, following the implementation of China 4 standards in December 2022.

Figure 2. Platinum supply changes over 2022 to 2023F



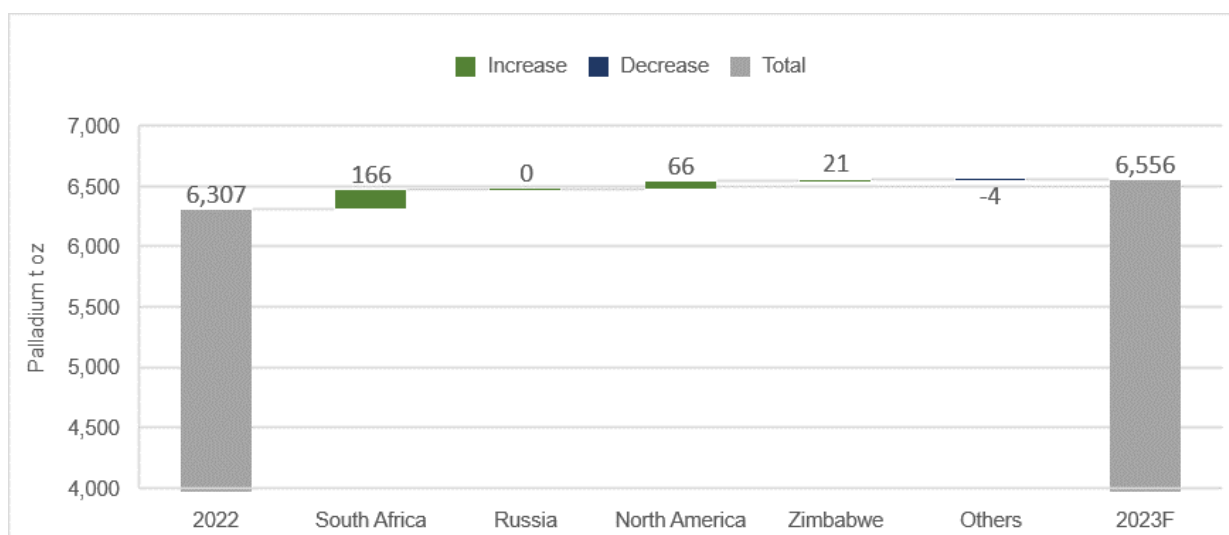
Source: Johnson Matthey PGM market report May 2023

Figure 3. Platinum demand changes over 2022 to 2023F



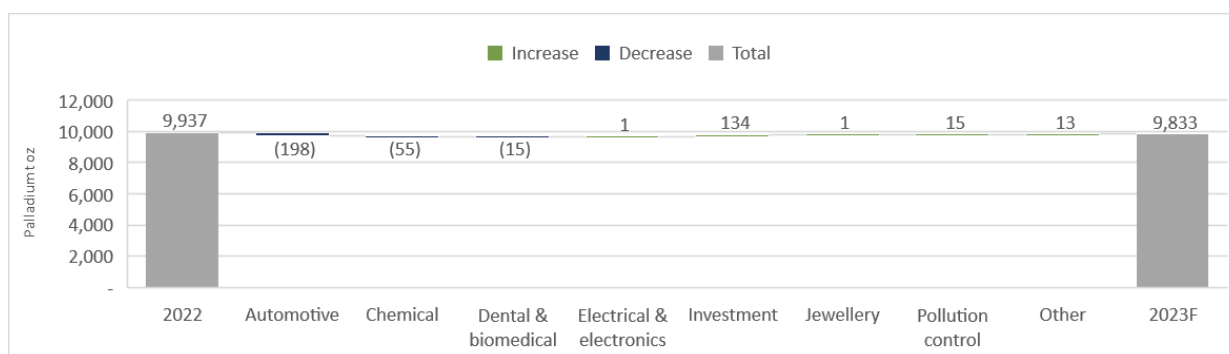
Source: Johnson Matthey PGM market report May 2023

Figure 4. Palladium supply changes over 2022 to 2023F



Source: Johnson Matthey PGM market report May 2023

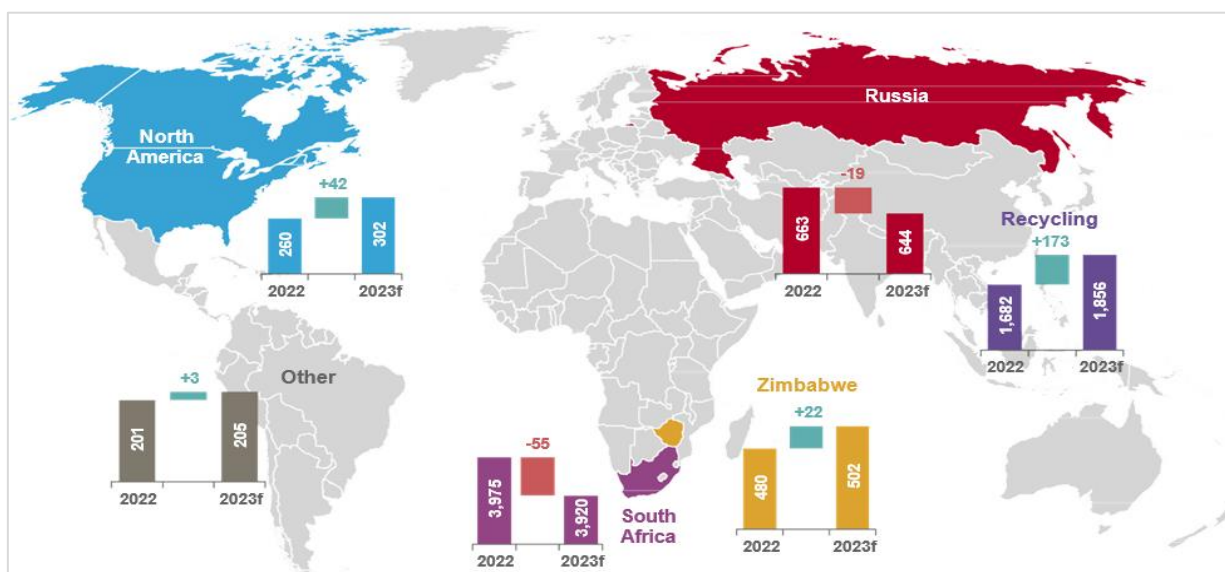
Figure 5. Palladium demand changes over 2022 to 2023F



Source: Johnson Matthey PGM market report May 2023



Figure 6. Platinum supply changes 2022 vs 2023F



Source: World Platinum Investment Council

### 1.6 Events after reporting period

The Group has no adjusting post balance sheet events to report as at the date of this MD&A. The following non adjusting post balance sheet events occurred:

#### Section 189(3)

On August 8, 2023, and August 10, 2023, a notice in terms of Section 189(3) of the Labour Relations Act were issued to employees of the South African entities in the Group. The notice initiates a process of restructuring within the Group that is expected to lead to job losses.

#### Nedbank credit facility

On August 15, 2023, Nedbank cancelled the credit facility, as further discussed herein under section 3.2 Financial Condition. An amount of USD21.449 million (ZAR400 million) which includes interest accrued on the facility, will be repaid on August 29, 2023.

### 1.7 Purpose of this MD&A

This MD&A is provided to enable the reader to assess the financial position and results of operations for the three- and six months ended June 30, 2023, compared to the prior corresponding periods. Certain information in this MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three- and six-month periods ended June 30, 2023, and the notes thereto (collectively, the "financial statements") prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents can be found at [www.sedibeloplatinum.com](http://www.sedibeloplatinum.com) and [www.sedarplus.ca](http://www.sedarplus.ca). Additional information about the Company is also available at [www.sedarplus.ca](http://www.sedarplus.ca).

## 2. Review of operations

### History

Stripping of topsoil and waste overburden commenced on the West pit in March 2008. Reef mining from the West pit commenced in December 2008. Delivery of the first concentrate to the Northam smelter took place in April 2009. Commercial production was declared on January 1, 2011.

Infrastructure development on the East pit commenced in January 2022 and the first reef from the East pit was delivered to the concentrator in June 2022. Management anticipates the East pit to reach commercial production in Q3 2023.

### Extraction and processing of ore (reef)

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

Construction of a chromite removal plant commenced in January 2017. The extraction of chromite from the UG2 circuit, represents an additional revenue stream at a small incremental operational cost. The plant was commissioned in September 2017, with revenue first received in March 2018. Care is taken not to compromise PGM production in the process of improving production of the chromite by-product.

### Operations

Table 1: Operational performance for the three- and six-month periods ended June 30, 2023

	Unit	For the three months ended		For the six months ended	
		Jun 30, 2023	Jun 30, 2022	Jun 30, 2023	Jun 30, 2022
Reef delivered to the RoM pad <sup>(a)</sup>	Tonnes	637,157	547,384	1,288,969	912,286
Reef processed <sup>(b)</sup>	Tonnes	775,987	494,226	1,332,645	1,102,543
Reef milled	Tonnes	759,226	473,949	1,334,154	1,082,750
Average milled head grade	g/t	1.99	1.65	1.91	1.49
Average recovery rate <sup>(c)</sup>	%	57	59	49	62
Average recovered grade	g/t	0.96	0.97	0.88	0.90
4E ounces dispatched and sold <sup>(d)</sup>	Oz	27,461	15,555	41,067	32,880
4E basket price <sup>(e)</sup>					
- USD	USD	1,540	2,297	1,694	2,402
- ZAR	ZAR	28,712	35,678	30,700	36,937
Total revenue per 4E ounce <sup>(f)</sup>	ZAR	25,866	36,784	25,187	42,098
Gross revenue from metal sales					
- USD	USD'000	38,663	36,192	56,908	89,255
- ZAR <sup>(g)</sup>	ZAR'000	710,861	572,173	1,034,349	1,384,187

(a) RoM is defined as run of mine.

(b) Reef processed means the reef tonnes mined that either upgraded using the DMS plant and/or milled. The total tonnes processed equal the tonnes mined, adjusted for unprocessed ore inventory.

(c) The average recovery rate and grade are based on the monthly actual production and does not take into account any metal pipeline changes as a result of new assay information that becomes available.

(d) 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. The metals dispatched and sold includes pipeline changes.

(e) Basket price for 4E (platinum, palladium, rhodium, and gold).

(f) Total revenue per 4E ounce is calculated by dividing the gross revenue from metal sales in ZAR by the 4E ounces dispatched and sold.

(g) Gross revenue from metal sales is converted from USD to ZAR using the three and six-month average USD/ZAR exchange rate.

Measured in USD, revenue increased by 7% during the three-month period ended June 30, 2023, compared to the same period in 2022. The increase in revenue was attributable to a 77% increase in 4E ounces dispatched in the quarter, which was partially offset by a 33% decrease in the USD 4E basket price result.

Measured in USD, revenue decreased by 36% during the six-month period ended June 30, 2023, compared to the same period in 2022. The decrease in revenue was attributable to a 29% decrease in the USD 4E basket price which was partially offset by a 25% increase in 4E ounces dispatched in the quarter.

Figure 7. Mining Production

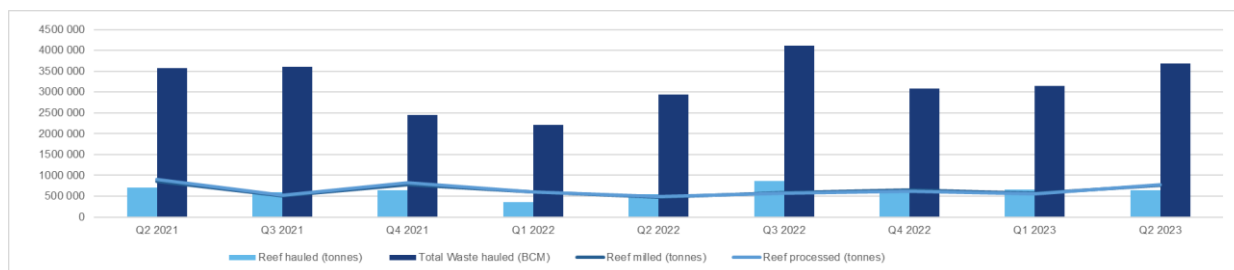
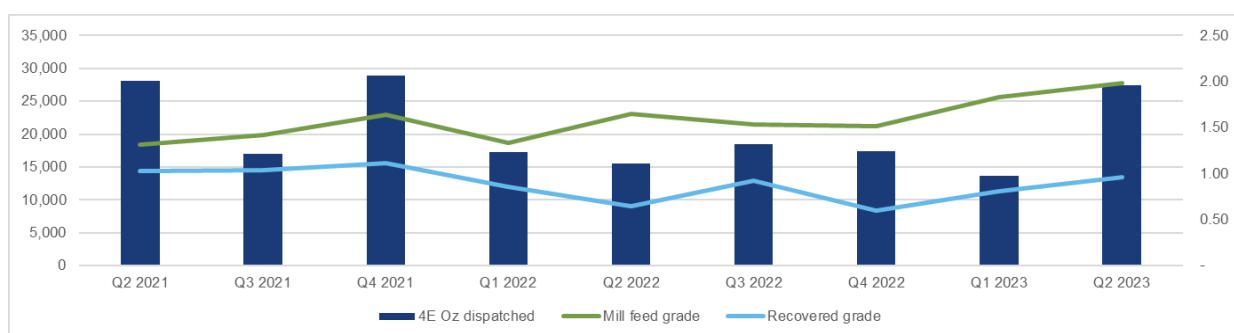


Figure 8. Concentrator Plant Production



#### Three-month period ended June 30, 2023

Inclement weather conditions and the accumulation of ground- and rainwater in both pits remained a challenge during the three-month period ended June 30, 2023 particularly with respect to the reefing areas that are at the lowest point of the pits. Additional pipelines have been installed to pump water from the East pit to the West pit. A sump of 137 000 m<sup>3</sup> was constructed in the southern portion of the West pit to store accumulated rainwater from the central portion of the West pit.

Froth stability and filterability of final concentrate remained a challenge with processing of oxidised material, in return, negatively impacting the recovery metrics. The mining plan indicates that competent reef available for processing should increase from Q3 2023.

During the three-month period ended June 30, 2023, reef hauled was 16% higher than the comparative period as a result of production days lost in the comparative period. Various challenges were faced in the six-month period ended June 30, 2022. During the month of April 2022, no ounces were dispatched or sold because of production days lost due to community unrest and excessive rainfall (152mm) which hindered safe mining activities. As a result, no run-of-mine inventory was produced. A decision was made by management to bring forward a substantial portion of the annual plant maintenance to April 2022 which had been scheduled for August 2022 and to focus on opening reef faces in the East pit and West pit while there was no feed to the concentrator.

