Sedibelo Platinum Mines Limited

Consolidated and company financial statements
for the year ended December 31, 2018

Sedibelo Platinum Mines Limited
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Directors’ report

The directors of Sedibelo Platinum Mines Limited (SPM – “the Company”) are pleased to table their annual report together with the consolidated audited financial statements of the Company and its subsidiaries (collectively “the Group”) for the year ended 31 December 2018.

Incorporation

SPM is registered in Guernsey and reports in accordance with the laws of that domicile. During December 2013, the Company changed its name from Platmin to Sedibelo Platinum Mines Limited to properly reflect the material progress towards its vision of consolidating Platinum Group Metal (PGM) assets in South Africa and its new, enlarged regional profile.

Registered office

The company’s registered office is situated at Legis House, 11 New Street, St. Peter Port, Guernsey.

Principal activities

SPM invests in exploration, development and operating PGM assets in the Bushveld complex. Total Group PGM Mineral Resources comprise 24.9 million ounces (“oz”) of Measured and Indicated Mineral Resources and 54.4 million oz of Inferred Mineral Resources on the Western Limb.

Through a wholly owned subsidiary, SPM has established the Pilanesberg Platinum Mine (PPM), currently comprising an operating open pit (West Pit), a developing open pit (East Pit), a PGM concentrator and a chromite removal plant.

Review of business

Annual production from PPM is approximately 150k 4E oz per annum. Additional expansion from its shallow and safe underground resources could create opportunities for many years ahead.

Part of these expansions will be founded on new technologies in the fields of upgrading (sorting out waste) reef packages and a hydrometallurgical process of beneficiation. Both of these new technologies are planned to deliver higher metallurgical recoveries.

SPM makes significant contributions to the national economy as a foreign exchange earner, tax payer, major internal investor and stimulator of economic multipliers. It makes further contributions to the provincial economy as a direct and indirect employer; purchaser of goods and services and investor into community projects. As the company becomes profitable and grows, all of these national and provincial contributions will increase.

Sedibelo Platinum Mines Limited

Results

Mining operations at PPM commenced during December 2008 and the first concentrate was delivered for smelting and refining in the beginning of April 2009. Operating costs, net of revenue from metal sales, were capitalised until December 31, 2010.

The Group has through its mining operation at PPM generated its first positive cashflow in the year since production commenced in 2008. This achievement coupled with a ZAR500 million loan facility from the IDC and an improvement in its ZAR 4E basket price (specifically with the contribution of Palladium and Rhodium) places the Group in a better position for the future. However, there will be a continued focus on cost control, efficiencies and innovative ways to improve the results of the Group, since there are uncertainties in Platinum's future as well as the volatility of the South African Rand in an election year.

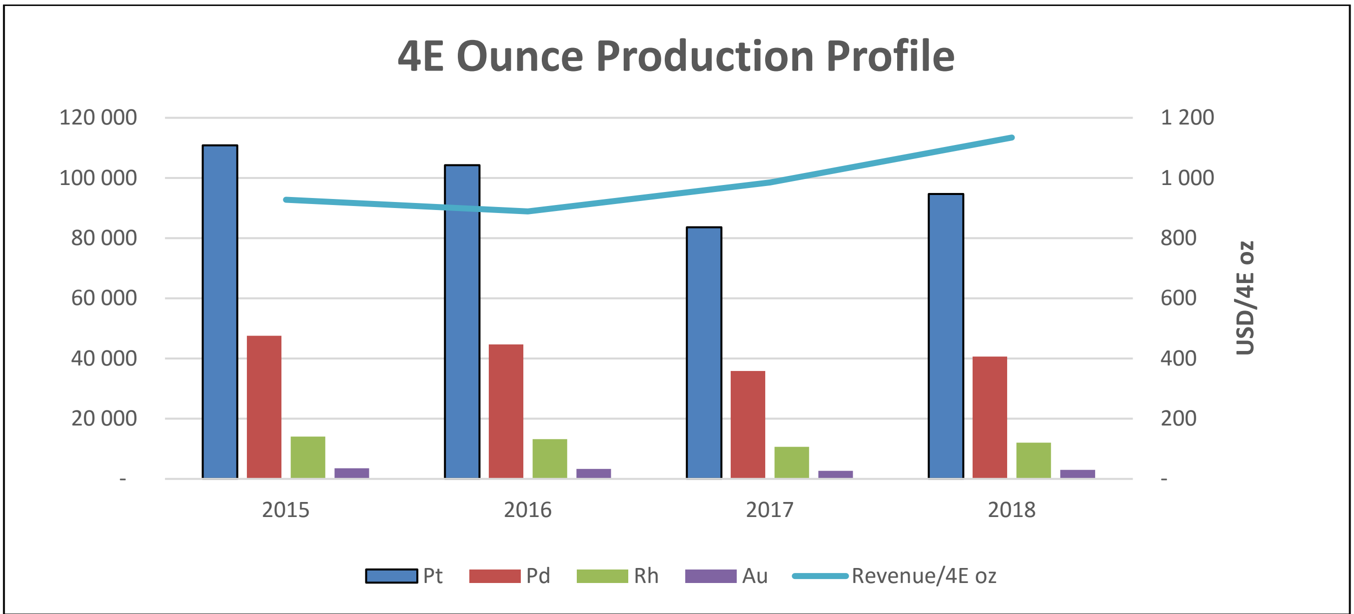
The Group has sufficient access to cash reserves to fund its cash flow requirements for the foreseeable future. These details are disclosed in Note 1 on page 7 of the Consolidated Financial Statements.

Key performance indicators for the year ended December 31, 2018 were as follows:

		For the year ended Dec 31, 2018	Dec 31, 2017
Waste hauled	Bcm million	8.6	6.9
Reef hauled	Tonnes million	3.7	2.9
Average head grade milled	g/t	1.69	1.45
Average concentrator recovery rate	%	76	76
Average recovered grade	g/t	1.29	1.11
Total 4E ounces dispatched and sold*	Ounces	150,375	132,691
EBITDA	USD'000	6,797	(15,905)

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

The annual 4E (Platinum, Palladium, Rhodium and Gold) production profile of PPM to date is summarised in the histogram below:



Events after the reporting period

The Group has no adjusting post balance sheet events at the date of this report.

Risks and uncertainties

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

The Group is exposed to certain financial risks in the normal course of its operations:

- Market risk (including but not limited to foreign exchange / currency risk, commodity price risk, interest rate risk);
- Liquidity risk; and
- Credit risk.

Information on the Group's financial risk management framework and its objectives and policies, including processes for measuring and managing risks as well as Group exposure to financial risks, and Group management of capital, are contained on pages 38 - 44 in Note 25 to the consolidated financial statements.

Information on the uncertainties in relation to ongoing legal cases is contained on page 20 of management's discussion and analysis.

Significant shareholders

At December 31, 2018, the Company identified the following shareholdings of more than 3% of its total issued share capital.

Name of entity	**Shareholding 31 December 2018**	**Percentage shareholding at 31 December 2018**
Pallinghurst Ivy Lane Capital S.a.r.l.	855,529,260	27.6%
Bakgatla Ba Kgafela Tribe	796,641,096	25.7%
Industrial Development Corporation	487,397,167	15.7%
Pallinghurst EMG African Queen LP	206,034,803	6.7%
Rustenburg Platinum Mines Ltd	165,716,314	5.4%
Telok Ayer Street VI Limited	160,199,883	5.2%
Investec Bank Limited	141,922,801	4.6%
Other minority shareholders	281,960,339	9.1%
Common shares	**3,095,401,663**	**100.0%**

Directors

The Directors of the Company during the year were as follows:

Arne Frandsen	Chairman
Brian Gilbertson	Non executive director (resigned February 18, 2019)
Chris von Christierson	Non executive director
Erich Clarke	Chief executive officer
Keith Liddell	Non executive director
Kutlwano Motlhabane	Non executive director
Lael Bethlehem	Non executive director
Molefe J Pilane (*Kgosi*)	Non executive director

Details of the interests of Directors and their associates in SPM's shares or in related derivatives or financial instruments are outlined in Note 22 on page 33-35 of the Consolidated Financial Statements.

Changes to the board of directors

On December 12, 2018 Brian Gilbertson resigned as Chairman of the board and on February 18, 2019 he resigned from the Board. Andrew Willis was appointed as a non-executive director on February 18, 2019. Arne Frandsen was appointed effective December 13, 2018 as Chairman of the board.

Directors' indemnity insurance

In accordance with the Company's articles of association and to the extent permitted by the Companies Law (Guernsey) 2008, Sedibelo Platinum Mines Limited may indemnify its Directors, from its own funds, to cover liabilities incurred as a result of their office. The relevant provision contained in the Articles can be categorised as a 'qualifying third party indemnity provision' under the Companies Law (Guernsey) 2008. Sedibelo Platinum Mines Limited has purchased Directors' and Officers' liability insurance. This provides insurance cover for any claim brought against Directors or officers for wrongful acts in connection with their positions. The insurance provided does not extend to claims arising from fraud or dishonesty and it does not provide cover for civil or criminal fines or penalties imposed by law.

Employees

Communication with employees continues directly via written and verbal contacts throughout the organisation and via their unions. The average number of people employed by the Group and Company for the years ended December 31, 2018 and 2017 was as follows:

	December 31, 2018	December 31, 2017
Average headcount	604	602
Contractor employees	880	764

Directors' responsibilities for the financial statements

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Erich Clarke
Director
March 29, 2019

Independent auditors' report to the members of Sedibelo Platinum Mines Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sedibelo Platinum Mines Limited's Consolidated and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and Company's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law 2008.