During the three-month period ended June 30, 2023, the average recovery rate was 4% lower than the comparative period due to the poor metallurgical response of the oxidised ore processed from the East pit (36% of total reef hauled in Q2 2023).

Continuous concentrator throughput will continue to be under pressure until the East pit delivers competent material for processing. In the 2022 comparative period only fresh ore from the West pit was processed until May 2022 when the first reef was delivered from the East pit.

During the three-month period ended June 30, 2023, 28,681 UG2 tonnes were sourced from a third party to supplement the feed to the concentrator plant. The material received did not meet the Company's quality expectations and no further third party sourcing has been undertaken.

## 2.1 Exploration and development of other PGM properties

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

Total exploration expenditure on various Pilanesberg exploration projects was USD52 thousand (ZAR956 thousand) for the quarter ended June 30, 2023. Total exploration expenditure since the inception of the Pilanesberg exploration projects of USD5.071 million (ZAR95.042 million) has been capitalised in accordance with the Group's accounting policies in "Exploration and evaluation assets".

#### Work programme

The Pilanesberg exploration projects consist of properties adjacent to PPM.

### 2.2.2 Mphahlele Project (on the Eastern Limb of the Bushveld Complex)

During the quarter ended June 30, 2023, USD75 thousand (ZAR1.400 million) was spent on the Mphahlele project, bringing cumulative expenditure to date on the project to USD8.819 million (ZAR165.293 million), excluding acquisition costs. In accordance with the Group's accounting policies, these costs have been capitalised in "Exploration and evaluation assets".

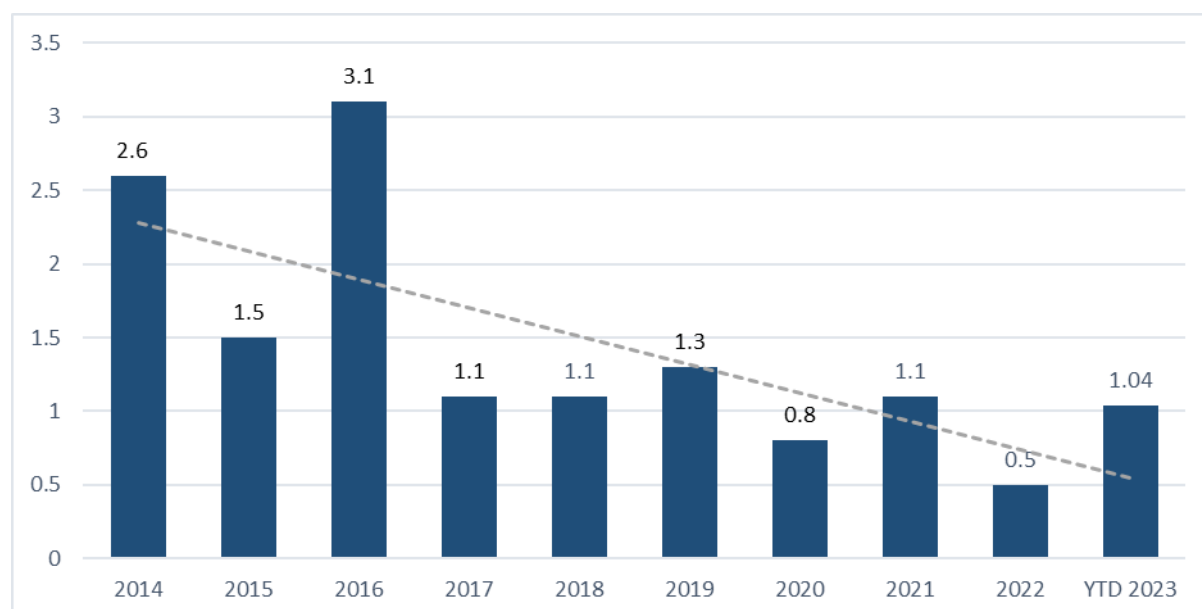
#### Work programme

The mining right previously granted was executed on November 23, 2022. The mining right expires on February 16, 2042. The executed right permits the Company to commence with mining activities. A consulting firm was appointed to perform a gap analysis and do the relevant groundwork for the environmental licenses and exploration drilling. Community engagement has commenced with the Mphahlele Tribal Council and the Mphahlele trust to involve stakeholders in the compilation of the community engagements necessary for the Environmental Impact Assessment and Water License Application technical studies as well as the required exploration drilling.

## 2.2 Safety

The Group strives for zero harm to employees and contractors. PPM recorded 7.33 million fatality free shifts ("FFS") as at June 30, 2023. The FFS extend over a fourteen-year period. PPM endeavours to intensify the drive to a zero-harm culture across all its operations. Notably, the concentrator operation achieved 2,848 days without any Lost Time Injury ("LTI") on June 30, 2023. Since 2016, PPM has managed to significantly reduce the LTI Frequency Rate. PPM recorded nil (0) LTI's during the three and six-month periods ended June 30, 2023.

Figure 9. 2014 – YTD 2023 Lost Time Injury Frequency Rate



## 2.3 Environmental matters

### Overview

The Company conducts exploration on its key projects and prospects subject to mineral exploration permit applications made to and issued by South Africa's Department of Mineral Resources and Energy ("DMRE"). For each exploration programme, a rehabilitation plan is included with the application and, where required, the relevant guarantees are put in place with the DMRE in respect of the rehabilitation work that must be carried out when the programme is complete. All such environmental guarantees are put in place in the normal course of business.

Environmental guarantees are released by the DMRE on completion of the obligations in terms of the rehabilitation plans contained within either the application for the prospecting permits, or the mining right. The total amount of restricted investment and guarantees as at June 30, 2023 is USD18,008 million.

### PPM rehabilitation

As at June 30, 2023, the Company had USD23.188 million (ZAR434.597 million) in guarantees with the DMRE. The guarantees have been provided on an insurance basis with a portion of the total guaranteed value being paid into a separate bank account controlled by the Group and ceded in favour of the insurance company.

The current rehabilitation provision reflects an unscheduled closure scenario where cost estimates were determined using the DMRE Master Rates, as per the requirements of the DMRE Guideline Document for the Evaluation of Quantum of Closure Related Financial Provision Provided by a Mine (January 2005). A separate project is being conducted to align the costing with the requirements of the Financial Provision Regulations for Mine Rehabilitation and Closure promulgated on November 20, 2015 ("GN R. 1147") under the National Environmental Management Act, No. 107 of 1998, as amended. The compliance date has been extended to February 19, 2024. Based on transitional arrangement of GN R. 1147, mining right holders can still determine closure cost using the DMRE method of calculation. The Group foresees an increase to the value of its closure costs and the guarantees that will have to be provided after the implementation of GN R. 1147. It will potentially require an increase of USD 11.811 million (ZAR 221.352 million) in closure guarantees.

### Rehabilitation of other development projects

Guarantees required by the DMRE 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 ("Lombard"). The Group makes ongoing contributions to fund the balance of the liability over the remaining life of the prospecting permit. As at June 30, 2023, the Group had USD6.920 million (ZAR129.702 million) in guarantees with the DMRE for other projects.

### Tailings storage facility ("TSF")

PPM successfully implemented the Tailings Protect program of a risk-based tailings dam monitoring system and completed the TSF dashboard. Tailings Project's core business function is to provide risk-based insurance solutions that aim to achieve improved terms/pricing and compliance with the Global Industry Standards on Tailings Management and other widely recognised best-in-class standards. This is done through the provision of a 24/7 link to a risk-assessed tailings monitoring system. The dashboard will allow live monitoring of critical parameters online. The operation currently only has one (1) TSF. The TSF is deemed stable under current configuration and operational conditions. Focus will remain on the technical aspects of the TSF and enhanced alignment with the Global Industry Standard on Tailings Management.

### Climate considerations

The Group is cognisant of the need to reduce and eventually eliminate Greenhouse Gas emissions from its processes. Our ambition is to achieve net zero total emissions no later than 2040. In order to achieve this, the Group has the following initiatives under way:

#### (i) Renewable Energy

The Group is in the process of procuring renewable energy for PPM and has elected to procure 47MW of wind power through a wheeling arrangement with Sturdee Energy ("Sturdee"), and to build a solar plant to provide approximately 55MW of power, at or adjacent to PPM.

The Group is negotiating a power purchase agreement with Sturdee, the drafting of which is substantially complete. The wind farm will be owned and operated by Sturdee and will provide energy to PPM via a wheeling arrangement with Eskom Holdings Limited ("Eskom") (the South African state utility provider). The facility is expected to provide energy to the mine by Q1 of 2025. If the plant generates as expected, it will provide



approximately half of the mine's requirements at that time. In addition, the Group plans to build a solar facility at or adjacent to PPM. This will allow the Company to meet the growing energy needs of PPM, especially as the Group makes progress with the underground project. The solar facility will provide approximately 55MW of energy, representing a substantial portion of the growing electricity requirements by 2030. Planning of the solar facility is still in the initial stages, with two potential sites having been identified and which are being assessed. The Group plans to add battery storage facilities and the Group is keeping a close eye on the price of utility-scale batteries suitable to our conditions.

This power purchase agreement will only be executed once financing has been procured.

(ii) Kell Plant

The Group plans to construct a Kell Plant at PPM, employing cost- and energy efficient Kell technology. Kell technology is expected to reduce energy consumption significantly when compared with the traditional smelting process. It is also expected to reduce emissions of SO<sub>2</sub> and other pollutants.

### Carbon emissions

Our current carbon emissions are as follows:

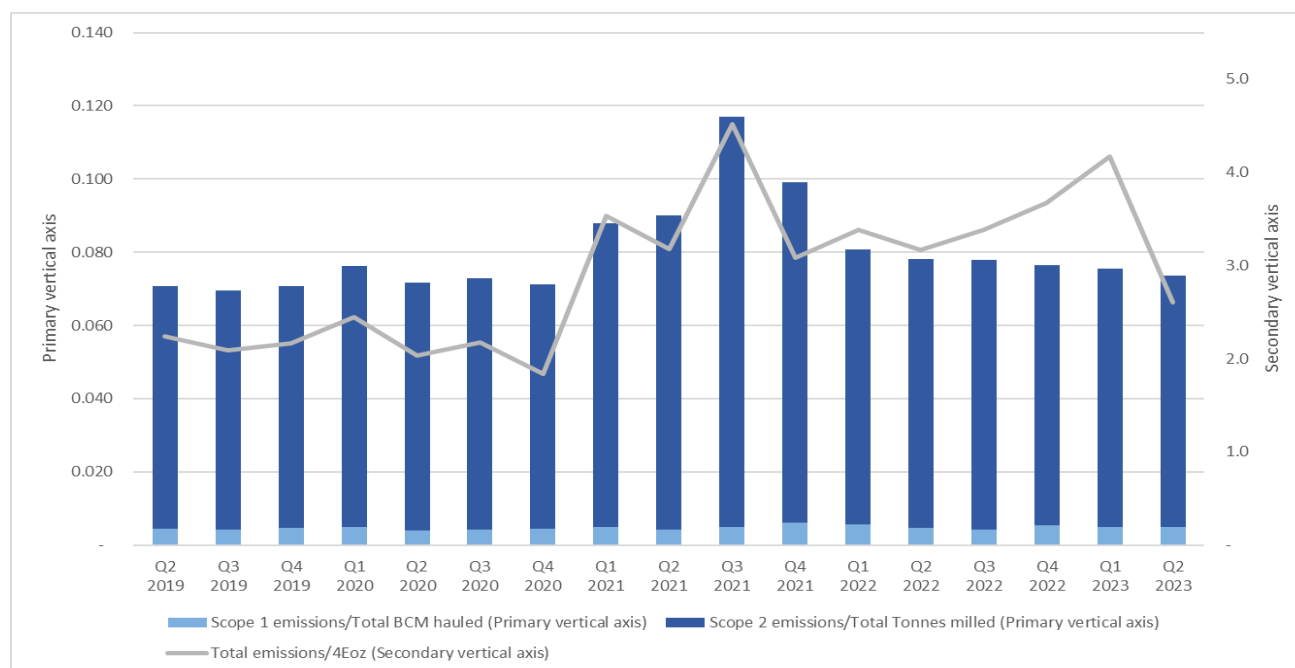
Scope 1 (energy-direct emissions) from fossils fuels, consisting of combustion of diesel (50ppm sulphur) and mobile equipment and blasting explosives, contributed 28% of the total generated carbon equivalent emissions for the six-month period ended June 30, 2023. Scope 2 (indirect-energy source) emissions from the consumption of Eskom electricity accounted for 72% of the total carbon equivalent emissions for the six-month period ended June 30, 2023.

Total emissions/4Eoz decreased by 32% quarter-on-quarter (Q1 2023 compared to Q2 2023), due to a 38% higher recovery on the reef processed.

Scope 1 emissions per Bank Cubic Metre ("BCM") hauled did not significantly fluctuate quarter-on-quarter.

Scope 2 emissions per tonnes milled did not significantly fluctuate quarter-on-quarter.

Figure 10. Quarterly CO<sub>2</sub> emissions



### 3. Overall performance

#### 3.1 Reporting currency and periods

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

Table 2. Relevant exchange rates to the USD

	As at Jun 30, 2023	Average six months ended Jun 30, 2023	Average three months ended Jun 30, 2023	As at Dec 31, 2022	Average six months ended Jun 30, 2022	Average three months ended Jun 30, 2022
South African rand (USD:ZAR)	18.74	18.20	18.65	16.96	15.41	15.57

#### 3.2 Financial condition

Table 3. Financial condition as at June 30, 2023

	As at Jun 30, 2023 USD'000	As at Dec 31, 2022 USD'000
Cash and cash equivalents	89,256	155,376
Other current assets	61,110	77,864
<b>Total current assets</b>	<b>150,366</b>	<b>233,240</b>
Restricted investments and guarantees	18,008	18,601
Other non-current assets	888,760	952,669
<b>Total non-current assets</b>	<b>906,768</b>	<b>971,270</b>
<b>Total assets</b>	<b>1,057,134</b>	<b>1,204,510</b>
Current liabilities	76,767	48,975
Non-current liabilities	95,589	136,942
<b>Total liabilities</b>	<b>172,356</b>	<b>185,917</b>
Total shareholders' equity	893,349	1,027,734
Non-controlling interests	(8,571)	(8,141)
<b>Total equity</b>	<b>884,778</b>	<b>1,018,593</b>
<b>Other information</b>		
<b>Key financial ratios:</b>		
Current ratio <sup>(a)</sup>	1.96	4.76
Working capital <sup>(b)</sup>	73,599	184,265
Debt/equity ratio <sup>(c)</sup>	19.29%	18.11%

(a) Current ratio = current assets / current liabilities.

(b) Working capital = current assets - current liabilities.

(c) Debt to equity ratio = total liabilities / shareholders' equity.

SRL's non-current asset base comprises primarily of mining properties, plant and equipment and mine development, reflecting the capital-intensive nature of mining. Other assets include intangible assets, investments in joint venture, cash and cash equivalents, trade and other receivables and a deferred tax asset. Trade receivables include the PGM sales pipeline, which is the PGM and base metal deliveries to clients of up to three (3) to five (5) months.

Total assets decreased by USD147.376 million during the six-month period ended June 30, 2023. The decrease can be attributed to:

- USD108.802 million decrease because of a 10.5% weaker ZAR used in the conversion from functional currency to presentation currency;
- An impairment of property, plant and equipment totalling USD18.692 million, of which USD18.409 million relates to the impairment of capitalized stripping costs of the West pit and USD283 thousand relates to the impairment of producing mines costs pertaining to the West pit;

- An impairment of mineral properties and rights relating to the West pit totalling USD17.020 million;
- Cash and cash equivalents decreasing by USD57.913 million, which is the net result of USD5.502 million and USD11.004 million drawn against the Nedbank Limited ("Nedbank") and the Industrial Development Corporation of South Africa Limited ("the IDC") facilities respectively, offset by (i) operational losses, (ii) cash utilised for the development of the East pit and (iii) the underground mining project;
- A USD9.179 million decrease in trade and other receivables, due to previously capitalised cost relating to the initial public offering ("IPO") being reclassified to profit or loss and a negative IFRS13 adjustment to the metal pipeline; partly offset by
- Additions to property, plant and equipment of USD60.330 million, of which USD36.723 million relates to mining cost capitalized to the East pit developing mining operation, USD12.468 million relates to costs capitalized to the underground mining project and the remaining additions relate mainly to the purchase of plant equipment; and
- A USD5.324 million increase in the deferred tax asset recognised because of the calculated tax loss for the six-month period ended June 30, 2023, and the unredeemed capex recognised.

Total liabilities decreased by USD13.561 million during the six-month period ended June 30, 2023. The decrease can be attributed to:

- USD6.580 million decrease because of an 11% weaker ZAR used in the conversion from functional currency to presentation currency;
- A positive IFRS 9 fair value adjustment of USD28.012 million recognised on the stream prepayment and stream payments of USD2.396 million for the six-month period ended June 30, 2023; partially offset by
- A drawdown made of USD5.502 million and USD11.004 million against the Nedbank and IDC credit facilities, respectively;
- A USD3.752 million increase in the Revolving Commodity Facility as a result of a 23% increase in ounces included in the metal pipeline for the period ended June 30, 2023 compared to December 31, 2022; partly offset by a decrease in the ZAR 4E basket price as at June 30, 2023, compared to as at December 31, 2022; and
- An increase in the share-based payment obligation of USD4.457 million.

The Group's working capital decreased from USD184.265 million as at December 31, 2022, to USD73.599 million as at June 30, 2023. The Group's current ratio decreased to 1.96 as at June 30, 2023 from 4.76 as at December 31, 2022. Both these metrics were negatively impacted by the reclassification of the Nedbank and IDC facilities from non-current- to current liabilities because of a covenant breach and the decrease in the trade and other receivables and cash and cash equivalents decreasing; partially offset by the decrease in the revolving commodity facility.

PPMPL has breached certain covenants of the two facilities with Nedbank and IDC on June 30, 2023, resulting in them being unavailable for further utilisation and the drawn amounts and interest accrued on the facilities being repayable in the foreseeable future unless a waiver is granted. Nedbank has denied the waiver request by the Company and cancelled the full facility. An amount of USD21.449 million (ZAR400 million) which includes interest accrued on the facility, will be repaid to Nedbank on August 29, 2023.

SRL's capital structure is historically comprised of shareholders' equity and low levels of debt. As at June 30, 2023, the debt-to-equity ratio was 19.29% compared to 18.11% as at December 31, 2022. The increase is mainly a result of the negative exchange difference on translation from functional to presentation currency and the drawdown against the Nedbank and IDC credit facilities.

### 3.3 Financial performance for the three-and six-month periods ended June 30, 2023

The Group recorded a net profit of USD16.366 million and a net loss of USD4.349 million for the three- and six-month periods ended June 30, 2023. This compared to a net loss of USD2.317 million and a net profit of USD878 thousand for the three- and six-month periods ended June 30, 2022.

Revenue and cost compared to the prior year periods were significantly influenced by the conversion from the Group's functional currency (ZAR) to the Group's presentation currency (USD). The average ZAR weakened by 20% and 18% from the comparative three- and six-month periods.

Table 4. Financial performance for the three- and six-month periods ended June 30, 2023

	For the three months ended		For the six months ended	
	Jun 30, 2023 USD'000	Jun 30, 2022 USD'000	Jun 30, 2023 USD'000	Jun 30, 2022 USD'000
Revenue	38,663	36,192	56,908	89,255
Cost of operations	(28,727)	(29,364)	(61,296)	(65,959)
<b>Gross profit/(loss)</b>	<b>9,936</b>	<b>6,828</b>	<b>(4,388)</b>	<b>23,296</b>
Administrative and general expenses	(16,491)	(9,250)	(26,254)	(17,440)
Fair value gain	65,403	-	61,605	-
Foreign exchange (loss)/gain	(6,776)	5,838	(5,925)	2,062
Impairment	(35,712)	-	(35,712)	-
Other income/(expenses)	36	311	(789)	1,381
<b>Operating profit/(loss)</b>	<b>16,396</b>	<b>3,727</b>	<b>(11,463)</b>	<b>9,299</b>
Finance income	2,522	1,712	5,414	3,329
Finance costs	(1,776)	(829)	(3,211)	(1,813)
Share of loss of investments accounted for using the equity method	(462)	(376)	(962)	(151)
<b>Profit/(loss) before income tax</b>	<b>16,680</b>	<b>4,234</b>	<b>(10,222)</b>	<b>10,664</b>
Income tax (expense)/credit	(314)	(6,551)	5,873	(9,786)
<b>Profit/(loss) for the period</b>	<b>16,366</b>	<b>(2,317)</b>	<b>(4,349)</b>	<b>878</b>
<b>Other comprehensive loss</b>	<b>(43,689)</b>	<b>(125,242)</b>	<b>(129,466)</b>	<b>(20,847)</b>
Exchange difference on loans designated as net investments	10,924	15,855	32,244	(16,506)
Exchange difference on translation from functional to presentation currency	(56,508)	(143,037)	(127,788)	(5,791)
Share of other comprehensive loss of investment accounted for using the equity method	62	1,831	(153)	1,430
Movements in other reserves	147	109	185	20
Fair value gain/(loss) on stream prepayment	1,686	-	(33,954)	-
<b>Total comprehensive loss</b>	<b>(27,323)</b>	<b>(127,559)</b>	<b>(133,815)</b>	<b>(19,969)</b>

#### Revenue:

Table 5. Disaggregation of revenue

	For the three months ended		For the six months ended	
	Jun 30, 2023 USD'000	Jun 30, 2022 USD'000	Jun 30, 2023 USD'000	Jun 30, 2022 USD'000
Platinum	16,287	9,094	25,837	19,742
Palladium	9,232	12,178	11,201	23,720
Rhodium	9,892	16,454	12,735	37,851
Gold	1,144	897	1,701	1,690
<b>4E</b>	<b>36,555</b>	<b>38,621</b>	<b>51,474</b>	<b>83,003</b>
Other minerals	5,348	6,772	7,544	15,380
<b>Total revenue from contracts with customers</b>	<b>41,903</b>	<b>45,394</b>	<b>59,018</b>	<b>98,383</b>
Commodity price adjustment	(3,240)	(9,201)	(2,110)	(9,128)
<b>Total revenue</b>	<b>38,663</b>	<b>36,192</b>	<b>56,908</b>	<b>89,255</b>

The Company generates all its revenues from sales of its metals: 6E (4E plus iridium and ruthenium) and other base metals (copper, nickel and chrome). No revenue was recorded from chrome sales during the six-month period ended

June 30, 2023 while minor chrome sales were recorded at the spot market in Q2 2022. Sales of 4E contributed 87% to the total revenue from contracts with customers during the three- and six-month periods ended June 30, 2023, compared to 85% and 84% in the comparative three- and six-month periods, respectively.

Revenue is recognized when the buyer, pursuant to a sales contract, obtains control of the product, which constitutes the performance obligation. The sales price and quantities are determined on a provisional basis at the date of delivery. Adjustments to the sales price occurs based on movements in the metal market price, metal content quantities and exchange rate, which represent variable transaction price components, up to the date of final pricing and assays. Final pricing under the Impala Offtake Agreement is based on the monthly average market price in the month of settlement. Under the Northam Offtake Agreement final pricing is based on the monthly average market price in the month following delivery of concentrate. The period between provisional invoicing and final pricing is typically between three (3) and five (5) months under the Impala Offtake Agreement and one (1) month under the Northam Offtake Agreement. Revenue on provisionally priced sales is initially recorded at the monthly average market price in the month of delivery and the assayed quantities. Adjustments in respect of final assayed quantities and/or prices arising between the date of initial recognition and the date of settlement are recognized in the period in which the adjustment arises and reflected through revenue and receivables.

*For the three-months ended June 30, 2023:*

Revenue increased by USD2.471 million, or 7%, from US\$36.192 million for the three-months ended June 30, 2022, to USD38.663 million for the three-months ended June 30, 2023. The net movement was the result of:

- A 77% increase in 4E ounces dispatched; partially offset by
- A 33% decrease in the average USD 4E basket price.

*For the six-months ended June 30, 2023:*

Revenue decreased by USD32.347 million, or 36%, from US\$89.255 million for the six-months ended June 30, 2022 to USD56.908 million for the six-months ended June 30, 2023. The net movement was the result of:

- A 29% decrease in the average USD 4E basket price ; partially offset by
- A 25% increase in 4E ounces dispatched.

The production days lost as a result of excessive and unsafe wet conditions, community unrest and safety stoppages in the comparative three- and six-month periods ended June 30, 2022, negatively impacted the 4E ounces dispatched and sold.

*Figure 11. PGM price evolution*

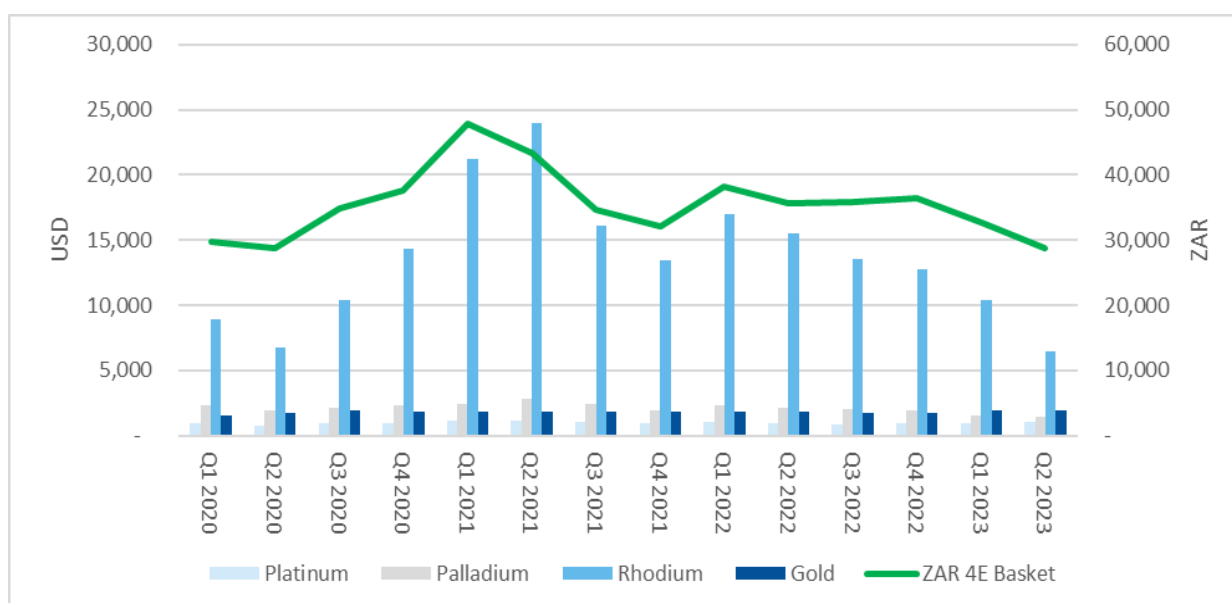
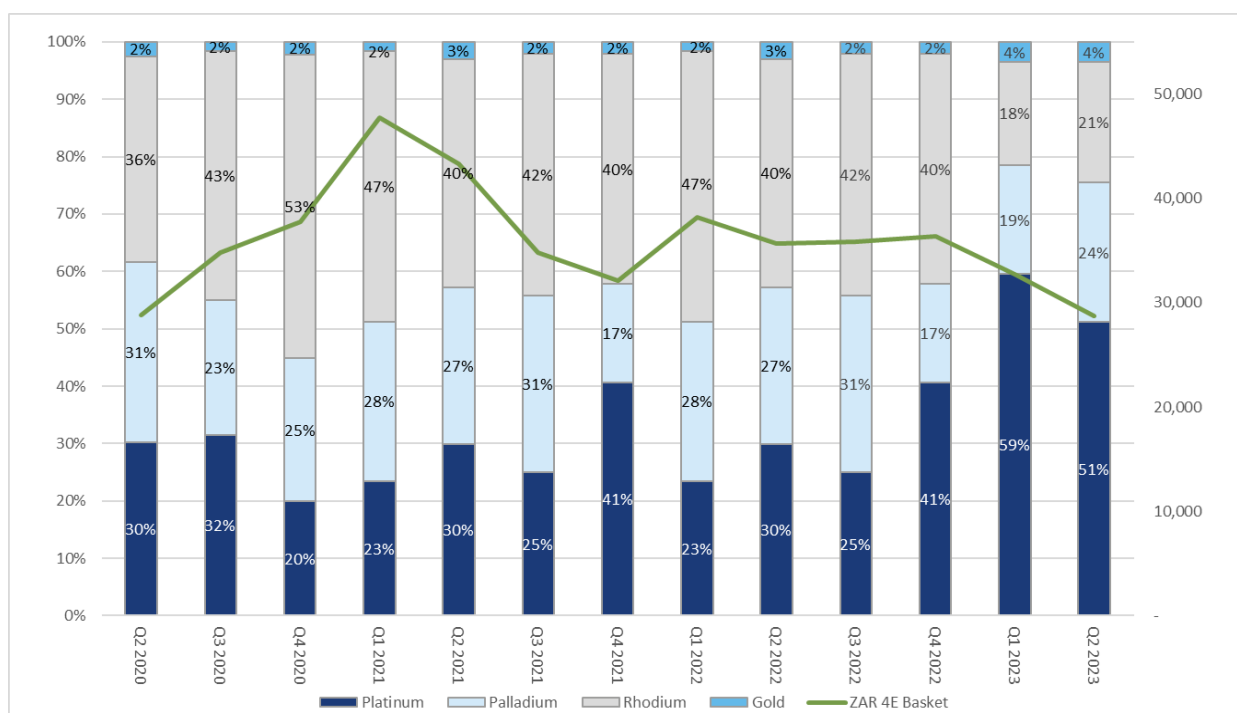




Figure 12. Metal contribution to 4E revenue (including price adjustments)



The average 4E basket decreased by 33% and 29% during the three- and six-month periods ended June 30, 2023, compared to the comparative periods. The Palladium market price decreasing by 31% and 32% and the Rhodium market price decreasing by 58% and 48% during the three and six months ended June 30, 2023, were the major contributors to the basket decrease, compared to the respective comparative periods. The decrease in metal prices was partially mitigated by the ZAR's 20% and 18% depreciation against the USD during the three and six months ended June 30, 2023.