We have audited the financial statements, included within the Consolidated and company Financial Statements for the year ended December 31, 2018 (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2018; the Consolidated statement of comprehensive income, the Group and Company statements of changes in equity and the Consolidated and Company cash flow statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the Group's and the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities for the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Guernsey) Law 2008 exception reporting

Under the Companies (Guernsey) Law 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
29 March 2019

Sedibelo Platinum Mines Limited

Consolidated and company statements of financial position

as at December 31, 2018

(Expressed in United States Dollars, unless otherwise stated)

	Note(s)	GROUP 2018 USD'000	GROUP 2017 USD'000	COMPANY 2018 USD'000	COMPANY 2017 USD'000
ASSETS					
Non-current assets					
Mining assets	4	778,082	906,219	709,090	826,364
Intangible assets	5	34,334	39,705	-	-
Property, plant and equipment	6	141,200	197,894	-	-
Loans receivable	22.4 / 27.1	16,553	18,252	2,280,094	1,307,086
Restricted cash investments and guarantees	7.2	18,607	17,733	-	-
Investment in associate	22.3	1,220	2,911	-	-
Investments in subsidiaries	27.2	-	-	57,895	54,100
Total non-current assets		989,996	1,182,714	3,047,079	2,187,550
Current assets					
Inventories	8	7,844	9,529	-	-
Trade and other receivables	9	54,311	54,456	192	103
Cash and cash equivalents	7.1	38,093	6,323	3,305	4,223
Total current assets		100,248	70,308	3,497	4,326
TOTAL ASSETS		**1,090,244**	**1,253,022**	**3,050,576**	**2,191,876**
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	10	2,549,583	2,549,583	2,549,583	2,549,583
Other components of equity		(492,703)	(414,617)	(1,080,592)	(797,403)
(Accumulated losses) / Retained profit		(1,059,022)	(943,334)	1,581,069	439,559
		997,858	1,191,632	3,050,060	2,191,739
Non-controlling interests	11	(5,939)	(1,639)	-	-
Total equity		991,919	1,189,993	3,050,060	2,191,739
Non-current liabilities					
Long-term borrowings	12.1	42,964	4,788	-	-
Decommissioning and rehabilitation provision	14	20,098	16,800	-	-
Total non-current liabilities		63,062	21,588	-	-
Current liabilities					
Short-term borrowings	12.2	100	314	-	-
Trade payables and accrued liabilities	15	16,412	22,421	516	137
Revolving commodity facility	16	18,751	17,530	-	-
Current portion of finance lease liability	13	-	1,176	-	-
Total current liabilities		35,263	41,441	516	137
Total liabilities		98,325	63,029	516	137
TOTAL EQUITY AND LIABILITIES		**1,090,244**	**1,253,022**	**3,050,576**	**2,191,876**

The financial statements on pages 1 to 45 were approved by the Board of Directors on March 29, 2019 and were signed on its behalf by:

Erich Clarke
Director
March 29, 2019

The accompanying notes are an integral part of the consolidated and company financial statements.

Sedibelo Platinum Mines Limited

Consolidated statement of comprehensive income

for the year ending December 31, 2018

(Expressed in United States Dollars, unless otherwise stated)

GROUP	Note	2018 USD'000	2017 USD'000
Revenue	19	170,584	130,723
Cost of operations	20	(191,614)	(169,202)
Gross loss		(21,030)	(38,479)
Administrative and general expenses		(22,681)	(19,389)
Other income	21	11,066	94
Foreign exchange gain		3,514	2,085
Operating loss	21	(29,131)	(55,689)
Finance income		6,699	3,597
Finance costs		(7,450)	(3,583)
Share of loss of investments accounted for using the equity method		(1,542)	(638)
Loss before income tax		**(31,424)**	**(56,313)**
Income tax credit/(expense)	17	12	(23)
LOSS FOR THE YEAR		**(31,412)**	**(56,336)**
(Loss)/Profit attributable to:			
Owners of the parent		(30,754)	(56,938)
Non-controlling interest		(658)	602
		(31,412)	**(56,336)**
Other comprehensive (expense) / income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on loan designated as net investment		(88,576)	(22,903)
Exchange differences on translation from functional to presentation currency		(78,461)	128,345
Movement in other reserves		375	(159)
Total other comprehensive (expense) / income		(166,662)	105,283
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		**(198,074)**	**48,947**
Total comprehensive (Expense) / income attributable to:			
Owners of the parent		(197,416)	48,345
Non-controlling interest		(658)	602
		(198,074)	**48,947**

The accompanying notes are an integral part of the consolidated and company financial statements.

Sedibelo Platinum Mines Limited

Group statement of changes in equity

for the year ending December 31, 2018

(Expressed in United States Dollars, unless otherwise stated)

GROUP	Share capital	Accumulated losses	Share based payment reserve	Other reserves	Foreign currency translation reserve	Subtotal	Non-controlling interest	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Note	10						11	
Balance at January 1, 2017	**2,549,583**	**(865,944)**	**2,451**	**(1,214)**	**(541,589)**	**1,143,287**	**(2,241)**	**1,141,046**
(Loss)/Profit for the year	-	(56,938)	-	-	-	(56,938)	602	(56,336)
Other comprehensive (expense) / income	-	(22,903)	-	(159)	128,345	105,283	-	105,283
Total comprehensive income for the year	**-**	**(79,841)**	**-**	**(159)**	**128,345**	**48,345**	**602**	**48,947**
Transfers between equity	-	2,451	(2,451)	-	-	-	-	-
Total contributions by owners of the parent, recognised directly in equity	**-**	**2,451**	**(2,451)**	**-**	**-**	**-**	**-**	**-**
Balance at December 31, 2017	**2,549,583**	**(943,334)**	**-**	**(1,373)**	**(413,244)**	**1,191,632**	**(1,639)**	**1,189,993**
Loss for the year	-	(30,754)	-	-	-	(30,754)	(658)	(31,412)
Reclassification	-	3,642	-	-	-	3,642	(3,642)	-
Other comprehensive (expense) / income	-	(88,576)	-	375	(78,461)	(166,662)	-	(166,662)
Total comprehensive expense for the year	**-**	**(115,688)**	**-**	**375**	**(78,461)**	**(193,774)**	**(4,300)**	**(198,074)**
Balance at December 31, 2018	**2,549,583**	**(1,059,022)**	**-**	**(998)**	**(491,705)**	**997,858**	**(5,939)**	**991,919**

The accompanying notes are an integral part of the consolidated and company financial statements.

Sedibelo Platinum Mines Limited

Company statement of changes in equity

for the year ending December 31, 2018

(Expressed in United States Dollars, unless otherwise stated)

COMPANY	Share capital	Retained profit	Share based payment reserve	Other reserves	/Foreign currency translation reserve	Total Equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Note	10					
Balance at January 1, 2017	**2,549,583**	**545,234**	**3,900**	**(1,214)**	**(993,760)**	**2,103,743**
Loss for the year	-	(109,575)	-	-	-	(109,575)
Other comprehensive income	-	-	-	(159)	197,730	197,571
Total comprehensive income for the year	-	(109,575)	-	(159)	197,730	87,996
Transfers between equity	-	3,900	(3,900)	-	-	-
Total contributions by owners of the parent, recognised directly in equity	-	3,900	(3,900)	-	-	-
Balance at December 31, 2017	**2,549,583**	**439,559**	**-**	**(1,373)**	**(796,030)**	**2,191,739**
Profit for the year	-	1,145,092	-	-	-	1,145,092
Other comprehensive income	-	-	-	-	(283,189)	(283,189)
Total comprehensive income for the year	-	1,145,092	-	-	(283,189)	861,903
Prior year adjustment	-	(3,582)	-	-	-	(3,582)
Balance at December 31, 2018	**2,549,583**	**1,581,069**	**-**	**(1,373)**	(1,079,219)	**3,050,060**

The accompanying notes are an integral part of the consolidated and company financial statements.

Sedibelo Platinum Mines Limited

Consolidated cash flow statement

for the year ending December 31, 2018

(Expressed in United States Dollars, unless otherwise stated)

GROUP	Note	2018 USD'000	2017 USD'000
Cash flows from operating activities			
Loss before income tax		(31,424)	(56,313)
Adjusted for:			
Depreciation of property, plant and equipment	6	40,339	39,822
Amortisation of intangible assets	5	699	598
Revolving commodity facility fair value adjustment	16	1,258	827
Profit on disposal of asset		(15)	-
Share of loss of investments accounted for using the equity method		1,542	638
Unrealised foreign exchange gain		-	(2,118)
Finance income		(6,699)	(3,597)
Finance cost		7,450	3,583
Operating profit / (loss) before working capital changes		13,150	(16,560)
Increase in trade and other receivables		(7,490)	(50)
Decrease in trade and other payables		(3,345)	(3,578)
(Increase) / Decrease in inventories		222	(916)
(Decrease) / Increase in short-term borrowings		(172)	78
Cash utilised in operations		2,365	(21,026)
Income tax paid		-	(23)
Interest paid		(1,769)	(1,678)
Interest received		2,638	1,097
Net cash generated / (utilised) in operating activities		**3,234**	**(21,630)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(4,963)	(14,193)
Purchases of mining assets	4	(525)	(765)
Additions to intangible assets	5	(977)	(414)
Disposal of property, plant and equipment		15	-
Funds invested in restricted cash		(2,635)	(2,084)
Loans repaid by external parties		2,164	2,818
Net cash utilised in investing activities		**(6,921)**	**(14,638)**
Cash flows from financing activities			
Repayment of finance lease liability		(1,134)	(1,021)
Proceeds from revolving commodity facility	16	82,555	75,008
Repayment of revolving commodity facility	16	(81,440)	(83,949)
Loans received	12.1	42,742	-
Net cash generated / (utilised) in financing activities		**42,723**	**(9,962)**
Net increase / (decrease) in cash and cash equivalents		39,036	(46,230)
Cash and cash equivalents at beginning of the year	7.1	6,323	50,307
Exchange (loss) / gain on cash and cash equivalents		(7,266)	2,246
Cash and cash equivalents at end of the year	7.1	**38,093**	**6,323**

The accompanying notes are an integral part of the consolidated and company financial statements.