#### Cost of operations:

Table 6. Cost of operations summary

	For the three months ended		For the six months ended	
	Jun 30, 2023	Jun 30, 2022	Jun 30, 2023	Jun 30, 2022
	USD'00	USD'000	USD'000	USD'000
Materials and mining costs	(6,284)	(14,287)	(15,913)	(31,502)
<b>Total on-mine operations costs</b>	<b>(6,284)</b>	<b>(14,287)</b>	<b>(15,913)</b>	<b>(31,502)</b>
<i>Concentrator plant operations</i>				
Materials and other costs	(8,728)	(6,800)	(18,421)	(13,548)
Utilities	(4,681)	(3,468)	(7,657)	(6,973)
<b>Total concentrator plant operations</b>	<b>(13,409)</b>	<b>(10,268)</b>	<b>(26,078)</b>	<b>(20,521)</b>
<i>Beneficiation</i>				
Smelting and refining costs	(2,406)	(1,843)	(3,233)	(3,986)
<b>Total beneficiation costs</b>	<b>(2,406)</b>	<b>(1,843)</b>	<b>(3,233)</b>	<b>(3,986)</b>
<i>Other costs</i>				
Transportation	(120)	(60)	(229)	(137)
Salaries	(4,573)	(5,143)	(9,748)	(10,430)
Third party RoM material purchased <sup>(a)</sup>	(1,778)	-	(2,741)	-
<b>Total other costs</b>	<b>(6,471)</b>	<b>(5,203)</b>	<b>(12,718)</b>	<b>(10,567)</b>
	<b>(28,570)</b>	<b>(31,601)</b>	<b>(57,942)</b>	<b>(66,576)</b>
Amortization and depreciation of operating assets	(644)	(1,313)	(2,158)	(2,471)
Inventory adjustments	487	3,550	(1,196)	3,088
<b>Total cost of operations</b>	<b>(28,727)</b>	<b>(29,364)</b>	<b>(61,296)</b>	<b>(65,959)</b>

(a) 28,681 and 38,681 UG2 tonnes were sourced from a third party to supplement the feed to the concentrator plant during the three- and six-month periods ended June 30, 2023.

*For the three-months ended June 30, 2023*

Cost of operations decreased by USD637 thousand or 2%, from USD29.364 million for the three-month period ended June 30, 2022, and to USD28.727 million for the corresponding period in 2023. However, measured in ZAR, cost of operations increased by ZAR78.152 million or 17% for the three-month period ended June 30, 2023.

*For the six-months ended June 30, 2023*

Cost of operations decreased by USD4.663 million or 7%, from USD65.959 million for the six-month period ended June 30, 2022, to USD61.296 million for the corresponding period in 2023. However, measured in ZAR, cost of operations increased by ZAR96.008 million or 9% for the six-month period ended June 30, 2023.

Measured in ZAR the net movement for the three- and six-month periods ended June 30, 2023 was the result of:

- Higher concentrator volumes processed, and ounces delivered and sold during the three and six-month periods ended June 30, 2023, compared to the same period in the comparative period as a result of the production days lost in the comparative period;
- The general high inflationary environment further contributed to costs increasing. The impact of the Russian invasion of Ukraine is still evident in the cost of diesel, emulsion and reagents. The ongoing load shedding implemented by the South African power provider, Eskom has led to the operations having to manage load curtailment during most of the period that gave rise to additional cost, specifically diesel for operating a back-up generation plant; partially offset by
- A 63% and 52% decrease in mining costs during the three- and six-month periods ended June 30, 2023 compared to the same corresponding periods in 2022, due to lower volumes mined from the West pit compared to the same corresponding periods in 2022; the East pit was still in development phase until May 2022 when the first reef was delivered. Mining cost relating to the East pit is capitalised, including drilling, blasting and waste stripping until the open pit development reaches steady state production.

*Table 7. Administrative and general expenses breakdown*

	For the three months ended		For the six months ended	
	Jun 30, 2023 USD'000	Jun 30, 2022 USD'000	Jun 30, 2023 USD'000	Jun 30, 2022 USD'000
Amortisation and depreciation	(215)	(221)	(394)	(410)
Audit fees	(71)	(181)	(392)	(409)
Community projects	(1,150)	(978)	(2,100)	(1,637)
Consulting and professional fees	(6,512)	(552)	(7,123)	(1,760)
Employee expenses	(5,168)	(3,896)	(10,538)	(6,991)
Insurance fees	(309)	(589)	(615)	(907)
IT related costs	(375)	(212)	(718)	(375)
Learnerships & bursaries	(215)	(95)	(513)	(146)
Other admin and general expenses	(1,870)	(1,372)	(2,545)	(2,606)
Royalty expense	(149)	(298)	(324)	(643)
Security	(457)	(856)	(992)	(1,556)
<b>Total administrative and general expenses</b>	<b>(16,491)</b>	<b>(9,250)</b>	<b>(26,254)</b>	<b>(17,440)</b>

*For the three-months ended June 30, 2023*

Administrative and general expenses totalled USD16.491 million for the three-months ended June 30, 2023, compared to USD9.250 million for the comparative period. Administrative and general expenses for the three-month period ended June 30, 2023, increased by USD7.241 million, or 78%.

*For the six-months ended June 30, 2023*

Administrative and general expenses totalled USD26.254 million for the six-months ended June 30, 2023, compared to USD17.440 million for the comparative period. Administrative and general expenses for the six-month period ended June 30, 2023, increased by USD8.814 million, or 51%.

The net increase for the three- and six-month periods ended June 30, 2023, was the result of:

- The increase in consulting and professional fees because USD5,381 million previously capitalised cost relating to the IPO process was reclassified to profit or loss during the three-month period ended June 30, 2023 because of

the abandonment of the specific IPO workstream with uncertainty on when the Company and markets will recover to facilitate an IPO;

- An increase in employee expenses due to inflationary increase in salaries year-on-year, the appointment of three (3) additional non-executive board members ("NED") and an adjustment to NED fees, as well as the issuance of additional LTIP rewards;
- An increase in community project spend due to commitments to the DMRE; and
- An increase in IT related costs because of additional work centres required for on boarding of the clinic, training facility, underground offices and the requirements for the newly implemented Enterprise Resource Planning system.

### **Fair value gain**

*For the three- and six-months ended June 30, 2023 and 2022:*

A net positive fair value adjustment of USD27.651 million was recognised on the stream prepayment for the six-month period ended June 30, 2023. The positive fair value adjustment comprises of the following:

- A positive fair value adjustment of USD61.966 million recognised in profit or loss for the period mainly because of a decrease in the spot prices and the long term forecast in commodity prices;
- A negative fair value adjustment of USD33.954 million as a result of a decrease in the Company's credit spread from 7% as at December 31, 2022 to 5% for the period ended March 31, 2023 which was recognised in other comprehensive income; and
- USD361 thousand amortising of the day one fair value adjustment.

### **Foreign exchange (loss)/gain**

*For the three- and six-months ended June 30, 2023 and 2022:*

A net foreign exchange loss was recorded in "foreign currency denominated loans", the stream prepayment and cash deposits held in USD accounts for the three- and six-month periods ended June 30, 2023. The net movement is a result of the ZAR/USD rate depreciating by 5% and 11% during the three- and six-month periods ended June 30, 2023, respectively, resulting in a foreign exchange loss recognised on the stream prepayment. The majority of cash held in USD has as exchange rate cap, resulting in the foreign exchange loss on the stream prepayment not being offset by a foreign exchange gain on the cash held.

During the three- and six-month periods ended June 30, 2022, a foreign exchange gain was recorded in "foreign currency denominated loans", and cash deposits held in USD accounts on cash because of the ZAR/USD depreciating by 12% and 2% respectively.

### **Impairment**

*For the three- and six-months ended June 30, 2023 and 2022:*

During the three- and six-month period ended June 30, 2023 an impairment of USD35.712 million was recognised which consisted of USD18.409 million relating to the impairment of capitalized stripping costs of the West pit, USD283 thousand relating to the impairment of producing mines costs pertaining to the West pit and USD17.020 million relating to mineral properties and rights of the West pit.

The current metal prices and stripping required, do not yield profitable ounces in the West pit. A decision was made to stop all stripping activity in the West pit and discontinue mining from October 2023 until circumstances change to mine the West pit profitably.

### **Finance income**

Finance income totalled USD2.522 million and USD5.414 million for the three- and six-month periods ended June 30, 2023, compared to USD1.712 million and USD3.329 million for the comparative periods. Finance income for the three- and six-months ended June 30, 2023, increased by 47% and 63%.

The movement was the result of interest earned on a higher average cash and cash equivalents balance during the period, amplified by interest earned at higher interest rates (mainly the South African prime interest rate) during the three- and six-month periods ended June 30, 2023, compared to the comparative period in 2022.

Table 8. Interest rate change

Date of change	Applicable rate
January 28, 2022	7.50%
March 25, 2022	7.75%
May 20, 2022	8.25%
July 21, 2022	9.00%
September 22, 2022	9.75%
November 24, 2022	10.50%
January 16, 2023	10.75%
March 30, 2023	11.25%
July 24, 2023	11.75%

### Finance costs

For the three- and six-months ended June 30, 2023 and 2022:

Finance costs totalled USD1.776 million and USD3.211 million for the three- and six-months ended June 30, 2023, compared to USD829 thousand and USD1.813 million for the comparative periods.

Finance costs for the three- and six-months ended June 30, 2023, increased by 114% and 77%, respectively, from the comparative period.

The increase for the three- and six-month periods ended June 30, 2023, was due to the interest accrued and paid on the Nedbank and IDC credit facilities and an increase in the monthly accretion recognised on the decommissioning liability.

### Income tax (expense)/credit

For the three-months ended June 30, 2023 and 2022:

During the three-months ended June 30, 2023 the deferred tax asset increased as a result of the calculated tax loss for the period and the unredeemed capex recognised. The unredeemed capex is a function of the mining development that has been capitalised. During the prior period, the South African corporate income tax rate changed from 28% to 27%. The deferred tax asset had to be adjusted since it was previously recognised at a rate of 28%. This adjustment increased the tax expense for the period.

For the six-months ended June 30, 2023 and 2022:

The deferred tax asset increased during the current period, as a result of the increased capital expenditure on mining development. This income tax expense on the calculated tax profit had a minimal impact on the deferred tax movement. During the prior period the corporate income tax rate changed from 28% to 27% which caused the deferred tax asset to decrease and resulted in a deferred tax expense.

### Profit/(loss) for the period

As a result of the foregoing, the loss decreased by USD18.683 million during the three-month period ended June 30, 2023, from a loss of USD2.317 million for the three-month period ended June 30, 2022, to a profit of USD16.366 million for the three-month period ended June 30, 2023.

For the six-month period ended June 30, 2023, the profit decreased by USD5.227 million, from a profit of USD878 thousand for the six-month period ended June 30, 2022, to a loss USD4.349 million for six-month period ended June 30, 2023.

### Exchange difference on loans designated as net investment

The shareholder loan from SRL to Orkid S.à.r.l., had been used to fund the development of PPM and for the acquisition of PGM assets on the Western Limb in 2012. This loan is accounted for as a net investment. The Company adopted the accounting policy to account for these exchange differences in other comprehensive income.

The loan is denominated in ZAR and the functional currency of Orkid S.à.r.l. is the Euro. During the three- and six-month periods ended June 30, 2023, exchange gains of USD10.924 million and USD32.244 million were recorded, respectively. This was as a result of the ZAR/EURO exchange rate depreciating by 5% and 13% during the three- and six-month periods ended June 30, 2023, respectively.

#### Exchange difference on translation from functional to presentation currency

Exchange differences arising on the translation of equity from the functional currency to the presentation currency are recognised in other comprehensive income.

Shareholders' equity is measured at the historical exchange rate at the date of acquisition. Retained earnings are measured at the average historical exchange rate.

At the end of each reporting period, equity and retained earnings are remeasured at the period end closing exchange rate. The difference between the historical rates and the currency adjustment rate for the current year is recognised in the Foreign Currency Translation Reserve.

During the three- and six-month periods ended June 30, 2023, and 2022, the USD/ZAR foreign exchange rate depreciated, resulting in a foreign exchange loss on translation from functional- to presentation currency.