Sedibelo Platinum Mines Limited

Company cash flow statement

for the year ending December 31, 2018

(Expressed in United States Dollars, unless otherwise stated)

COMPANY	Note	2018 USD'000	2017 USD'000
Cash flows from operating activities			
Profit / (Loss) before income tax		1,145,092	(109,574)
Adjusted for:			
Unrealised foreign exchange (gain) / loss		(207,396)	108,921
Dividend received		(938,407)	
Finance income		(326)	(910)
Operating loss before working capital changes		(1,034)	(1,563)
(Increase) / Decrease in trade and other receivables		(98)	32
Increase / (Decrease) in trade and other payables		460	(188)
Cash utilised in operations		(672)	(1,719)
Interest received		126	756
Net cash utilised in operating activities		**(546)**	**(963)**
Cash flows from investing activities			
Loans received from subsidiary undertakings	27.1	189	(39,140)
Net cash utilised in investing activities		**189**	**(39,140)**
Net decrease in cash and cash equivalents		(357)	(40,093)
Cash and cash equivalents at beginning of the year	7.1	4,223	42,552
Exchange (loss) / gain on cash and cash equivalents		(561)	1,764
Cash and cash equivalents at end of the year	7.1	**3,305**	**4,223**

The accompanying notes are an integral part of the consolidated and company financial statements.

(Expressed in United States Dollars, unless otherwise stated)

1. Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRS IC interpretations and with the requirements of The Companies (Guernsey) Law, 2008 applicable to companies reporting under IFRS.

The financial information has been prepared under the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value.

The financial information is presented in US dollars ("USD") and all monetary results are rounded to the nearest thousand (USD'000) except when otherwise indicated.

There are no changes in these accounting policies for the year ended 31 December 2018 except as disclosed in Note 3 below "Changes in accounting policy".

General information

Sedibelo Platinum Mines Limited ("the Company") and its subsidiaries ("the Group") is a mining group engaged in the acquisition, exploration, development and operation of Platinum Group Metals ("PGM") properties in South Africa.

The Company is registered in Guernsey and reports in accordance with the provisions of The Companies (Guernsey) Law, 2008. The Company is limited by shares. For the twelve months ended December 31, 2018 the Group made a loss of USD31.424 million (2017: USD56.313 million).

For the year ended December 31, 2018 the Company made a profit of USD1.145 million (2017: Loss of USD109.575 million). The Company has elected to take the exemption under The Companies (Guernsey) Law, 2008 not to present the parent Company statement of comprehensive income and not to present the parent company statement of income.

Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as issued by the International Accounting Standards Board ("IASB") applicable to a going concern.

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; accordingly, when considering going concern, management consider key assumptions, such as exposure to the ZAR:USD exchange rate and PGM prices, in their cash flow forecasts. Continuance as a going concern is dependent upon the Group's ability to achieve profitable operations, obtain adequate equity or debt funding, or, alternatively, dispose of its non-core properties on an advantageous basis. To improve cash flows, management continues to pursue operational improvements and efficiencies. The Industrial Development Corporation of South Africa Limited ("IDC") provided PPM with a ZAR500 million loan facility which will provide access to funding for short-term cash flow requirements.

PPM has an agreement with Investec Bank Limited ("Investec") to provide a rand denominated revolving commodity finance facility of up to USD27,719 thousand (ZAR400 million) for the financing of concentrate deliveries. The outstanding balance bears interest at JIBAR plus 2.3% and is available up to March 31, 2020.

The Group had its first year of positive cash generated from operations since PPM commenced production. The Group has cash and cash equivalents of USD38.093 million, working capital of USD64.985 million, and an accumulated loss of USD1,059,022 million as at December 31, 2018. The Group made a net loss of USD31.412 million for the year ended December 31, 2018.

Management has analysed the Group's cash flow forecast with a view to assessing whether the financial statements should be prepared on a going concern basis. This cash flow forecast reflects the continued exposure to the ZAR:USD exchange rate and PGM prices as well as the operational achievements and cost containment initiatives that management have implemented to help manage the pressure of the exchange rate and prices on cash flows. In addition, management has assumed that the group will repay these in accordance with the current terms of the relevant agreements.

Operational risks that management considered during the assessment included operating cash flows and short term PGM prices and ZAR:USD exchange rates. Capital expenditure (sustaining and growth) was included in line with the budget and management's current plans. Management have also performed sensitivity analysis on the identified operational risks as well as the cash flows.

(Expressed in United States Dollars, unless otherwise stated)

1. Basis of preparation (continued)

Based on the current cash flow projections for the Group, management has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and therefore the annual financial statements continue to be prepared on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future.

The Group therefore continues to adopt the going concern basis in preparing the consolidated financial information.

The key assumptions used in the cash flow assessment are as follows:

Key assumptions	For the year ended 31 December 2018
4E Basket price per ounce	ZAR15,265
South African Rand (1USD:ZAR)	ZAR14.25

The following sensitivities were calculated for the next 12 month period:

Key assumptions	Sensitivity	Adjusted values	Reduction in available cash after twelve months (USD)
4E Basket price per ounce (ZAR)	5% decrease in platinum prices	14,503	(16.650 million)
4E Basket price per ounce (ZAR)	4% increase in platinum price	15,577	(0.410 million)
South African Rand (1USD:ZAR)	5% stronger	13.54	(13.910 million)
South African Rand (1USD:ZAR)	3% weaker	14.68	1.770 million

The above sensitivity analysis demonstrates there will be sufficient available cash after twelve months.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, as amended to reflect the adoption of new standards, amendments, and interpretations which became effective in the year (see Note 3).

a) Critical accounting estimates and judgements

The presentation of financial statements in conformity with international financial reporting standards requires the use of estimates, assumptions and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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:

Judgement

Determination of consolidation

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

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

Management has consolidated Defacto Investments 275 Proprietary Limited, Dream World Investments 226 Proprietary Limited and Taung Platinum Exploration Proprietary Limited even though the Group owns less than half of the share capital of those entities as it was determined that the Group has rights to variable returns from its involvement and an ability to affect those returns through its power over the management committee of those entities.

Joint arrangements

The Group has applied IFRS 11 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 Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Reserves and Resources

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

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

(Expressed in United States Dollars, unless otherwise stated)

2. Summary of significant accounting policies (continued)

a) Critical accounting estimates and judgements

Estimate

Impairment of non-current assets

Management uses the guidance in *IAS 36 – Impairment of assets* when assessing whether indicators for impairment exist for mining assets, intangible assets and property, plant and equipment. Management uses certain assumptions in calculating the assets' value in use. Assumptions such as PGM prices, weighted average cost of capital, production volumes, South African Rand: United States Dollar exchange rates and inflation are based on the most recent information available in the market. Refer to Note 6 for details on assumptions made.

Decommissioning and rehabilitation provision

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

b) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in IFRS 10 "Consolidated Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

c) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The Group's main operating subsidiaries' functional currency is the South African Rand ("ZAR"). The consolidated financial statements are presented in United States Dollars ("USD") which is the Group's presentation currency. All financial information presented has been rounded to the nearest thousand.

Translation of transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Refer to Note 25.

2. Summary of significant accounting policies (continued)

c) Functional and presentation currency

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of income and comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- equity transactions are translated using the exchange rate at the date of the transaction; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation from the functional currency to the presentation currency are recognised in other comprehensive income.

d) Cash & Cash Equivalents

Cash comprises cash on hand and on demand deposits. Cash equivalents are short term, liquid investments that are readily convertible to known amounts of cash and which are subject to a low risk of changes in value.

e) Restricted cash

Restricted cash comprises cash held by financial institutions restricted to funding for closure cost. These deposits are held on long term deposits with no risk to capital losses.

f) Mining assets

Exploration and evaluation costs, including the cost of acquiring licences, are capitalised as intangible exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. The capitalised costs are presented as intangible exploration and evaluation assets. Capitalised costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. As the assets are not available for use, it is not depreciated.

When a licence is relinquished or a project is abandoned, the related costs are recognised in profit or loss immediately. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) fact and circumstances suggest that the carrying amount exceeds the recoverable amount (see Note 4).

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property.

Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to the plant construction and mine development category within property, plant and equipment. Expenditure deemed to be unsuccessful is recognised in profit or loss immediately.

2. Summary of significant accounting policies (continued)

g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of the intangible assets.

Asset category	Useful life (years)
Computer software	3
ERP Software	5
Research and development	Indefinite
Water pipeline	Life of mine

The water pipeline is amortised over the current estimated life of the mine.

The power and water rights will be amortised based on usage of the units allocated to the Group over the life of mine.

Research and development

Costs for self-initiated research and development activities are assessed to determine if they qualify for recognition as internally generated intangible assets. These activities relate to research performed to develop technology to improve efficiencies in PGM production. Apart from complying with the general requirements for, and initial measurements of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and capable of allocation to a specific product.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only.

Capitalised research and development costs are generally amortised over the units produced. As the units of production cannot be estimated reliably, the asset is not amortised, but rather reviewed for impairment. The assets have an indefinite useful life as there is no foreseeable limit as to which the assets are expected to generate cash inflows for the Group. The assets are assessed for indicators of impairment on an annual basis at each balance sheet date.

Income tax credits granted for research and development activities are deducted from corresponding expenses or from capitalised amounts when earned.

h) Property, plant and equipment

Plant construction and mine development, producing mines and decommissioning asset

Upon transfer of ‘Exploration and evaluation costs’ into ‘Mine development’, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within ‘Mine development’. After production starts, all assets included in ‘Mine development’ are transferred to ‘Producing mines’. When further development expenditure is incurred after the commencement of production, such expenditure is capitalised to ‘Producing mines’ when it is probable that additional future economic benefits associated with the expenditure will flow to the entity. Otherwise such expenditure is classified as a ‘Cost of production’ in profit or loss.

Depreciation is calculated on a units-of-production method (ore tonnes mined basis) for ‘Producing mines’, ‘Pre-stripping asset’, ‘Deferred stripping asset’ and ‘Decommissioning asset’. The units of production basis results in a depreciation charge proportional to the depletion of proven and probable reserves.

(Expressed in United States Dollars, unless otherwise stated)

2. Summary of significant accounting policies (continued)

h) Property, plant and equipment

Other categories of property, plant and equipment (Pre-stripping costs, Plant and Equipment and Land and Buildings)

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the year in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (expense)/ income' in profit or loss.

Depreciation is calculated on a straight-line basis for all other assets to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each relevant category of property, plant and equipment are as follows:

Asset category	Useful life
Producing mines	Units of production (ore tonnes mined)
Pre-stripping costs	Units of production (ore tonnes mined)
Plant construction and mine development	Units of production (ore tonnes mined)
Deferred stripping costs	Units of production (ore tonnes mined)
Decommissioning assets	Units of production (ore tonnes mined)
Leased asset	5 years
Plant and equipment	Units of production (ore tonnes processed)
Buildings	20 years
Land	Indefinite
Other	
• Vehicles	5 years
• Computer equipment	3 years
• Office equipment	6 years
• Furniture and fittings	6 years
• Other equipment	5 years

Where parts (components) of an item of property, plant and equipment have different useful lives or for which different depreciation rates are appropriate, they are accounted for as separate items of property, plant and equipment. Estimates of residual values and useful lives of all assets are assessed annually.

The Group measures the estimated residual value of an item of property, plant and equipment as the amount the Group estimates it would receive currently from the asset if the asset were already of the age and in the condition expected at the end of its useful life. These are reviewed and adjusted if appropriate, at each balance sheet date.

All categories of property, plant and equipment are tested for impairment in accordance with the policy for impairment as set out below.

i) Deferred stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine.

Pre- production stripping

Stripping costs incurred in the development of a mine or a separate identifiable ore-body before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis as part of 'Producing mines'.

Post – production stripping

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the relevant economic benefits. The amount deferred is based on the waste-to-ore ratio (called a 'stripping ratio') which is calculated by dividing the tonnage of waste mined by the quantity of ore mined.

2. Summary of significant accounting policies (continued)

i) Deferred stripping costs

Stripping costs incurred in a period are deferred to the extent that the current period ratio exceeds the expected life-of-mine ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current ratio falls below the life-of-mine ratio. The life-of-mine stripping ratio is calculated based on proven and probable reserves. Any changes to the life-of-mine ratio are accounted for prospectively. The Group takes the view that if there is any uncertainty regarding the stripping ratio for the life-of-mine the stripping cost will be charged to profit or loss until such time as there is certainty.

Where a mine operates more than one open pit and these are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. The deferred stripping capitalised to property, plant and equipment forms part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstance indicate that the carrying value may not be recoverable.

j) Leased assets

Leased assets are classified as finance leases when the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

k) Impairment of non-current assets

Mining assets, intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

l) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of work in progress, ore in circuit and stockpiles comprises direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

m) Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Judgement is required to determine the appropriate IFRS 9 classification of trade receivables containing provisional pricing features (i.e. the final selling price is subject to movements in market prices after the date of sale) to be measured at amortised cost or fair value through profit and loss. This requires an assessment of the exposure of the underlying trade receivable to future movements in market prices at the date of initial recognition of such receivable, which is typically the date of delivery of the goods. Those receivables that are exposed to future movements in market prices have contractual cash flow characteristics that are not solely payments of principal and interest and are therefore measured at fair value through profit or loss. For those receivables that are not exposed to future movements in market prices, a further assessment of the receivables is required to determine the appropriate classification and measurement. Receivables that do not contain provisional pricing features is to hold the assets to collect the contractual cash flows and as such, these financial assets are classified as at "amortised cost".

2. Summary of significant accounting policies (continued)

m) Financial instruments

Table1: Assessment of Financial Assets under IFRS 9

Financial Asset	Held to collect?	Cashflow = Principal debt + interest	Apply Fair Value option	Classification
Restricted Cash	✔	✔	✕	Amortised Cost
Loans Receivables	✔	✔	✕	Amortised Cost
Trade Receivables	✔	✔	✔	Fair Value through profit or loss
Cash and Cash equivalents	✔	✔	✕	Amortised Cost

The Group's Trade Receivables are exposed to both movement in market prices and foreign exchange and are classified as at fair value through profit or loss. All other financial assets of the Group are assets held to collect with no exposure to future movements in market prices.

A similar assessment is undertaken for trade payables, and for those payables that contain provisional price features, the Group elected to designate the entire payable as at fair value through profit and loss consistent with the accounting for provisionally priced receivables. The balance of trade payables is classified as at "amortised cost".

The Group classifies its financial assets as either financial assets at amortised cost or at fair value through profit or loss (FVTPL) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset. Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs. Management determines the classification of its financial assets at initial recognition.

Financial liabilities, other than derivatives and those containing provisional price features, are initially recognised at fair value of consideration received net of transaction costs as appropriate and subsequently carried at amortised cost. Financial liabilities that contain derivatives and provisional price features are carried at FVTP.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired..

Loans receivable

Loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables

Trade receivables are amounts due from customers for metal sold in the ordinary course of business. Included in other receivables are non-financial assets such as prepayments. Trade and other receivables are recognised initially at fair value through profit or loss (FVTPL).

Restricted cash investments and guarantees

Restricted cash investments and guarantees include cash and term deposits with an original maturity of more than twelve months or are encumbered by guarantees for purposes of mine rehabilitation. They are classified as restricted, due to these cash balances not being immediately available. Restricted cash also include funds earmarked for a specific purpose and therefore not available for general use.

(Expressed in United States Dollars, unless otherwise stated)

2. Summary of significant accounting policies (continued)

m) Financial instruments

Restricted cash investments and guarantees

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their present value, are provided for when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged against profits through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the costs of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against their operating profit as extraction progresses. Changes in the measurement of a liability which arises during production are charged against operating profit.

The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

In accordance with the Group’s policy and applicable legal requirements, a provision for decommissioning liabilities is recognised when the asset is installed and rehabilitation liabilities are recognised when the land is disturbed.

n) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

An obligation to incur decommissioning and rehabilitation costs occurs when an environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to regular review.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their present value, are provided for when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged against profits through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the costs of the related asset.

o) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new commons shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) Income taxes

The income tax expense for the year comprises current and deferred taxation. Taxation is recognised in profit or loss and comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised directly in equity.

Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in countries where the company’s subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

2. Summary of significant accounting policies (continued)

p) Income taxes

Deferred taxation

Deferred taxation is recognised using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

q) Segmental information

The Board is the chief operating decision maker ("CODM") within the meaning of IFRS 8 and uses the information and recommendations received from the chief executive officer and his management team. Operating segments were determined based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the business from an operating perspective. The Group operates in one geographic segment, the Republic of South Africa. The operating segment comprise the following:

Mining operation: Pilanesberg Platinum Mines Proprietary Limited ("PPM") declared commercial production on 1 January, 2011. This mine is involved in the mining and processing of platinum group elements.

Development and exploration as well as administrative operations do not meet the quantitative thresholds required by IFRS 8 – Segment reporting and Management has concluded that these should not be reported as separate segments. The administrative operations are not deemed to be a segment by management, since the revenue earned and the expenses incurred are only incidental to the Group's business.

Management assesses the performance of the operating segment on the following basis:

Mining on an adjusted earnings before interest, taxation, depreciation and amortization ("EBITDA") before capitalising any costs per the accounting policies.

r) Investments

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

2. Summary of significant accounting policies (continued)

s) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of metal concentrate in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Company identifies contracts with customers, the performance obligations within it, the transaction price and its allocation to the performance obligations.

The Group recognises revenue when the amount of revenue can be reliably measured and when control of the product passes to the customer It is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. In certain circumstances, metal prices and assayed quantities at the point of sale may be provisional. Adjustments in respect of final assayed quantities and/or prices arising between the date of recognition and the date of settlement are recognised in the period in which the adjustment arises and reflected through revenue and receivables.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due.

t) Finance income

Finance income is recognised on the time proportion basis, taking account of the investment balances outstanding and the effective rate over the period to maturity.

u) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition or construction of assets that necessarily take a substantial period to prepare for their intended use or sale ("qualifying assets").

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

(Expressed in United States Dollars, unless otherwise stated)

3. Changes in accounting policy and disclosures

There were no other changes in the accounting policies applied since the issue of the audited consolidated financial statements for the year ended December 31, 2017 except for the adoption of the standards set out below.

New and amended standards and interpretations effecting for the year

- IFRS 9 Financial instruments – The standard contains substantial changes with regards to classification, measurement, impairment and hedge accounting requirements.

  Impact assessment

  On 1 January 2018, the Group adopted IFRS 9, which replaces the provisions of IAS 39 Financial Instruments: *Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

  The adoption of the new "expected credit loss" impairment model under IFRS9, as opposed to an incurred credit loss model under IAS 39, had a negligible impact on the carrying amounts of the Group's financial assets given the Group transacts exclusively with a limited number of large institutions and other organisations with strong credit ratings and negligible historical level of customer default.

  Trade Receivables previously measured at amortised cost, is now measured as Fair Value through profit and loss.

- IFRS 15 Revenue from Contracts with Customers – The standard is more prescriptive around considerations of when control of goods is transferred to the customer.

  Impact assessment

  On 1 January 2018, the Group adopted IFRS15, which requires that revenue from contracts with customers be recognised upon the transfer of control over goods and services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with the revenue recognition policy as set out in the consolidated annual financial statements for the year ended 31 December 2017, as the condition is generally satisfied when the title transfers to the customer. As such, on adoption, this requirement under IFRS 15 resulted in no impact to the Group's financial statements as the timing of revenue recognition on PGM sales is unchanged.

New standards, amendments and interpretations not yet adopted

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

  Impact assessment

  The Group performed a preliminary assessment of the lease agreements and concluded that IFRS 16 will not have a material impact based on the nature of the lease agreements. IFRS 16 is effective for year-ends beginning on or after 1 January 2019. The company did not elect to early adopt IFRS 16.