## 4. Summary of quarterly results

Table 9. Summary of quarterly results

USD'000 (except for per share information)	Jun'23	Mar'23	Dec'22	Sep'22	Jun'22	Mar'22	Dec'21	Sep'21
Revenue	38,663	18,245	36,144	42,048	36,192	53,063	66,186	35,511
Cost of operations	(28,727)	(32,569)	(42,933)	(38,670)	(29,364)	(36,595)	(46,494)	(45,373)
<b>Gross profit/(loss)</b>	<b>9,936</b>	<b>(14,324)</b>	<b>(6,789)</b>	<b>3,378</b>	<b>6,828</b>	<b>16,468</b>	<b>19,692</b>	<b>(9,862)</b>
Other operating cost	(23,231)	(9,737)	(10,566)	(7,657)	(3,101)	(10,896)	(7,704)	(6,253)
Impairment	(35,712)	-	-	-	-	-	-	-
Fair value gain/(loss)	65,403	(3,798)	(4,677)	12,695	-	-	-	-
Net finance income	746	1,457	2,436	1,918	883	633	885	845
(Loss)/profit from associate	(462)	(500)	(46)	(717)	(376)	225	(259)	(468)
<b>Profit/(loss) before taxation</b>	<b>16,680</b>	<b>(26,902)</b>	<b>(19,642)</b>	<b>9,617</b>	<b>4,234</b>	<b>6,430</b>	<b>12,614</b>	<b>(15,738)</b>
<b>Profit/(loss) for the period</b>	<b>16,366</b>	<b>(20,715)</b>	<b>(17,280)</b>	<b>9,324</b>	<b>(2,317)</b>	<b>3,195</b>	<b>7,867</b>	<b>(12,785)</b>
Total profit/(loss) attributable to owners of the Company	16,588	(17,074)	9,497	(2,242)	3,346	8,009	(12,642)	6,669
Basic earnings/(loss) per share (cents)	0.54	(0.55)	0.31	(0.07)	0.11	0.26	(0.41)	0.22
Diluted earnings/(loss) per share (cents)	0.54	(0.55)	0.31	(0.07)	0.11	0.26	(0.41)	0.22
ZAR:USD	18.65	17.74	17.63	17.03	15.57	15.25	15.42	14.62

Quarterly revenues have fluctuated from a high of USD66.186 million to a low of USD18.245 million over the prior two-year period. These fluctuations are a result of the movements in the 4E basket price and increase/decrease in the ounces dispatched quarter-on-quarter. The profit/(loss) attributable to the owners of the Company fluctuated from a profit of USD16.588 million to a USD17.074 million loss. The movement is the result of revenue increasing/decreasing following an increase/decrease in ounces dispatched, coupled with the fluctuation in cost of operations and fair value gain or loss recognised on the stream prepayment.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim financial reporting and IFRIC ("International Financial Reporting Interpretations Committee") interpretations applicable to companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"). The financial information has been prepared using the historical cost basis, modified by the revaluation of financial assets and financial liabilities at fair value, and is presented in USD. The conversion rate to the presentation currency for the three-months period ended June 30, 2023, was 20% higher than the rate for the three-months periods ended June 30, 2022 because of the depreciation of the ZAR against the USD.



### *Events or uncertainties during the three-month period ended June 30, 2023*

Continuous concentrator throughput will continue to be under pressure until the Sedibelo East pit delivers competent material for optimal feed grade and recovery. The economical reef available from the West pit under current market conditions is limited and will require further pre-stripping for access. The current metal prices and stripping required, do not yield profitable ounces in the West pit. A decision was made to suspend mining in the West pit from October 2023 until market prices improve to mine the West pit profitably. The mineral properties and rights, stripping costs and producing mines balance relating to the open West pit at PPM were impaired during the three-month period ended June 30, 2023.

## **5. Liquidity and Capital Resources**

The Company is a holding company with no material assets other than its direct and indirect equity interests in its subsidiaries. The Company is, therefore, dependent on payments, dividends and distributions from its subsidiaries for funds to pay its operating and other expenses and to pay future cash dividends or distributions, if any, to holders of the ordinary shares. Deterioration in the financial condition, earnings or cash flow of the Company's subsidiaries for any reason could limit or impair their ability to pay such dividends or distributions, and the Company may have tax costs in connection with any dividend or distribution.

Additionally, the Company's principal subsidiary operates in South Africa, and as a result, the Company is currently subject to exchange controls enforced by the South African Reserve Bank ("SARB") that may restrict its ability to upstream funds. Furthermore, exchange rate fluctuation will affect the US dollar value of any distributions the Company's subsidiaries make with respect to its equity interests in those subsidiaries. The Company currently anticipates that any such restrictions or fluctuations will not impact its ability to meet the Company's cash obligations.

For further discussion, see "Risk Factors" in the Company's MD&A for the year ended December 31, 2022.

PGM market prices, inflationary pressures, and the slow ramp up of the Sedibelo East pit has put significant strain on the free cash flow of the Group. It was envisaged that the open pit operations would contribute free cashflow to fund the Sedibelo underground development. However, this expectation has not been realised in the past twelve (12) months with PGM prices declining and operational difficulties experienced through excessive rain, safety stoppages, community unrest and unplanned breakdowns resulting in lost production time.

As at June 30, 2023, the Company had unrestricted investments and cash equivalents of USD89.256 million as well as the amended and restated revolving credit facilities to fund its metal pipeline, entered into between PPMP, the Company and Investec Bank Limited ("Investec"), which had an aggregate facility limit of USD10.671 million (ZAR200 million) for the financing of concentrate deliveries under the Northam agreement; and up to USD13.399 million (ZAR250 million) for concentrate deliveries under the Impala agreement.

The Company has credit facilities provided by Nedbank and the IDC in the aggregate amount of USD26.678 million (ZAR500 million). As at June 30, 2023, an aggregate amount of USD32.120 million had been drawn down on the credit facilities (Nedbank: ZAR400 million and IDC: ZAR200 million). The credit facilities were reclassified from non-current liabilities to current liabilities due to certain financial covenants not being met under the Common Terms Agreement. As at June 30, 2023 each credit facility was unavailable for further utilisation and the drawn amounts and interest accrued on the facilities may be repayable in the foreseeable future unless a waiver is granted. Management of the Company approached both Nedbank and the IDC for a waiver of covenants. Nedbank denied the request for a waiver and cancelled the full facility on August 15, 2023. The outstanding balance of USD21.449 million (ZAR400 million) and interest accrued on the facility, will be repaid to Nedbank on August 29, 2023.

The PGM price environment at the date of this report against the current approved technical plans for the Sedibelo East pit casts doubts about future cash generation. Mitigating actions are being explored to enable PPMP to endure an extended period of depressed PGM commodity prices by reducing its existing cost structure and right sizing its operations for the best free cashflow outcome.

These actions contemplated include production curtailment with limited capital spend; implementing a restructuring plan and reducing overhead and corporate cost; and exploring other funding opportunities.

The Company will need to source additional funding to further develop the Sedibelo Underground project.

### **5.1 Working capital**

As at June 30, 2023, the Company's total working capital was USD73.599 million, composed of: (1) the sum of unrestricted investments and cash equivalents (USD89.256 million), inventory (USD10.506 million), loan receivables (USD1.110 million) and trade and other receivables (USD49.494 million); less (2) the short-term portion of the stream prepayment (USD3.294 million), share-based payment obligation (USD587 thousand), the outstanding balance under

the revolving commodity facility available to the Company pursuant to the Investec RCF (USD17.749 million), credit facilities (USD32.120) and trade payables and accrued liabilities (USD23.017 million).

The Company's cash and cash equivalents are held in short-term and liquid interest-earning deposits at reputable financial institutions within South Africa and in the United Kingdom. As part of working capital management and ensuring sufficient cash is available for operational needs, the Investec RCF and the Nedbank and IDC credit facilities are utilized on a continuous basis. For more information about the Investec RCF and the Nedbank and IDC credit facilities, see "Liquidity and Capital Resources—Indebtedness" below. The funds received pursuant to the stream credit facility arrangement with Orion (discussed below) will also be utilized to fund the working capital of the open pits as well as the development of the underground mining project.

#### *Orion Stream Agreements*

The Group entered into three stream agreements with affiliates of Orion. Orion is a USD7.8 billion global asset management firm (as at June 30, 2022) that specializes in institutional investment strategies in precious and base metals and minerals, many of which are currently leveraged to stimulus and infrastructure spend and the push to decarbonize.

The stream agreements are made up of platinum, rhodium and palladium and gold streams. Orion advanced the following stream prepayments to the Group:

1. Platinum stream: USD40.2 million;
2. Palladium and gold stream: USD28.7 million; and
3. Rhodium stream: USD31.1 million

In consideration for the stream prepayment, the Group will sell and deliver to a metal account of Orion metal credits purchased on the London Bullion Market equal to the value of a certain percentage (designated metal percentage) of refined metals produced by the PPML West and East pit as well as the Sedibelo Underground mine once monthly.

The Company will receive a monthly cash payment equal to 20% of the value of the metal credits delivered to Orion.

The following designated metal percentages are applicable to each stream:

1. Platinum stream: 4.55%
2. Palladium and gold stream: 5.75%
3. Rhodium stream: See table 1. below. Options A to H in table 1 will depend on the occurrence of certain stream events (buy-back; production total achieved, and production total achieved plus mining depth). Column A is currently applicable.

Management has elected to irrevocably designate this prepayment amount received from Orion as a Financial Liability at Fair Value through Profit or Loss ("FVTPL").

As the precious metals price and precious metal price volatilities and risk-adjusted discount rates are unobservable inputs, the financial liabilities above are classified within Level 3 of the fair value hierarchy.

The fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the platinum, palladium, rhodium and gold forward price curve, the long-term price volatility between 23% and 47%, and a discount rate which factors in the Company's credit spread of 5%, the life of mine production schedule and expectations including expansion plans.

Table 10: Rhodium designated metal percentage

Monthly Avg. Rh Price (USD/oz)	A	B	C	D	E	F	G	H
Less than or equal to 5,000	4.30%	2.15%	1.08%	0.54%	4.30%	2.15%	0.54%	0.27%
Linear interpolation between								
Greater than 5,000 and less than 10,000	4.30% and 2.11%	2.15% and 1.055%	1.075% and 0.5275%	0.5375% and 0.26375%	4.30% and 2.11%	2.15% and 1.055%	0.5375% and 0.26375%	0.26875% and 0.131875%
Equal to 10,000	2.11%	1.055%	0.5275%	0.26375%	2.11%	1.055%	0.26375%	0.131875%
Linear interpolation between								
Greater than 10,000 and less than 15,000	2.11% and 1.44%	1.055% and 0.72%	0.5275% and 0.36%	0.26375% and 0.18%	2.11% and 1.44%	1.055% and 0.72%	0.26375% and 0.18%	0.131875% and 0.09%

The applicable designated metal percentage will decrease by the percentages and upon the occurrence of the following events:

- by 50% if the Company pays a buy back fee on any of the first five anniversaries of the date when the stream prepayment was received;
- by 75% after 4,664,704 ounces of the refined metals have been produced; and
- by 87.5% after 4,664,704 ounces of the refined metals have been produced and the mining area is below the depth of 700m from the surface.

The agreements will be effective for forty (40) years and thereafter shall automatically be extended for successive twenty (20) year periods unless there are no active mining activities, in which case these agreements shall terminate at the end of the initial term or such additional term, as applicable. The agreements may also be terminated by the Company or Orion on mutual written consent or by either party in the case of an event of default.

## 5.2 Restrictions on the repayments of inter-group loans

The Company's principal subsidiary, Platinum Investor Consortium Proprietary Limited ("PIC"), operates in South Africa and as a result is subject to the South African Exchange Control Regulations, 1961 (as amended from time to time) as promulgated in terms of section 9 of the South African Currency and Exchanges Act No. 9 of 1933 (the "Exchange Control Regulations") of the SARB. 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 SRL to PIC amounted to USD1.370 billion (ZAR27.919 billion) at June 30, 2023. The loan was used to fund the development and operational losses of PPM and the acquisition of PGM assets on the Western Limb in 2012.

### 5.3 Cash flows

The following table shows the generation and use of cash for the periods indicated:

Table 11. Summarized cashflow statement

	For the three-months ended	
	Jun 30, 2023	Jun 30, 2022
	USD'000	USD'000
<b>Cash and cash equivalents at the beginning of the period</b>	<b>124,284</b>	<b>152,555</b>
Net cash (utilized in)/generated from operating activities	(3,240)	29,031
Net cash utilized in investing activities	(30,808)	(20,906)
Net cash generated from/(utilized in) financing activities	16,018	(28,957)
<b>Net decrease in cash and cash equivalents</b>	<b>(18,030)</b>	<b>(20,832)</b>
Exchange loss on cash and cash equivalents	(16,998)	(15,509)
<b>Cash and cash equivalents at the end of the period</b>	<b>89,256</b>	<b>116,214</b>

For the three-months ended June 30, 2023:

#### Operating activities

Net cash utilized in operating activities increased by USD32.271 million, from net cash generated of USD29.031 million during the three-month period ended June 30, 2022, to net cash utilized of USD3.240 million during the three-month period ended June 30, 2023.

The movement is primarily due to trade and other receivables increasing by USD1.492 million for the three-month period ended June 30, 2023, compared to the comparative period where trade and other receivables decreased by USD27.001 million.

The decrease in trade and other receivables for the three-month period ended June 30, 2022 was a result of lower ounces dispatched and sold due to the production days lost. The increase in trade and other receivables for the three-month period ended June 30, 2023 was as a result of an increase in the ounces included in the metal pipeline.

#### Investing activities

Net cash utilized in investing activities increased by USD9.902 million, from USD20.906 million during the three-month period ended June 30, 2022, to USD30.808 million during the corresponding period in 2023. This increase was primarily due to:

- An increase in additions to property, plant and equipment of USD17.716 million, from USD12.591 million for the three-month period ended June 30, 2022, to USD30.307 million compared to the same period in 2023. The increase relates to the mining cost capitalized to the East pit developing mining operation, costs capitalized to the underground mining project and additions to plant equipment; partially offset by;
- A decrease in additions to mining assets of USD6.972 million, from USD7.110 million for the three-month period ended June 30, 2022, to USD138 thousand compared to the same period in 2023. The cost capitalized in the prior period related to the underground mining project, which were subsequently reclassified to producing mines as property, plant and equipment.