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

4. Mining assets

	GROUP 2018 USD'000	GROUP 2017 USD'000	COMPANY 2018 USD'000	COMPANY 2017 USD'000
Exploration and evaluation assets	16,136	18,257	-	-
Mineral properties	733,910	855,289	709,090	826,364
Mineral rights	28,036	32,673	-	-
Balance at the end of the year	**778,082**	**906,219**	**709,090**	**826,364**

Reconciliation of mining assets:

GROUP	Exploration & evaluation assets USD'000	Mineral properties USD'000	Mineral rights USD'000	TOTAL USD'000
Balance at January 1, 2017	**15,860**	**778,031**	**29,721**	**823,612**
Additions	765	-	-	765
Foreign exchange variance	1,632	77,258	2,952	81,842
Balance at December 31, 2017	**18,257**	**855,289**	**32,673**	**906,219**
Additions	525	-	-	525
Foreign exchange variance	(2,646)	(121,379)	(4,637)	(128,662)
Balance at December 31, 2018[(a)]	**16,136**	**733,910**	**28,036**	**778,082**

(a) Long term borrowings are secured on Mineral properties and rights to the value of ZAR200 million (USD15 million)

COMPANY	Exploration & evaluation assets USD'000	Mineral properties USD'000	Mineral rights USD'000	TOTAL USD'000
Balance at January 1, 2017	**-**	**751,718**	**-**	**751,718**
Foreign exchange variance	-	74,646	-	74,646
Balance at December 31, 2017	**-**	**826,364**	**-**	**826,364**
Foreign exchange variance	-	(117,274)	-	(117,274)
Balance at December 31, 2018	**-**	**709,090**	**-**	**709,090**

(Expressed in United States Dollars, unless otherwise stated)

5. Intangible assets

GROUP	2018 USD'000	2017 USD'000
Water pipeline	24,347	28,159
ERP software	31	61
Computer software	391	433
Research and development	9,565	11,052
Balance at the end of the year	**34,334**	**39,705**

Reconciliation of intangible assets:

GROUP	Water pipeline USD'000	ERP Software USD'000	Computer software USD'000	Research and development USD'000	Power and water rights USD'000	TOTAL USD'000
COST						
Balance at January 1, 2017	**29,120**	**127**	**1,084**	**9,905**	**21,672**	**61,908**
Additions during the year	-	-	261	153	-	414
Foreign exchange variance	2,892	13	123	994	2,152	6,174
Balance at December 31, 2017	**32,012**	**140**	**1,468**	**11,052**	**23,824**	**68,496**
Additions during the year	638	-	254	85	-	977
Change in estimate [(a)]	-	-	-	-	(3,421)	(3,421)
Foreign exchange variance	(4,591)	(19)	(235)	(1,572)	(1,843)	(8,260)
Balance at December 31, 2018	**28,059**	**121**	**1,487**	**9,565**	**18,560**	**57,792**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
Balance at January 1, 2017	**3,074**	**49**	**804**	**-**	**21,672**	**25,599**
Amortisation for the year	439	23	136	-	-	598
Foreign exchange variance	340	7	95	-	2,152	2,594
Balance at December 31, 2017	**3,853**	**79**	**1,035**	**-**	**23,824**	**28,791**
Amortisation for the year	448	24	227	-	-	699
Change in estimate [(a)]	-	-	-	-	(3,421)	(3,421)
Foreign exchange variance	(589)	(13)	(166)	-	(1,843)	(2,611)
Balance at December 31, 2018	**3,712**	**90**	**1,096**	**-**	**18,560**	**23,458**
CARRYING AMOUNTS						
Balance at January 1, 2017	**26,046**	**78**	**280**	**9,905**	**-**	**36,309**
Balance at December 31, 2017	**28,159**	**61**	**433**	**11,052**	**-**	**39,705**
Balance at December 31, 2018	**24,347**	**31**	**391**	**9,565**	**-**	**34,334**

(a) Eskom finalised the substation project cost for the Sedibelo mining area during Q1 of 2018. The project was finalised below its estimated cost and a credit note of ZAR 40 million (USD3.421 million) was received from Eskom.

(Expressed in United States Dollars, unless otherwise stated)

6. Property, plant and equipment

GROUP	Producing Mines USD'000	Plant construction and mine development USD'000	Pre-stripping cost USD'000	Deferred stripping cost USD'000	Decom-missioning asset USD'000	Leased assets USD'000	[a]Plant and equipment USD'000	Land and buildings USD'000	Other USD'000	TOTAL USD'000
COST										
Balance at January 1, 2017	**6,639**	**8,110**	**125,293**	**54,136**	**19,562**	**5,520**	**156,069**	**3,469**	**4,787**	**383,585**
Additions	-	1,349	-	-	-	-	11,536	11	1,297	14,193
Change in estimate	-	-	-	-	(8,933)	-	-	-	-	(8,933)
Write-off	-	-	-	-	-	-	-	-	(2)	(2)
Disposals	-	-	-	-	-	-	-	-	(5)	(5)
Foreign exchange variance	659	901	12,441	5,376	1,347	548	16,282	344	553	38,451
Balance at December 31, 2017	**7,298**	**10,360**	**137,734**	**59,512**	**11,976**	**6,068**	**183,887**	**3,824**	**6,630**	**427,289**
Additions	-	1,382	-	-	-		2,994	-	587	4,963
Change in estimate	-	-	-	-	4,260	(642)	-	-	-	3,618
Disposals	-	-	-	-	-	-	-	-	(11)	(11)
Foreign exchange variance	(1,036)	(1,601)	(19,547)	(8,446)	(1,768)	(810)	(26,377)	(543)	(1,021)	(61,149)
Balance at December 31, 2018	**6,262**	**10,141**	**118,187**	**51,066**	**14,468**	**4,616**	**160,504**	**3,281**	**6,185**	**374,710**
ACCUMULATED DEPRECIATION										
Balance at January 1, 2017	**2,612**	**-**	**64,599**	**26,931**	**5,058**	**2,763**	**63,775**	**412**	**3,588**	**169,738**
Depreciation for the year	895	-	10,652	4,794	2,422	346	19,790	130	793	39,822
Disposals	-	-	-	-	-	-	-	-	(11)	(11)
Foreign exchange variance	326	-	7,230	3,035	682	300	7,799	50	424	19,846
Balance at December 31, 2017	**3,833**	**-**	**82,481**	**34,760**	**8,162**	**3,409**	**91,364**	**592**	**4,794**	**229,395**
Depreciation for the year	996	-	12,009	5,338	627	286	20,125	133	825	40,339
Disposals	-	-	-	-	-	-	-	-	(11)	(11)
Foreign exchange variance	(634)	-	(12,834)	(5,417)	(1,208)	(515)	(14,747)	(97)	(761)	(36,213)
Balance at December 31, 2018	**4,195**	**-**	**81,656**	**34,681**	**7,581**	**3,180**	**96,742**	**628**	**4,847**	**233,510**

(Expressed in United States Dollars, unless otherwise stated)

6. Property, plant and equipment (continued)

GROUP	Producing mines USD'000	Plant construction and mine development USD'000	Pre-stripping cost USD'000	Deferred stripping cost USD'000	Decom-missioning asset USD'000	Leased assets USD'000	[(a)]Plant and equipment USD'000	Land and buildings USD'000	Other USD'000	TOTAL USD'000
CARRYING AMOUNTS										
Balance at January 1, 2017	**4,027**	**8,110**	**60,694**	**27,205**	**14,504**	**2,757**	**92,294**	**3,057**	**1,199**	**213,847**
Balance at December 31, 2017	**3,465**	**10,360**	**55,253**	**24,752**	**3,814**	**2,659**	**92,523**	**3,232**	**1,836**	**197,894**
Balance at December 31, 2018	**2,067**	**10,141**	**36,531**	**16,385**	**6,887**	**1,436**	**63,762**	**2,653**	**1,338**	**141,200**

(a) Tailings dam is included in Plant and equipment.

(b) Eskom finalised the substation project cost for the Sedibelo mining area during Q1 of 2018. The project was finalised below its estimated cost and a credit note of USD3.421 million (ZAR40 million) was received from ESKOM.

Long term borrowings are secured on Plant and equipment to the value of ZAR600 million (USD45 million) and on all moveable assets to the value of ZAR100 million (USD7 million).

(Expressed in United States Dollars, unless otherwise stated)

6. Property, plant and equipment (continued)

Impairment assessment performed for the year ended December 31, 2018

Management reviewed previous indicators of impairment, such as operating loss results for PPM, the availability of capital funds for maintenance, the volatility in the ZAR:USD exchange rate and the decline in metal price forecasts. Management concluded that there are no indicators for impairment as result of:

- An increase in PGM prices, specifically Palladium and Rhodium,
- An Improved operating result from PPM as a cash generating unit ("CGU"),
- A favourable ZAR:USD exchange rate.

Management has determined that the recoverable amount is higher than the carrying amount of the PPM CGU and therefore no impairment is required.

Long-term mining assets that form part of board-approved projects are valued based on estimates of future discounted cash flows ("DCFs"). DCFs are based on the latest business forecasts regarding production volumes, costs of production, capital expenditure requirements, metal prices and market forecasts for foreign exchange rates. DCFs are discounted at a risk-adjusted discount rate, taking into account specific risks relating to the CGU where cash flows have not been adjusted for the risk.

Mineral resources outside the approved mine plans are valued based on the *in situ* 4E ounce value. Comparable market transactions are used as a source of evidence adjusting specifically for the nature of each underlying ore body and the prevailing platinum price when the transaction was concluded.

All of the above estimates are subject to risks and uncertainties including availability of funds, future metal prices and exchange rates. It is therefore possible that changes can occur which may affect the recoverability of the mining assets. The recoverable amounts of non-mining assets are generally determined by reference to market values.

Impairment assessment for the PPM CGU

The recoverable amount of the PPM CGU has been determined based on fair value less costs to dispose. The fair value less costs to dispose was calculated based on post-tax discounted forecast cash flow analysis in order to reflect the economic benefits of the mining operations. The discounted cash flow analysis has been prepared by incorporating assumptions that a market participant would use in estimating the fair value of PPM.

The key assumptions used to determine the fair value less costs to sell are as follows:

Key assumptions	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**
Platinum price per ounce (long term real)	USD1,350	USD1,350
South African Rand (1USD:ZAR long term real)	ZAR14.50	ZAR14.50
Discount rate (USD real)	9.0%	9.0%
Life of mine	8 years	8 years

- Revenue is based on tonnes mined and appropriate recovered grades per the current mine plan.
- Mining costs are based on the actual and budgeted costs.
- Plant costs are based on the actual and budgeted costs.
- Capital expenditure assumed to be incurred to ensure that the market participant extracts optimum value out of operations including expansion and enhancement projects which are currently not yet sanctioned by the board but which management believes would provide optimum value.
- Significant future capital spend is assumed from 2022 onwards, to develop mining properties included in the valuation. Financial closure for these projects has not yet been secured.
- The discount rate applied is a post-tax rate which is reflective of a market participant's assessment of the risks associated with the estimated cash flows.
- Access to mining license areas.

6. Property, plant and equipment (continued)

Impairment assessment performed for the year ended December 31, 2018

For purposes of testing for impairment of non-current assets, a reasonably possible change in the key assumptions used to estimate the recoverable amount for CGUs would not result in an impairment charge. The carrying value of the net assets relating to PPM are most sensitive to changes in key assumptions in respect of the platinum price, the ZAR:USD exchange rate and the discount rate.

7. Cash and cash equivalents, restricted cash investments and guarantees

7.1 Cash and cash equivalents

	GROUP 2018 USD'000	GROUP 2017 USD'000	COMPANY 2018 USD'000	COMPANY 2017 USD'000
Cash at bank	38,093	6,323	3,305	4,223
Balance at the end of the year	**38,093**	**6,323**	**3,305**	**4,223**

Cash at banks predominantly earns interest at floating rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within the Republic of South Africa and in the United Kingdom. The fair value of cash and cash equivalents equates to the values as disclosed in this note.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise only the cash at bank and financial institutions or asset managers and are disclosed for each year end above.

7.2 Restricted cash investments and guarantees

Cash investments were made relating to certain guarantees required by the Republic of South Africa's Department of Mineral Resources and ESKOM Holdings Limited ("ESKOM"), the South African state utility supplier, of which the details are as follows:

	GROUP 2018 USD'000	GROUP 2017 USD'000	COMPANY 2018 USD'000	COMPANY 2017 USD'000
Balance at the end of the year	**18,607**	**17,733**	**-**	**-**

The Department of Mineral Resources requires rehabilitation guarantees for all prospecting and mining rights. These rehabilitation guarantees primarily relate to the mining rights for the PPM and Mphahlele Projects. These guarantees have been provided to the Department of Mineral Resources on two separate bases:

- On an insurance basis with a portion of the total guarantee being paid over in a separate bank account controlled by the Group and ceded in favour of the insurance company and the remaining portion paid in premiums over the expected life of the mine; and
- on a cash backed basis.

As at December 31, 2018 the Group had USD31 million (2017: USD44 million) in guarantees (Note 23.1) to the DMR and ESKOM, of which USD18 million (2017: USD17 million) is funded.

(Expressed in United States Dollars, unless otherwise stated)

8. Inventories

GROUP	2018 USD'000	2017 USD'000
Ore stockpiled	218	186
Work in progress	257	156
Consumables	7,369	9,187
Balance at the end of the year	**7,844**	**9,529**

The cost of inventories recognised as an expense and included in Cost of Sales amounts to USD176,000 (2017: USD166,000).

9. Trade and other receivables

	GROUP 2018 USD'000	GROUP 2017 USD'000	COMPANY 2018 USD'000	COMPANY 2017 USD'000
Trade receivables	51,885	53,535	-	-
Other receivables	2,426	921	192	103
Balance at the end of the year	**54,311**	**54,456**	**192**	**103**

None of the trade receivables balances are past due or impaired.

10. Share capital

10.1 Common shares authorised

The Company has an unlimited number of authorised common shares with no par value.

10.2 Common shares issued

GROUP AND COMPANY	Number of shares	Amount USD'000
Balance at December 31, 2017	**3,095,401,663**	**2,549,583**
Common shares issued	-	-
Balance at December 31, 2018	**3,095,401,663**	**2,549,583**

11. Non-controlling interests

GROUP	2018 USD'000	2017 USD'000
Tameng Mining and Exploration Proprietary Limited	3,580	1,374
Taung Platinum Exploration Proprietary Limited	690	475
Defacto Investments 275 Proprietary Limited	195	196
Other	1,474	(406)
Balance at the end of the year[a]	**5,939**	**1,639**

12. Borrowings

12.1 Long-term borrowings

	2018 USD'000	2017 USD'000
Loan from Corridor Mining Resources Proprietary Limited [a]	4,543	4,788
Loan from Industrial Development Corporation of South Africa Limited ("IDC")[b]	38,421	-
Balance at the end of the year	**42,964**	**4,788**

a) Corridor Mining Resources Proprietary Limited is a wholly owned subsidiary of Limpopo Economic Development Agency, an agency of the Limpopo Provincial Government, Republic of South Africa.

The long-term loan bears interest at South African prime overdraft rate until otherwise agreed by the shareholders. 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.

b) Loan of ZAR500 million from the IDC. The proceeds from this loan will be utilised to sustain mining operations.

This long-term loan bears interest at the South African prime overdraft rate plus 3.5% accrued on a monthly basis. Repayment of interest will be made in monthly instalments starting 23 March 2020. Outstanding capital will be repaid in twelve quarterly instalments of ZAR 41,666,667 starting on 1 September 2020, with the final payment on 30 June 2023.

This loan is secured to the value of:
ZAR200 million (USD14 million) over Mineral properties and rights;
ZAR600 million (USD42 million) over plant and equipment at PPM; and
ZAR100 million (USD7 million) over all moveable assets of PPM.

12.2 Short-term borrowings

	2018 USD'000	2017 USD'000
Loan from Lexshell 703 Proprietary Limited [a]	100	117
Loan from Emiclox	-	197
Balance at the end of the year	**100**	**314**

(Expressed in United States Dollars, unless otherwise stated)

12. Borrowings (continued)

12.2 Short-term borrowings

Reconciliation of short-term borrowings

	Lexshell 703[(a)] USD'000	Emiclox[(b)] USD'000	TOTAL USD'000
Balance at January 1, 2018	**117**	**197**	**314**
Loan advanced	-	78	78
Foreign exchange variance	(17)	(25)	(42)
Loan settled	-	(250)	(250)
Balance at December 31, 2018	**100**	**-**	**100**

a) The loan from Lexshell 703 Proprietary Limited is interest free and has no repayment terms.
b) The loan from Emiclox is interest free and was settled in the 2018 financial year.

13. Finance lease liability

ESKOM designed and built an electrical substation and related infrastructure adjacent to PPM to supply the required electricity for PPM's operations. PPM has exclusive use of this facility. ESKOM maintains ownership and control over all significant aspects of operating the facility.

Each month, PPM pays a fixed capacity charge and a variable charge based on actual electricity consumed. These payments attract interest at the South African prime overdraft rate plus 2%.

Eskom finalised the project below its estimated cost. This together with a grant from the Department of Trade and Industry, and certain project expenses that was incurred by PPM, resulted in an accelerated repayment of the lease.

Reconciliation between the total minimum lease payments and their present value:

GROUP As at December 31, 2018	Up to 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total USD'000
Minimum lease payments	-	-	-	-
Finance cost	-	-	-	-
Present value	**-**	**-**	**-**	**-**

GROUP As at December 31, 2017	Up to 1 year USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total USD'000
Minimum lease payments	1,269	-	-	1,269
Finance cost	(93)	-	-	(93)
Present value	**1,176**	**-**	**-**	**1,176**

GROUP	2018 USD'000	2017 USD'000
Non-current	-	-
Current	-	1,176
Balance at the end of the year	**-**	**1,176**

(Expressed in United States Dollars, unless otherwise stated)

14. Decommissioning and rehabilitation provision

GROUP	2018 USD'000	2017 USD'000
DISCOUNTED		
Balance at the beginning of the year	16,800	22,312
Unwinding of discount (accretion)	1,636	1,710
Change in estimate	4,260	(8,933)
Subtotal	22,696	15,089
Foreign exchange variance	(2,598)	1,711
Balance at the end of the year	**20,098**	**16,800**
UNDISCOUNTED		
Balance at the beginning of the year	24,353	23,068
Addition / (Reduction)	1,855	(2,462)
Subtotal	26,208	20,606
Foreign exchange variance	(3,406)	1,327
Balance at the end of the year	**22,802**	**24,353**

The estimate represents the current cost of closure as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the Department of Mineral Resources, as well as meeting specific closure objectives outlined in the mine's Environmental Management Programme. Although the ultimate amount of the asset retirement obligation is uncertain, the measurement of the obligation is based on information that is currently available.

The estimated undiscounted liability for the asset retirement obligation at December 31, 2018 is USD22.802 million (2017: USD24.353 million). The asset retirement obligation has been determined using a Rand discount rate of 7.9% (2017: 10.6%) and an inflation rate of 4.8 % (2017: 5.4%) over the expected life of mine which is 4 years (2017: 8 years).

15. Trade payables and accrued liabilities

	GROUP 2018 USD'000	GROUP 2017 USD'000	COMPANY 2018 USD'000	COMPANY 2017 USD'000
Trade payables	2,413	10,242	395	34
Accrued expenses	13,999	12,179	121	103
Balance at the end of the year	**16,412**	**22,421**	**516**	**137**

16. Revolving commodity facility

PPM has an agreement with Investec Bank Limited ("Investec") to provide a rand denominated revolving commodity finance facility of up to USD27,719 thousand (ZAR400,000,000) for the financing of concentrate deliveries. The outstanding balance bears interest at JIBAR plus 2.3% and is available up to March 31, 2020.