#### Financing activities

Net cash generated from financing activities increased by USD44.975 million, from net cash utilized of USD28.957 million during the three-month period ended June 30, 2022, to net cash generated of USD16.018 million during the corresponding period in 2023. During the three-month period ended June 30, 2023, the net cash generated from the revolving commodity facility was USD17.812 million, compared to the three-month period ended June 30, 2022 when there was net repayment on the revolving commodity facility of USD28.957 million.

### 5.4 Restricted Investments and Guarantees

The Company had restricted investments and guarantees forming part of our non-current assets totaling USD18.008 million as at June 30, 2023 (USD18.601 million as of December 31, 2022). The movement in the restricted investment balance was a result of monthly contribution of USD492 thousand (ZAR1.5 million), the depreciation of the Rand/USD exchange rate used to convert to presentation currency and interest accrued on the amounts invested. The guarantee relates to a collateral guarantee with Lombard. Lombard provides the Company with guarantees for both Eskom (credit

guarantees) and the DMRE (environmental closure guarantees). This cash is held by Rand Merchant Bank on long-term deposits and ceded in favor of Lombard. The facility with Lombard is 51.5% cash backed as at June 30, 2023.

## 5.5 Indebtedness

As at June 30, 2023, the Company was indebted to the amount of USD119.527 million. The indebtedness consists of a long-term loan from Corridor Mining Resources Proprietary Limited amounting to USD5.180 million, the stream prepayment amounting to USD64.478 million of which USD3.294 million is classified as short-term borrowings, the Nedbank and IDC credit facilities totalling USD32.120 million and the Investec RCF with an outstanding balance of USD17.749 million as at June 30, 2023.

The following table sets forth the Company's long-term borrowings outstanding as of the dates indicated:

Table 12. Summary of indebtedness

	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000
<b>Long-term borrowings:</b>		
Credit facilities	-	17,696
Corridor Mining Resources Proprietary Limited	5,180	5,413
Stream prepayment	61,184	86,587
<b>Total long-term borrowings</b>	<b>66,364</b>	<b>109,696</b>
<b>Short-term borrowings</b>		
Credit facilities	32,120	-
Stream prepayment	3,294	4,478
Revolving commodity facility	17,749	20,157
<b>Total short-term borrowings</b>	<b>53,163</b>	<b>24,635</b>
<b>Total borrowings</b>	<b>119,527</b>	<b>134,331</b>

### Nedbank facility agreement

On July 15, 2022, PPMPL, as borrower, and Nedbank, as lender and facility agent, entered into an agreement whereby it was granted a senior secured revolving credit facility in an aggregate amount equal to USD27.992 million (ZAR500 million) for a period of 3 (three) years. The facility is to be used for working capital purposes. Interest is calculated on each advance at JIBAR<sup>(a)</sup> plus a margin. An interest period of 1 (one) month, 3 (three) months or 6 (six) months may be selected upon the utilization request of the loan and interest shall accrue from the utilization date of the loan. There are no fixed repayment terms.

The Group must ensure the following financial covenants under this agreement, bi-annually:

- the net debt to earnings before interest, taxation, depreciation and amortization ("EBITDA") ratio in respect of the measurement period shall be less than 2.50 times;
- the interest cover ratio in respect of the measurement period shall be greater than 4.00 times; and
- EBITDA in respect of any measurement period is not less than ZAR200 million (USD11.197 million).

Financial covenants, measured for the twelve (12) month period ended June 30, 2023:

Covenant	Ratio
Net debt to equity ratio	1.84
Interest cover ratio	(5.75)
EBITDA	Negative ZAR259 million (USD13.852 million)

A commitment fee of 30% of a 3.5% margin per annum is payable on the available facility that has not been utilized and is payable on the last day of each successive period of three (3) months. The margin will vary between 3.5% and 3.8% depending on the Company's status as a listed or unlisted entity as well as the amount of capital raised in such a listing on a recognized stock exchange. The fees are expensed as incurred.

The facility is subject to the Common Terms Agreement entered into on July 15, 2022, between Company, as borrower, and Nedbank, as lender, amongst others. The Company and certain of its subsidiaries have provided guarantees of obligations under the Nedbank facility agreement. On December 29, 2022, a drawdown of USD16.007 million (ZAR300 million) was made. On January 31, 2023, a second drawdown of USD5.336 million (ZAR100 million) was made. PPMPL has breached certain covenants of the Common Terms Agreement on June 30, 2023, resulting in the facility being



unavailable for further utilisation and the drawn amounts and interest accrued on the facility repayable in the foreseeable future unless a waiver is granted.

On August 15, 2023 Nedbank cancelled the full facility. The outstanding amount of USD21.449 million (ZAR400 million) and interest accrued on the facility, will be repaid on August 29, 2023.

#### **IDC facility agreement**

On March 27, 2023, PPMP, as borrower, and the IDC, as lender entered into an agreement whereby it was granted a senior secured revolving credit facility for an aggregate amount equal to USD26.678 million (ZAR500 million) for a period of 5 (five) years. The facility is to be used for working capital purposes. Interest is calculated monthly on each advance at JIBAR<sup>(a)</sup> plus a margin of 4%. There are no fixed repayment terms.

The IDC credit facility is subject to the Common Terms Agreement (refer to section 28.1 in the Company's interim financial statements for the period ended June 30, 2023) entered into on July 15, 2022, between PPMP as the borrower and Nedbank as the facility agent and lender amongst others. The IDC subscribed to the Common Terms Agreement on March 27, 2023. On March 31, 2023, a drawdown of USD10.671 million (ZAR200 million) was made. PPMP has breached certain covenants of the Common Terms Agreement on June 30, 2023, resulting in the facility being unavailable for further utilisation and the drawn amounts and interest accrued on the facility being repayable in the foreseeable future unless a waiver is granted. The Company is actively seeking a waiver of these covenants from the IDC.

- (a) *The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates ("ARRs") to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank ("SARB") has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average ("ZARONIA") as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. ZARONIA has been published for the purposes of observing the rate and how it behaves but has not been formally adopted by the SARB as the successor rate to JIBAR. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.*

#### **Intercreditor Agreement**

On July 15, 2022, PPMP, Nedbank and the Orion Purchasers, amongst others, entered into an intercreditor agreement (the "Intercreditor Agreement") governing, amongst other things, the rights and interests of the various parties to the Common Security Package (as defined below) upon enforcement. In consideration for (i) the prepayments made under the Orion Stream Agreements; and (ii) senior debt facilities made available from time to time (including the revolving credit facility made available under the Nedbank facility Agreement) PPMP and certain other entities within the Group, have granted certain security interests in favor of a special purpose company (the "Security SPV") to be held on a common basis to secure the obligations of PPMP (and, where applicable, related affiliates, including SGS as seller under the Orion Stream Agreements) owing to, as applicable, the Orion Purchasers, Nedbank, the IDC and any other relevant senior creditors under senior debt facilities from time to time (together, the "Common Security Package").

The Common Security Package is structured on a shared basis governed by the Intercreditor Agreement terms. The rights of the Orion Purchasers under the Orion Stream Agreements will be second-ranking to the rights of Nedbank and any other senior debt lenders that may be party to the Common Terms Agreement from time to time. The Common Security Package, as at the date of this prospectus, is comprised of:

- a General Notarial Bond to be provided by PPMP in respect of its moveable assets;
- a Cession in Security to be granted by PPMP, Richtrau (Proprietary) Limited and SGS in respect of certain intangible assets;
- a Special Notarial Bond to be granted by PPMP in respect of certain specified assets;
- a Mining Rights Mortgage Bond to be granted by PPMP in respect of its mining rights;
- a Mortgage Bond to be granted by PPMP in respect of certain immovable property;
- a Security Assignment to be granted by PPMP and SGS in respect of certain intra-group agreements;
- an Obligor Cession and Pledge in Security to be granted by PPMP, *inter alia*, in respect of certain of the shares and claims held by the security providers; and
- any future security that forms part of the Common Security Package.

### *Corridor Mining Resources Proprietary Limited*

The loan was provided by Corridor Mining Resources Proprietary Limited which is a wholly owned subsidiary of the Limpopo Economic Development Agency, an agency of the Limpopo Provincial Government, in the Republic of South Africa. The Limpopo Economic Development Agency holds a non-controlling interest in the company that holds the Mphahlele mining right. The loan was to fund exploration costs of the Mphahlele project. The first draw on the loan was made on February 28, 2007 and the last one on April 3, 2009. This long-term loan bears interest at the South African prime overdraft rate until otherwise agreed by the parties. The loan is to be repaid from the proceeds generated by the Mphahlele project in Tameng Mining and Exploration Proprietary Limited, a subsidiary of Mahube Mining Proprietary Limited (a subsidiary of the Company) once the project is developed and producing positive cashflows.

### *Investec RCF*

On March 31, 2017, SRL and PPMP as borrower entered into an amended and restated RCF with Investec, pursuant to which, inter alia, Investec made available a renewable 364-day revolving commodity financing facility in an aggregate amount not exceeding ZAR400 million, which facility shall remain available until the date on which PPMP ceases to be entitled to deliver the concentrate to Impala in terms of the Impala Offtake Agreement. In terms of the Investec RCF, Investec will finance up to 89.3% of the expected quantity of platinum, palladium, gold, nickel and copper derived from the concentrate and which is delivered by PPMP to Impala, although the Investec RCF has been utilized to finance up to 91% of these metal deliveries in recent years. PPMP has been utilizing the facility for financing of platinum, palladium and allowed rhodium deliveries. The aggregate amount available under the RCF was reduced to USD13.339 million (ZAR250 million) on March 28, 2023, due to current and expected utilization needs and has been extended to be available up to August 31, 2023. Management will assess closer to the time whether the Impala agreement will remain in place beyond August 31, 2023, and if another extension of the facility is required.

The Company entered into a new facility with Investec for deliveries of metal under the Northam Offtake Agreement. This facility will be available from April 1, 2023, up to March 31, 2024, for an aggregate amount of ZAR200 million (USD10.671 million).

PPMP is entitled to draw down on the facilities provided that, certain conditions contemplated RCF are met and interest on each advance is based on JIBAR (as defined herein) plus a margin. In consideration for this facility, PPMP has ceded: (1) all of its rights, title and interest in and to all payment rights under the Impala Offtake Agreement and Northam Offtake Agreement; and (2) all proceeds due to PPMP arising from any hedging agreements entered into by PPMP with Investec in respect of the forward price of the expected quantity of 6E's and base metals to be processed by Impala and Northam in respect, of such advance. In addition, the Company guaranteed PPMP's obligations under the Investec RCF.

The outstanding balance on both facilities bear interest at JIBAR plus 0.50%.

### *Orion Stream Agreements*

Refer to section 5.1 Working Capital.

## **5.6 Liquidity Risk**

The Company's consolidated liquidity position is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-effective manner. The Company's management continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position. The Company invests excess funds in deposit structures and fixed income funds.

The contractual undiscounted cash flow maturity analysis of payables as of June 30, 2023, was as follows:

Table 13. Contractual undiscounted cash flow maturity analysis of payables

	Contractual cash flows USD'000	Less than 6 months USD'000	Between 6 - 12 months USD'000	Between 12 - 24 months USD'000	Between 25 - 60 months USD'000	> than 60 months USD'000
<b>Balances as at June 30, 2023</b>						
Credit facilities <sup>(a)</sup>	35,801	35,801	-	-	-	-
Long-term borrowings <sup>(a)</sup>	5,762	-	-	-	-	5,762
Revolving commodity facility	17,749	17,749	-	-	-	-
Stream prepayment <sup>(b)</sup>	427,807	3,223	3,616	7,982	26,614	386,372
Trade payables and accrued liabilities	23,017	23,017	-	-	-	-
<b>Total financial liabilities</b>	<b>510,136</b>	<b>79,790</b>	<b>3,616</b>	<b>7,982</b>	<b>26,614</b>	<b>392,134</b>
<b>Balances as at December 31, 2022</b>						
Credit facilities <sup>(a)</sup>	19,554	-	-	-	19,554	-
Long-term borrowings <sup>(a)</sup>	5,982	-	-	-	-	5,982
Revolving commodity facility	20,157	20,157	-	-	-	-
Stream prepayment <sup>(b)</sup>	666,070	3,625	4,282	8,561	28,007	621,595
Trade payables and accrued liabilities	23,623	23,623	-	-	-	-
<b>Total financial liabilities</b>	<b>735,386</b>	<b>47,405</b>	<b>4,282</b>	<b>8,561</b>	<b>47,561</b>	<b>627,577</b>

(a) Includes interest on all outstanding debt. Payments are estimated for variable rate and variable term debt based on effective interest rates as at June 30, 2023 and December 31, 2022 and expected payment dates.

(b) This commitment represents the contractual undiscounted cash flows which is linked to estimated future production inflows.

### 5.6.1 Repayment of short-term obligations

Management of the Company performed an assessment of the current liabilities as at June 30, 2023 and concluded that the Company has sufficient working capital to settle all current liabilities as at June 30, 2023, as follows:

- Sufficient cash and cash equivalents are available to the Company to settle all outstanding credit facilities;
- The revolving commodity facility will be settled from revenue realised from sales to Impala and Northam;
- The stream prepayment will be settled as and when ounces are produced and will be settled from revenue realised from sales to Impala and Northam; and
- Trade payables and accrued liabilities will be settled from operating cash generated from sales.

### Capital expenditures

The Company's capital expenditures totalled USD61.199 million for the period ended June 30, 2023. The Company's capital expenditures primarily relate to sustaining capital spend to maintain the plant operations and funds invested in the development of the East pit operations, and the underground mining project.

The Company expects to meet its capital expenditure needs for the foreseeable future from existing cash and cash equivalents and other means of funding that are being pursued.

## 5.7 Contractual obligations

The Group's contractual obligations are as follows:

Table 14. Commitments as at June 30, 2023

Contractual obligations USD'000	Total	< 1 year	1-3 years	After 3 years
Mining costs <sup>(a)</sup>	18,217	18,217	-	-
Open purchase orders	12,159	12,159	-	-
<b>Total contractual obligations</b>	<b>30,376</b>	<b>30,376</b>	-	-

Table 15. Commitments as at June 30, 2022

Contractual obligations USD'000	Total	< 1 year	1-3 years	After 3 years
Mining costs <sup>(a)</sup>	12,003	12,003	-	-
Open purchase orders	47,871	47,871	-	-
<b>Total contractual obligations</b>	<b>63,204</b>	<b>63,204</b>	-	-

- (a) 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 notice be given.