In terms of this facility Investec Bank Limited will finance up to 91% of PPM's platinum, palladium and gold deliveries. PPM cedes on an out-and-out basis to Investec all rights to payments under its offtake agreements with Northam and Impala until the corresponding liability is settled. This facility is repaid within 2 to 4 months upon which the funds are again available for draw-down. On settlement date, the drawdown is revalued using average commodity prices and exchange rates for the calendar month before settlement date.

16. Revolving commodity facility (continued)

GROUP	2018 USD'000	2017 USD'000
Balance at the beginning of the year	17,530	21,841
Repayment of drawdown	(81,440)	(83,949)
Drawdown from the facility during the year	82,555	75,008
Fair value adjustments to the balances	1,258	827
Interest accrued	1,232	1,238
Subtotal	21,135	14,965
Exchange rate variance	(2,384)	2,565
Balance at the end of the year	**18,751**	**17,530**

17. Income tax income / (expense)

Income tax rates

The South African taxation rate remained unchanged at 28%. The Group's effective tax rate in the year ended December 31, 2018 was 0% (2017: 0%). A reconciliation of income tax expense applicable to the loss from operating activities before income tax at the statutory income tax rate to income tax expenses at the Group's effective rate at year end is as follows:

GROUP	2018 USD'000	2017 USD'000	2018 %	2017 %
Current Tax	(9,877)	(15,774)	-	-
Corporate tax rate	-	-	28.00	28.00
Tax effects of:				
- Expenses not deductible for tax purposes	1,418	1,049	(4.02)	(1.86)
- Utilisation of tax losses	-	(45)	-	0.08
- Capital gains tax	-	-	-	-
- Prior year tax refunds received	(17)	-	0.05	-
- Tax losses for which no deferred income tax asset was recognised	64,089	(17,492)	(181.68)	30.45
Foreign income tax allowances and rate differentials	(55,625)	32,285	157.68	(56.71)
Effective total tax charge/(refund)	**(12)**	**23**	**0.03**	**(0.04)**

There was no deferred tax charge during the financial year (2017: Nil).

South Africa

As at the year end, the Group had not recognised the following temporary differences and tax losses:

GROUP	2018 USD'000	2017 USD'000
Unredeemed capital expenditure available for utilisation against future mining taxable income	246,360	255,475
Temporary differences	(186,799)	240,821
Tax losses carried forward utilisable against taxable income	970,913	376,975
Total	**1,030,474**	**873,271**
The unrecognised deferred tax asset at the end of the year	**288,533**	**244,516**

The South African losses do not have an expiry date.

18. Segmental information

The segment information provided to the Board for the reportable segment for the years ended 31 December 2018 and 31 December 2017 is as follows:

Amounts in USD'000	Mining 2018	Mining 2017
External revenues	170,584	130,723
Depreciation and amortisation	(40,984)	(40,420)
Income tax expense	12	(23)
Adjusted EBITDA	6,797	(17,992)

All revenues reported are from two South African customers, being Northam Platinum Limited and Impala Refining Services Limited and minor chrome sales at the spot market.

A reconciliation of adjusted EBITDA to total comprehensive loss for the year is provided as follows:

	2018 USD'000	2017 USD'000
Total EBITDA for reportable segments	6,797	(17,992)
Foreign exchange gain	3,514	2,085
Depreciation and amortisation	(40,984)	(40,420)
Net finance (costs) / income	(751)	14
Loss before income tax	**(31,424)**	**(56,313)**
Income tax income/(expense)	12	(23)
Loss for the year	**(31,412)**	**(56,336)**

The segment information provided to the Board for the reportable segments for the years ended 31 December 2018 and 31 December 2017 is as follows:

Amounts in USD'000	Mining 2018	Mining 2017
Total assets	1,090,244	1,253,022
Total liabilities	98,325	63,029

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

19. Revenue

An analysis of the Group's revenue for the year is as follows:

GROUP: Contracts with customers	2018 USD'000	2017 USD'000
4E Minerals	150,526	117,982
Other minerals	20,058	12,741
Total revenue	**170,584**	**130,723**

All revenues reported are from two customers, being Northam Platinum Limited and Impala Refining Services Limited and minor chrome sales at the spot market.

(Expressed in United States Dollars, unless otherwise stated)

20. Cost of operations

Included in cost of operations:

GROUP	2018 USD'000	2017 USD'000
On-mine operations		
Total Materials and mining costs	(63,934)	(54,478)
Concentrator plant operations		
Materials and other costs	(34,664)	(28,554)
Utilities	(16,389)	(15,092)
Beneficiation		
Smelting and refining costs	(16,707)	(13,385)
Other		
Transport	(606)	(463)
Salaries	(19,730)	(18,011)
Sub-total	**(152,030)**	**(129,983)**
Amortisation and depreciation of operating assets (Note 5 and 6)	(39,799)	(39,360)
Inventory adjustments	215	141
Total cost of operations	**(191,614)**	**(169,202)**

21. Operating loss

GROUP	2018 USD'000	2017 USD'000
Operating loss includes:		
Employee expenses	(10,609)	(8,721)
Audit fees	(284)	(240)
Consulting and professional fees	(1,613)	(1,478)
Royalty expense	(863)	(647)
Amortisation and depreciation (Note 5 and 6)	(1,185)	(1,060)
Other income	11,066	0,094
Foreign exchange gain	3,514	2,085
Other income and expenses include:		
Eskom project recovery	10,538	-
Other	0,527	0,094

22. Related party disclosures

22.1 Compensation of directors and key management personnel of the Group:

GROUP	2018 USD'000	2017 USD'000
Compensation of Directors:		
Short-term benefits (salary)	935	342
Subtotal	935	342
Compensation of key management personnel:		
Short-term benefits (salary)	672	925
Bonuses	507	640
Subtotal	1,179	1,565
Total remuneration of directors and key management personnel of the Group	**2,114**	**1,907**

22.2 Controlled entities

GROUP Details of controlled entities are as follows:	2018 %	2017 %
Bakgatla Pallinghurst JV Proprietary Limited	100.00	100.00
Born Free Investments 144 Proprietary Limited	100.00	100.00
Clidet no. 832 Proprietary Limited	100.00	100.00
C&L Mining and Resources Proprietary Limited	100.00	100.00
Defacto Investments 275 Proprietary Limited	22.19	22.19
Dream World Investments 226 Proprietary Limited	49.00	49.00
Hodos Holdings Limited	100.00	100.00
Intrax Investments 255 Proprietary Limited	100.00	100.00
Itereleng Bakgatla Minerals Resources Proprietary Limited	100.00	100.00
Mahube Mining Proprietary Limited	78.90	78.90
Newshelf 1101 Proprietary Limited	100.00	100.00
ORKID S.a r.l.	100.00	100.00
Osier Corporation Limited	100.00	100.00
Pallinghurst Investor Consortium Proprietary Limited	100.00	100.00
Pilanesberg Platinum Mines Proprietary Limited	100.00	100.00
Platmin Resources S.a.r.l.	100.00	100.00
Platmin South Africa Proprietary Limited	100.00	100.00
Private Preview Investments 39 Proprietary Limited	100.00	100.00
Richtrau 123 Proprietary Limited	100.00	100.00
Tameng Mining and Exploration Proprietary Limited	75.00	75.00
Taung Platinum Exploration Proprietary Limited	60.00	60.00
Versatex Trading 346 Proprietary Limited	100.00	100.00

The proportion of voting power held is equal to ownership interests in all cases.

(Expressed in United States Dollars, unless otherwise stated)

22. Related party disclosures (continued)

22.2 Controlled entities

All companies, with the exception of the companies tabled below are registered within the Republic of South Africa.

Company	Country of registration	Type of shareholding
Hodos Holdings Limited	Guernsey	Ordinary
Kelltech Limited	Mauritius	Ordinary
Platmin Resources S.a.r.l.	Luxembourg	Ordinary
ORKID S.a r.l.	Luxembourg	Ordinary
Osier Corporation Limited	Cyprus	Ordinary

22.3 Investment in associate

Management have accounted for its interest in KellTech Limited as a joint venture through the equity method of accounting due to the nature of the joint arrangement. The joint venture has share capital consisting solely of ordinary shares, which is held directly by the Group:

Name of entity	Country of incorporation	% of ownership interest	Nature of relationship	Measurement method
Kelltech Limited	Mauritius	50	Provides access to new technology to the SPM Group	Equity

Investment in associate

	Dec 31, 2018 USD'000	Dec 31, 2017 USD'000
1 January	2,911	3,015
Share of loss from associate	(1,542)	(638)
Foreign exchange (loss) / gain on investment in associate	(149)	534
Investment in associate value	**1,220**	**2,911**

Details of associate

Summarised financial and profit and loss information in respect of Kelltech Limited reflecting 100% of the associate is set out below:

Summarised balance sheet	Dec 31, 2018 USD'000	Dec 31, 2017 USD'000
Non-current assets	8,322	10,069
Current assets	1,493	2,477
Non-current liabilities	(8,967)	(8,655)
Current Liabilities	(19)	(179)
The above assets and liabilities include the following:		
Cash and cash equivalents	1,170	2,293
Net asset value	**829**	**3,891**
SPM ownership interest	**50%**	**50%**

22. Related party disclosures (continued)

22.3 Investment in associate

Summarised statement of comprehensive loss		
Loss for the year	(1,699)	(1,224)
Other comprehensive income/(loss)	(1,017)	(196)
Total comprehensive loss	(2,718)	(1,420)
The above loss for the year includes the following:		
Finance income	39	71
Finance expense	(415)	(107)

22.4 Loans receivable

GROUP	2018 USD'000	2017 USD'000
Kelltech Limited	8,815	8,407
Magalies Water	7,738	9,845
Balance at the end of the year	**16,553**	**18,252**

22.5. Loans payable/ Long term borrowings

GROUP	2018 USD'000	2017 USD'000
Loan from Industrial Development Corporation of South Africa Limited ("IDC")	38,421	-

The Industrial Development Corporation of South Africa Limited ("IDC") holds a 15.7% shareholding in SPM.