## 6. Related Party Transactions

Table 16: Related Party Transactions

	Jun 30, 2023 USD'000	Jun 30, 2022 USD'000
<i>Related party transactions with:</i>		
Kelltech Limited Group	1,256	5,966
Kelltech <sup>(a)</sup>	508	227
Kelltechnology SA RF Proprietary Limited <sup>(b)</sup>	40	110
Kellplant Proprietary Limited <sup>(c)</sup>	708	5,629
Lifezone <sup>(d)</sup>	(525)	(1,252)
The Pallinghurst Group <sup>(e)</sup>	(17)	(34)
The IDC <sup>(f)</sup> (Shareholder loan to Kelltechnology South Africa (RF) (Pty) Ltd)	-	(3,750)
The IDC <sup>(g)</sup> (Credit facility to PPMPL)	(11,046)	-
<i>Related party balances – amounts owing by/(to):</i>		
Kelltech Limited Group	24,273	21,633
Kelltech <sup>(a)</sup>	15,981	15,092
Kelltechnology SA RF Proprietary Limited <sup>(b)</sup>	6	6
Kellplant Proprietary Limited <sup>(c)</sup>	8,286	6,535
Lifezone <sup>(d)</sup>	(374)	(8)
The Pallinghurst Group <sup>(e)</sup>	-	(34)
The IDC <sup>(f)</sup> (Shareholder loan to Kelltechnology South Africa (RF) (Pty) Ltd)	(3,086)	(3,559)
The IDC <sup>(g)</sup> (Credit facility to PPMPL)	(10,671)	-

- a) Orkid S.á.r.l., a subsidiary of SRL, has a 50% shareholding in Kelltech. The Group provided loans to Kelltech for developmental and working capital purposes. The above transactions reflect interest on these loans.
- b) Kelltech has a 66.7% shareholding in Kelltechnology South Africa (RF) (Pty) Ltd ("Kell SA"). The Group provides Kell SA with administration and other services for which it charges a monthly fee of USD5 thousand (excluding VAT of 15%). Included in the 2022 transactions is the total services fees charged for 2021 of USD63 thousand (excluding VAT) due to timing of finalisation of the agreement as well as audit fees of USD16 thousand that was incurred by the Company on behalf of Kell SA.
- c) Kell SA has a 100% shareholding in Kellplant (Pty) Ltd ("Kellplant"). The Group provides Kellplant with administration, project management and other services for which it charges a monthly fee of USD80 thousand

(excluding VAT) up to January 31, 2023. In addition, the Group provided Kellplant with an unsecured bridging loan on which interest is charged. Included in the 2022 transactions is the total services fees charged for 2021 of USD943 thousand (excluding VAT) due to timing of finalisation of the agreement. Travel- and secretarial costs of USD23 thousand (2022: USD28 thousand) that was incurred by the Group on behalf of Kellplant.

- d) Lifezone Limited ("Lifezone") holds the remaining 50% shares in Kelltech. Lifezone is the holder of the Kell technology being implemented through the construction of a plant at PPM and provides the group with technical services. On a monthly basis, Lifezone charges Kell SA and Kellplant a fee of USD52 thousand and USD126 thousand (up to January 31, 2023), excluding withholding tax of 15%, respectively for these services. The related party balance comprises a loan provided to Kell SA in 2014 as well as an accounts payable balance.
- e) The Pallinghurst Group is associated with Pallinghurst EMG African Queen LP, a company that is a minority shareholder of SRL. The Pallinghurst Group incurred expenses on behalf of the Company which were reimbursed by the Company.
- f) On March 31, 2022, the IDC entered into a commercial shareholder's loan agreement with Kell SA to fund the construction of the Kell Plant. The first draw on the loan, totalling ZAR58 million (USD3 million) was on April 4, 2022.
- g) On March 27, 2023, the Company entered into an agreement with the IDC whereby it was granted a senior secured revolving credit facility for an aggregate amount equal to USD27.996 million (ZAR500 million). On March 31, 2023, a drawdown of USD11.197 million (ZAR200 million) was made.

## 7. Quantitative and qualitative disclosures about market risk

The Company is exposed to credit- and market risk in the ordinary course of its business. Credit risk represents risk that the Company will suffer a financial loss due to the other party of a financial instrument not discharging its obligation. Market risk represents the risk of loss that may impact the Company's financial position due to adverse changes in financial market prices and rates. The Company's market risk is primarily a result of fluctuations in foreign currency exchange rates, commodity prices and interest rates.

The Company's board of directors has the overall responsibility for the establishment and oversight of its risk management framework. The Company's executive officers are responsible for developing and monitoring its risk management policies. The Company's executive officers regularly report to the board of directors on their activities. From time to time, the Company may use derivative financial instruments to hedge certain identified risk exposures, as deemed necessary by its executive officers. The Company does not acquire, hold or issue derivative instruments for trading purposes.

For more information about the Company's financial risks, including its risk management policies, see note 27.3 to the Company's audited annual consolidated financial statements for the years ended December 31, 2022 and 2021, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Credit risk**

Credit risk is the risk that the financial asset counterparty may default or not meet its obligations timeously. The Group has reduced its exposure to credit risk by dealing with a limited number of approved counterparties. The Group approves these counterparties according to its risk management policy and ensures that they are of good credit quality.

The material concentration of credit risk lies within trade- and other receivable with no material concentration in cash & cash equivalents, restricted investments and guarantees or loans. The total carrying amount of trade- and other receivables, cash & cash equivalents, loans receivable and restricted investment and guarantees represents the Group's maximum credit exposure.

To maximize credit protection, cash and cash equivalents and restricted investments and guarantees are placed with a variety of good-quality financial institutions. The credit rating spread of these institutions can be summarized as follows:

	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000	Jun 30, 2022 USD'000
AA+	21,782	26,243	58,083
AA	74,860	115,134	36,291
BBB+	10,622	32,600	40,298
<b>Total cash and cash equivalents and restricted investments and guarantees</b>	<b>107,264</b>	<b>173,977</b>	<b>134,678</b>

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising long-term returns.

**Foreign currency exchange risk**

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company's functional currency and the functional currency of most of its subsidiaries is ZAR.

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the Company's purchases are denominated in ZAR.

However, certain long lead-capital items are denominated in USD. As at June 30, 2023, 77%, of total cash, including restricted investments and guarantees, was held in USD. The influence of the macro economic climate on currencies of emerging markets like South Africa, is evident in the volatility of the ZAR during the three- and six-month periods ended June 30, 2023.

International commodity prices are quoted in USD which exposes the Company's revenue cash flows to foreign exchange variances.

The following significant exchange rates were applied as of the dates and during the periods indicated:

	As at Jun 30, 2023	Average six months ended Jun 30, 2023	Average three months ended Jun 30, 2023	As at Dec 31, 2022	Average six months ended Jun 30, 2022	Average three months ended Jun 30, 2022
South African rand (USD:ZAR)	18.74	18.20	18.65	16.96	15.41	15.57

The Group's exposure to foreign currency risk as of the following dates was as follows:

	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000	Jun 30, 2022 USD'000
Cash and cash equivalents	82,922	135,237	40,198
Loans receivable	15,969	15,474	15,073
<b>Total</b>	<b>98,891</b>	<b>150,711</b>	<b>55,271</b>

The following table summarizes the sensitivity of financial instruments held at balance date to movements in the exchange rate of the ZAR to the USD, with all other variables held constant. The USD-denominated instruments have been assessed using the sensitivities indicated in the table. These are based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding two-years.

	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000	Jun 30, 2022 USD'000
<b>Impact on statement of profit or loss (pre-tax)</b>			
USD/ZAR strengthening by 10% (20% in 2022)	9,889	30,142	11,054
USD/ZAR weakening by 30%	(29,667)	(45,213)	(16,581)

**Commodity price risk**

Commodity price risk arises from the effect on current and future earnings due to fluctuations in commodity prices, in particular the price of PGM's. All PGM prices are determined in USD and are internationally determined in the open market. The Company regularly measures exposure to commodity price risk by stress-testing its forecast financial position to changes in PGM prices. The Company reviews its exposure with reference to the 4E basket price. The Company does not actively hedge future commodity prices against price fluctuations. PPM recognizes revenue at month-end, during which delivery of concentrate has occurred at the month's average commodity price for the contained metal.



Revenue is recognized at the average commodity price for the month on the date of delivery and adjusted at each month end to the latest commodity price until revenue quantities are agreed with the customer (usually 3 to 5 months for sales made to Impala and 1 month for sales to Northam).

On March 31, 2017, the Company entered into the Investec Revolving Commodity Facility Agreements, whereby Investec finances up to 91% of the expected quantity of platinum, palladium, gold, nickel and copper derived from the concentrate and which is delivered by PPMP to Impala and Northam. PPMP has been utilizing the facility for financing of platinum, palladium and allowed rhodium deliveries. The respective commodity prices and exchange rates are determined on each drawdown date and denominated in ZAR. This facility is repaid within two to four months. On settlement date, the drawdown is revalued using average commodity prices and exchange rates for the calendar month before settlement date. These fair value adjustments amounted to a gain of USD2.661 million during the six-month period ended June 30, 2023 (for the twelve-months ended December 31, 2022: loss of USD953 thousand and a profit of USD188 thousand for the six-month period ended June 30, 2022).

The following 4E basket prices were applied:

	Average for the period/year ended		
	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000	Jun 30, 2022 USD'000
4E basket price USD	1,694	2,243	2,297
USD 1 = ZAR	18.12	16.28	15.53
4E basket price ZAR	30,700	36,510	35,678

In addition to the Investec Revolving Commodity Facility Agreement, trade receivables of USD34.812 million for the period ended June 30, 2023 (December 31, 2022: USD50.020 million and June 30, 2022: USD39.507 million) are exposed to movements in commodity prices. Fair value adjustments on trade receivables are recognized in revenue, as commonly practiced in the metals industry.

The following table summarizes the sensitivity of financial instruments held at reporting date to movements in the relevant forward commodity price, with all other variables held constant. The sensitivities are based on reasonably possible changes, over a financial period, using observed ranges of actual historical rates.

	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000	Jun 30, 2022 USD'000
<b>Impact on statement of profit or loss (pre-tax)</b>			
Increase by 30% in 4E basket price (10% in 2022)	2,943	3,020	3,599
Decrease by 10% in 4E basket price (20% in 2022)	(981)	(6,040)	(7,198)

#### Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates.

The Group's main interest rate risk arises from short and long-term loans. Restricted investments and guarantees and cash holdings are subject to interest rate risk in the country in which they are held on deposit. All other financial assets and liabilities are non-interest bearing.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk. In conjunction with external advice, management consideration is given on a regular basis to alternative financing structures with a view to optimizing the Group's funding structure.

Restricted investments and guarantees as well as cash and cash equivalents are exposed to movements in USD and ZAR cash deposit rates.

The following table summarizes the sensitivity of the financial instruments held at reporting date, following a movement in variable interest rates, with all other variables held constant. The sensitivities are based on reasonably possible changes over a financial period, using the observed range of actual historical rates.

	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000	Jun 30, 2022 USD'000
<b>Impact on statement of profit or loss (pre-tax)</b>			
Increase of 1% in South African prime overdraft rate	530	1,206	1,260
Decrease of 3% (0.5% in 2022) in South African prime overdraft rate	(1,590)	(603)	(630)

The impact is calculated on the net financial instruments exposed to variable interest rates as at reporting date and does not consider any repayments of long or short-term borrowings.

## 8. Critical accounting estimates

The Group's significant accounting principles and methods of application are disclosed in the notes to the condensed consolidated interim financial statements for the three- and six months ended June 30, 2023. A discussion of the critical accounting policies and estimates, which management believes are important to understanding the Group's financial results, follows below.

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:

### *Amortization of mining assets*

Total mineral rights asset capitalised are divided into a depreciable and a non-depreciable component. The mineral rights are initially capitalised to the mineral rights asset as a non-depreciable component. Annually, as part of the preparation of the updated reserve and resource statement and preparation of the updated LoM plan, a portion of resources will typically be converted to reserves as a result of ongoing resource definition drilling, resultant geological model updates and subsequent mine planning. Based on this conversion of resources to reserves, a portion of the historic cost is allocated from the non-depreciable component of the mineral rights asset to the depreciable component of the mineral rights asset. Therefore, the category of non-depreciable mineral rights asset is expected to reduce and will eventually be fully allocated within the depreciable component of the mineral rights asset. The mineral properties and rights are assessed for impairment annually. Mineral properties and rights are amortized based on the units-of-production method (ore tonnes mined basis). Mineral properties and rights are subsequently measured at cost less accumulated impairment losses and amortization.

### *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 applies judgment in considering whether there is an impairment indicator by taking into consideration the following: operating results for operations, the availability of capital funds for maintenance, the volatility in the ZAR:USD exchange rate and the changes in metal price forecasts.

Management estimates and uses certain key assumptions in calculating the recoverable amount under the value in use model. This model relies on discounted cash flows, which uses key assumptions comprising both current and future PGM prices, ZAR: USD exchange rates, forecasted costs, discount rates, and inflation, which is based on the most recent information available in the market. On a periodic basis management updates LoM plans to consider ways to optimize the value of projects over their lives which can impact the key assumptions noted above. Specific assets relating to the West pit were impaired because of economic indicators resulting in the operation of these assets being uneconomical, and these assets were put on care and maintenance until PGM prices improve. Management performed sensitivity analyses because of the following indicators of impairment:

- Continued losses from operations;
- Declining PGM market prices;
- Continued inflationary pressures resulting in higher operating cost; and
- Current inability to raise sufficient capital to fund growth projects.

Management concluded that additional impairment is not required.

### ***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's judgement is applied to determine as accurately as possible at which stage of completion work in progress inventory is at each reporting date and estimates which costs should be included for valuation at the specific stage of completion.

### ***Decommissioning and rehabilitation provision***

The Group assess its mine rehabilitation provision annually in accordance with the requirements of National Environmental Management Act, No. 107 of 1998, as amended. 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 of the decommissioning required, and costs of rehabilitation activities, impact of technological changes, future regulatory changes, cost increases, and changes in discount rates. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, LoM estimates and discount rates could affect the carrying amount of this provision. Management exercises judgement in determining the remaining LoM at the date of reporting based on assumptions such as estimated future market prices for PGM's, the ZAR:USD exchange rate and choosing an appropriate discount rate. 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.

### ***Mineral Reserves and Mineral Resources***

The estimation of Mineral 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 Mineral Reserves and Mineral 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, 2016 Edition).

Factors impacting the determination of proved mineral reserves and probable mineral reserves are:

- variance in the grade of mineral reserves (i.e., differences between actual grades mined and grades modelled);
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates.

Expectations regarding future profitability would impact the decision to continue mining and consequently, the continued classification as proved and probable mineral reserves. These key estimates and judgments impact the Company's determination of its proved and probable mineral reserves and are reassessed and adjusted accordingly.

### ***Carrying value of property, plant, and equipment***

Management has elected to depreciate deferred stripping, decommissioning assets, and producing mines using the ore tonnes mined as the units of production ("UOP") methodology and plant and equipment using the ore tonnes processed UOP methodology. Mobile and other equipment are depreciated over the shorter of the estimated useful life of the asset or the estimate of mine life based on proved- and probable mineral reserves.

The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proved- and probable mineral reserves. This would generally result from the extent that there are significant changes in any of the factors or assumptions used in estimating mineral reserves. Management uses judgment in revisions of the LoM of its operations by evaluating reputable forecasts of PGM market prices, the ZAR:USD exchange rate and in turn consults specialist consultants to assist with future mine planning which may impact the carrying value or rate of depreciation and amortization of property, plant, and equipment.

Changes in proved and probable mineral reserves will impact the useful lives of the assets depreciated on the UOP method. For purposes of calculating depreciation, the following LoM applies: West pit 12 years (December 31, 2022: 12 years) and East pit 12 years (December 31, 2022: 12 years).

The Group reviews and tests the carrying value of long-lived assets annually or when events or changes in circumstances suggest that the carrying amount may not be recoverable by comparing the recoverable amounts to these carrying values.

### Deferred taxation

Management uses the guidance in IAS 12 — Income Taxes when assessing whether a deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Management estimates future taxable income using assumptions such as production volume, PGM prices, ZAR:USD exchange rates, and inflation are based on the most recent information available from technical work undertaken and in the market.

### Joint arrangements

The Group has applied IFRS 11 — Joint Arrangements to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The economic substance of the arrangement arising from the contractual terms agreed between the parties and other facts and circumstances plays a key role in determining the classification of a joint arrangement.

Kelltech is the Company's primary joint arrangement, for which management has applied judgment in determining it should be accounted for as a joint venture under IFRS 11. Kelltech holds exclusive rights to use and sub-license certain technology for the processing of PGMs within the South African Development Community Region. The other 50% interest in Kelltech is held by Lifezone Limited, the developer and exclusive owner of the technology.

Under the joint arrangement, any plant that is developed using the technology will be used by the Company to process its concentrate (which it has committed to provide) as well as the concentrate from other third-party mining operations. Kelltech's current activities are in the research and development phase relating to the use of this technology including the design and commissioning of an integrated processing plant. The Group advanced a loan to Kelltech to fund feasibility studies, test work and other development costs. The joint arrangement with Kelltech is structured through a separate vehicle, and the right to use the technology belongs to Kelltech. The creditors of Kelltech would not have recourse to the joint venture parties. Joint ventures are accounted for using the equity method.

### Stream prepayment

As the precious metals price and precious metal price volatilities and risk-adjusted discount rates are unobservable inputs, the financial liabilities above are classified within Level 3 of the fair value hierarchy.

The fair value of the stream obligation was valued using a Monte Carlo simulation model. Refer to section 5.1 under the heading *Orion Stream Agreements* for the detailed inputs and assumptions used.

The valuation of stream prepayment was prepared by an independent valuation specialist under the direct oversight of the Group Reporting Manager of the Company. Discussions of valuation processes and results are held between the Group Reporting Manager, the Chief Financial Officer, and reported to the audit committee at least once every three months, in line with the Company's quarterly reporting periods.

The following table summarises the sensitivity of the stream prepayment held at balance sheet date to movements in the commodity prices and risk-free rate used as the discount rate, with all other variables held constant. The USD denominated instruments have been assessed using the sensitivities indicated in the table. These are based on reasonably possible changes, over a financial year.

	Jun 30, 2023 USD'000	Dec 31, 2022 USD'000	Jun 30, 2022 USD'000
<b>Impact on Statement of financial position</b>			
5% increase in commodity prices	(4,611)	(5,820)	-
7.5% decrease in commodity prices	6,941	8,580	-
1% increase in the risk-free rate	11,293	13,726	-
1% decrease in the risk-free rate	(13,172)	(14,504)	-

## 9. Other

### 9.1 Off-balance sheet arrangements

As at June 30, 2023, the Group had USD35.256 million in guarantees to the DMRE and Eskom, of which USD18.008 million is funded. The Group has restricted investments held by Rand Merchant Bank in long-term deposits and ceded in favour of Lombard. Lombard provides the Group with guarantees for both Eskom and the DMRE. The facility with Lombard was 51.5% cash backed as at June 30, 2023.

## 9.2 Proposed transactions

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

## 9.3 Financial instruments and other instruments

The Group has the following financial instruments measured at amortized cost: Cash and cash equivalents, restricted investments and guarantees, loans receivable, trade payables and accrued liabilities, credit facilities and long-term borrowings. The fair values of these instruments approximate their carrying values.

The Group's trade receivables, revolving commodity facility and the stream prepayment are measured at fair value.

## 9.4 Changes in accounting policies, including initial adoption

*New and amended standards adopted by the Group:*

The Group applied the following amended standard for the first time for their annual reporting period commencing January 1, 2023:

Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current.

This amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. The effective date is annual periods beginning on or after January 1, 2024.

During the three-month period ended June 30, 2023, the credit facilities were reclassified from non-current liabilities to current liabilities due to certain financial covenants not being met under the Common Terms Agreement.

## 9.5 Long-term incentive scheme ("LTIP")

On March 24, 2021, the Board of directors of SRL approved the adoption of the Sedibelo Resources Long-term Incentive 2021 Plan (the "2021 Plan") with effect from July 1, 2021. The 2021 Plan was designed to: (1) compensate eligible employees with long-term awards linked to the success and growth of the Company; (2) incentivize eligible employees to meet the Company's strategic objectives; (3) align the interests of eligible employees and stakeholders; and (4) retain skilled employees. Full-time salaried employees of the Company and its subsidiaries, including executive directors and non-executive directors, are eligible for the 2021 Plan.

In June 2022 the Board of directors approved the issuance of cash-settlement units to non-executive directors under the Sedibelo Resources Limited Long-Term Incentive Plan 2022. Non-executive directors are eligible to receive annual awards, based on the annual base fee payable to non-executive directors provided that the non-executive has served as a non-executive for the Board for a continuous period of twelve (12) months. The base fee was USD100 thousand per annum, for the 2022 financial year, and will be USD105 thousand for the 2023 financial year. The base fee for the Chairman of the board was USD200 thousand per annum, for the 2022 financial year which and will be USD220 thousand for the 2023 financial year. The base-fees will be reviewed annually by the Executive Directors considering prevailing US inflation and market practice.

### 9.5.1 Forfeitable units ("Bonus Units") – as part of the short-term incentive scheme

The Remuneration Committee grants an award of Bonus Units annually to match 50% (fifty percent) of the annual Short-Term bonus awarded to participating employees.

The total annual bonus is determined by reference to the actual performance rating of the individual and the Company against predetermined targets for the preceding cycle and is comprised of cash. The number of bonus units awarded are calculated as a percentage of the prior years annual bonus divided by the grant date fair value per unit. The Bonus Units vest after a three-year period, subject to continued employment.

### 9.5.2 Conditional units ("Performance Units" and "Milestone Awards") – for the long-term incentive scheme

The Remuneration Committee grants an award of Performance Units annually to eligible employees as part of its long-term incentive scheme. The number of Performance Units awarded to an employee is based on the employee's annual guaranteed pay and job grade combined with a factor related to the Company's assessed performance rating over a three-year period and using the relevant grant price calculation (as for the Bonus Units) at the award date, with ultimate vesting of those awards subject to performance conditions as approved by the Remuneration Committee.

*Performance conditions applicable to Performance Units*

The number of units that vest depends on the extent to which the Company has performed over the intervening three-year period relative to five performance criteria. These performance criteria are among the most widely acceptable vesting performance measures suited to aligning the outcome of long-term incentive awards with shareholders' interests.

The number of the Performance Units awarded that will finally vest three years after the award date will range between 0% (zero percent) and 150% (one-hundred and fifty percent) depending on the extent to which the performance criteria have been met.

The performance conditions are listed below:

Condition	% Weighting
Relative total shareholder return	30%
Absolute total shareholder return	30%
Operating cash flow/Equity	30%
Improvement in B-BBEE	5%
CO <sub>2</sub> , water usage and tailings dams	5%

The Remuneration Committee awarded additional Conditional Units to eligible Key Management Personnel ("Milestone awards") to reflect and reward the closing of strategic transactions. The number of units awarded to an employee is based on the employee's annual guaranteed pay and job grade using the relevant grant price calculation (as for the Bonus Units) at the award date. These units will vest on a pro-rata basis depending on the extent to which the Performance Condition has been fulfilled, with ultimate vesting of these awards subject to performance conditions, a maximum vesting limit and weighting as approved by the Remuneration Committee.

The milestones are listed below:

Milestone
Capital raise > USD 100 million; and/or
Listing by independent Initial Public Offering or merger with listed entity; and/or
Merger with unlisted entity.

## 10. Outstanding share data

As at June 30, 2023, the Company had 3,095,401,663 common shares issued and outstanding.

As at June 30, 2023, for the 2021 Plan, there were 29,182,877 Milestone Units, 9,040,243 Bonus Units and 7,629,673 Performance Units outstanding.

## 11. Legal Proceedings

### *Diesel rebates*

The final extension requested by the South Africa Revenue Service ("SARS") to file their plea (June 12, 2023) was not met. The Company served SARS with a notice of bar that serves as a last opportunity for SARS to deliver a plea within five (5) court days, failing which the Company can proceed with applying for a default judgment against SARS. This deadline was set for June 21, 2023. SARS filed their plea and notice of intention to defend on June 22, 2023. The Company has until August 31, 2023, to respond thereon.

PPM has submitted a total of USD26.577 million (ZAR498.100 million) diesel rebate claims to SARS that remains unpaid as at June 30, 2023. USD3.062 million (ZAR61.965 million) is claimed from PPM by SARS on refunds they allowed before 2011.

### *Rietfontein tailings dam*

The Company is currently in the process of contesting a decision by the DMRE to approve a mining right for Rustenburg Chrome Mines (previously Lanxess Chrome Mining) for PGMs, as Platmin South Africa (Pty) Ltd, a subsidiary of SRL is currently the holder of a registered prospecting right for all minerals (excluding chrome) and tailings on the farm Rietfontein 338 JQ.

The Company filed its heads of argument with the High Court on March 30, 2023. On July 20, 2023, the opposed motion date, the matter was heard by the appointed Judge and judgement was reserved.



## 12. Liquidity

The Group operates in a cyclical industry where levels of cash flow have historically been materially influenced by market prices for commodities and exchange rates. Material uncertainties, such as exposure to ZAR:USD exchange rates and PGM price fluctuations have in the past put significant strain on the Group's liquidity position. Given the current decline in PGM prices, inflationary pressures and operational challenges facing the developing Sedibelo East pit and the level of investment still required for the underground development projects, liquidity is being closely observed and alternative sources of funding must be pursued.

## 13. Internal control over financial reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures and internal control over financial reporting, each as defined under National Instrument 52-109 – 'Certification of Disclosure in Issuers' Annual and Interim Filings. Under the supervision and with the participation of management, including its CEO and CFO, the Company carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting. In connection with this evaluation, the Company has identified material weaknesses in the design of its internal control over financial reporting and, as a result, has concluded that the design and operation of the Company's internal control over financial reporting were ineffective as of the end of the six-months ended June 30, 2023. Internal controls over financial reporting are in the process of being implemented and tested by management. A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim condensed consolidated financial statements will not be prevented or detected on a timely basis.

As previously disclosed in the Company's MD&A for the year ended December 31, 2022 (the "2022 Annual MD&A"), the material weaknesses identified relate to the Company's insufficient accounting resources and processes necessary to comply with the reporting and compliance requirements of a public company and include the following:

- (a) that the Company does not yet have a formally designed, documented and tested control framework over all of its key processes;
- (b) the Company requires a greater level of supervision in relation to financial reporting for a public company;
- (c) that the Company has inadequate levels of segregation of duties across business processes and individuals;
- (d) that the Company has inadequate supply chain management process, including sufficient policies and procedures based on industry benchmarking; and
- (e) that the Company has inadequate information systems and associated infrastructure, including but not limited to:
  - i. managing access to the Company's systems and data;
  - ii. end-user computing controls; and
  - iii. computer operations controls.

As at June 30, 2023, the following progress was made on the material weaknesses identified above:

- (a) risk and control matrices for key internal controls over financial reporting have been analysed, documented, and confirmed by management and loaded onto the technical database. Deficiencies were identified and are in remediation and will be tested in due course;
- (b) improved levels of supervision have been imbedded in the preparation of the financial statements;
- (c) furthermore, levels of supervision and improved system driven segregation of duties are being implemented;
- (d) the Company's supply chain management process was evaluated and improved is and ready to be tested; and
- (e) the Company is making continued investments to the enhancement of information technology and systems, with reviews in progress.

These material weaknesses did not result in a misstatement to Company's interim condensed consolidated financial statements for the periods ended June 30, 2023 and June 30, 2022. Each of the material weaknesses described above could have resulted in misstatements of one or more account balances or disclosures that would result in a material misstatement to the annual or interim condensed consolidated financial statements that would not be prevented or detected, and, accordingly, the Company determined that these control deficiencies constitute material weaknesses.

The Company is continuously updating their remediation plan (including the progress to date outlined above) to improve its internal control over financial reporting, including increasing the depth and experience within its finance team, designing and implementing improved processes and internal controls, including benchmarking against industry standards and retaining outside consultants with extensive technical expertise.

The Company cannot provide an estimate of the time required or costs expected to be incurred in connection with implementing a remediation plan. Remediation measures and ongoing reporting obligations may be time consuming, costly, and might place significant demands on the Company's financial, operational resources and systems and the Company may be unable to complete the Company's evaluation testing and any required remediation in a timely manner. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements

on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **14. Emerging Markets Disclosure**

Please refer to Appendix "B" to the 2022 Annual MD&A for such disclosure with respect to the Company's operations in South Africa.