22.6 Transactions and balances

SUBSIDIARIES	2018 USD'000	2017 USD'000
Related party transactions with:		
Kelltech Limited [a]	160	(46)
Related party balances – amounts owing (to) / by:		
Kelltech Limited [a]	96	40
	256	**(6)**

a) A member of the board of directors of SPM is a shareholder in Kelltech Limited. The Company incurred expenses on behalf of Kelltech Limited on a joint project. These expenses were recharged. Orkid S.a.r.l., a subsidiary of SPM, has a 50% shareholding in Kelltech Limited.

GROUP	2018 USD'000	2017 USD'000
Related party transactions with:		
Pallinghurst Advisors LLP [b]	(134)	(78)

b) Pallinghurst Advisors LLP and Pallinghurst Advisors Proprietary Limited are companies associated with Pallinghurst Ivy Lane Capital S.a.r.l., a shareholder of SPM. Pallinghurst Advisors LLP and Pallinghurst Advisors Proprietary Limited incurred expenses on behalf of the Company which were reimbursed by the Company.

23. Contingencies and commitments

23.1 Contingencies

- At December 31, 2018, the Group had bank and other guarantees of USD33 million (2017: USD44 million) from which it is anticipated that no material liabilities will arise in addition to amounts already provided.
- Pilanesberg Platinum Mines Proprietary Limited entered into an agreement with Impala Refining Services Limited for the right of first refusal to supply PGM concentrate produced by Pilanesberg Platinum Mines Proprietary Limited from the properties, Ruighoek 169JP, Vogelstruisnek 173JP and Palmietfontein 208JP. Should Platmin South Africa Proprietary Limited ("Platmin SA") elect not to accept the terms proposed by Impala Refining Services Limited, a break fee of USD2,090,000 in aggregate will be payable to Impala Refining Services Limited.
- Platmin SA has an obligation, which cannot be quantified, pro rata to its shareholding in Mahube Mining Proprietary Limited to provide funding to Tameng Mining and Exploration Proprietary Limited to undertake the necessary exploration and development on the Mphahlele project. The consequence of not contributing accordingly, results in the dilution of Platmin SA's shareholding.

23.2 Commitments

The Group's contractual obligations are as follows:

Commitments as at December 31, 2018

Contractual obligations USD'000	Note	Total	< 1 year	1-3 years	After 3 years
Employee entitlements (1)		927	927	-	-
Operating lease (2)		482	141	341	-
Asset Retirement Obligation (3)	14	20,098	-	-	20,098
Mining costs (4)		8,348	8,348	-	-
Open Purchase orders		5,633	5,633	-	-
Total Contractual Obligations		**35,488**	**15,049**	**341**	**20,098**

(1) The employee entitlements include the leave pay due to employees in terms of their employment contracts.

(2) This includes the contractual monthly payments for the rental of the Company's corporate office. This agreement was renewed to come to an end on 31 May 2021.

(3) The amount of USD20,098,000 represents the gross asset retirement obligation to rehabilitate the opencast pit and plant at PPM and Sedibelo at the end of life of mine, in accordance with the mining licence and approved EMP. This discounted amount is provided in note 14.

(4) Committed mining expenses include the estimated cost that will be incurred by the main mining contractors to carry out the opencast mining operations for the required notice period, should the contract with the main mining contractor be cancelled.

23.2 Commitments (continued)

Commitments as at December 31, 2017

Contractual obligations USD'000	**Note**	**Total**	**< 1 year**	**1-3 years**	**After 3 years**
Employee entitlements (1)		2,014	2,014	-	-
Operating lease (2)		92	92	-	-
Finance lease (3)	13	1,176	1,176	-	-
Asset Retirement Obligation (4)	14	16,800	-	-	16,800
Mining costs (5)		5,572	5,572	-	-
Open Purchase orders		7,441	7,441	-	-
Total Contractual Obligations		**33,095**	**16,295**	**-**	**16,800**

(1) The employee entitlements include the leave pay due to employees in terms of their employment contracts.

(2) This includes the contractual monthly payments for the rental of the Company's corporate office. This agreement comes to an end on 31 May 2018.

(3) These amounts constitute the minimum lease payments due to ESKOM for the substation and related infrastructure supplied at PPM.

(4) The amount of USD16,800,000 represents the gross asset retirement obligation to rehabilitate the opencast pit and plant at PPM and Sedibelo at the end of life of mine, in accordance with the mining licence and approved EMP.

(5) Committed mining expenses include the estimated cost that will be incurred by the main mining contractors to carry out the opencast mining operations for the required notice period, should the contract with the main mining contractor be cancelled.

24. Events after the reporting date

The Group has no adjusting post balance sheet events to report at the date of this report.

25. Financial instruments

25.1 Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's Executive Directors are responsible for developing and monitoring the Group's risk management policies. The Group's Executive Directors reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group monitors its forecast financial position on a regular basis. The Group's Directors meet regularly and considers cash flow projections for the following 12 months in detail, taking into consideration the impact of market conditions, particularly commodity prices and foreign exchange rates. The Group's Directors receive reports from independent exchange consultants and advisors on current and forecast economic conditions.

The Group's forecast financial risk position with respect to key financial objectives is regularly reported to the Board of Directors.

From time to time, the Group uses derivative financial instruments to hedge certain identified risk exposures, as deemed necessary by the Group's Executive Directors. The Group does not acquire, hold or issue derivative instruments for trading purposes. The Group's objectives, policies and processes for managing risks arising from financial instruments have not changed from the previous financial year.

25.2 Analysis of financial assets and financial liabilities

25.2.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different valuation methods have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(Expressed in United States Dollars, unless otherwise stated)

25. Financial instruments (continued)

25.2 Analysis of financial assets and financial liabilities (continued)

25.2.1 Fair value estimation (continued)

GROUP Financial liabilities	Level	Fair value As at Dec 31, 2018 USD '000	Fair value As at Dec 31, 2017 USD '000
Revolving commodity facility	1	18,751	17,530
Total financial liabilities		**18,751**	**17,530**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018:

GROUP Financial assets	Level	Fair value As at Dec 31, 2018 USD '000	Fair value As at Dec 31, 2017 USD '000
Trade receivables	1	52,771	50,858
Total financial assets		**52,771**	**50,858**

25.2.2 Fair value of financial assets and liabilities measured at amortised cost

GROUP Financial assets	2018 USD'000	2017 USD'000
Loans and receivables at amortised cost:		
Restricted cash investments and guarantees	18,607	17,733
Loans receivable	16,553	18,252
Trade receivables[(a)]	1,540	3,598
Cash and cash equivalents	38,093	6,323
Total financial assets	**74,793**	**45,906**

(a) Prior to the adoption of IFRS 9 the group accounted for all Trade Receivables at amortised cost.

GROUP Financial liabilities	2018 USD'000	2017 USD'000
Liabilities at amortised cost		
Long-term borrowings	42,964	4,788
Short-term borrowings	100	314
Trade payables and accrued liabilities	16,412	22,421
Total financial liabilities	**59,476**	**27,523**

The fair value of the financial assets and liabilities carried at amortised cost is approximately equal to their carrying amounts.

25. Financial instruments (continued)

25.3 Financial risk (continued)

The Group is exposed to certain financial risks in the normal course of its operations:

- Market risk (including foreign exchange / currency risk, commodity price risk, interest rate risk);
- Liquidity risk; and
- Credit risk.

25.3.1 Market risk

Foreign exchange/ currency risk

The Group 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, Pound Sterling ("GBP"), Euros or Australian Dollars.

The Group used to hold most of its cash in ZAR. At year end 52% of cash held, was in USD. The influence of the macro economic climate on currencies of emerging markets like South Africa, is evident in the volatility of the South African ZAR during 2018.

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

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
GROUP	**2018**	**2017**	**2018**	**2017**
USD 1 = ZAR	13.24	13.32	14.43	12.38

The following table summarises 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-year period.

Impact on statement of income (pre-tax)	**2018 USD'000**	**2017 USD'000**
USD/ZAR increase by 30%	40	63
USD/ZAR decrease by 20%	(43)	(68)

25. Financial instruments (continued)

25.3 Financial risk (continued)

25.3.1 Market risk (continued)

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. Most of these prices are determined in USD and are internationally determined in the open market. The Group regularly measures exposure to commodity price risk by stress testing the Group's forecast financial position to changes in PGM prices. The Group reviews its exposure with reference to the basket price for the following 4 metals: Platinum, Palladium, Rhodium and Gold (commonly referred to in the platinum mining industry as the "4E basket price"). The Group does not actively hedge future commodity prices against price fluctuations. The PPM operation recognises revenue at the month end during which delivery of concentrate has occurred at the month's average commodity price for the contained metal.

Revenue is recognised at the average commodity price for the month on the date of sale and adjusted at each month end to the latest commodity price averages until revenue quantities are agreed with the customer (usually 2 to 3 months).

The Group entered into a revolving commodity facility with Investec Bank Limited whereby Investec Bank Limited finances up to 91% of PPM's platinum, palladium and gold deliveries in the month following the delivery month. The respective commodity prices and exchange rates are determined on each drawdown date and denominated in ZAR. This facility is repaid within 2 to 4 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 loss of USD1,185,000 (2017: USD827,000).

The following 4E basket prices were applied during the year:

GROUP	Average for the year ended Dec 31, 2018	Average for the year ended Dec 31, 2017
4E basket price in USD	1,038	942
USD 1 = ZAR	13.24	13.31
4E basket price in ZAR	13,722	12,540

In addition to the revolving credit facility, trade receivables of USD54,578,000 (2017: USD53,535,000) are exposed to movements in commodity prices. Fair value adjustments on trade receivables are recognised in revenue, as commonly practiced in the metals industry.

The following table summarises 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 year, using observed ranges of actual historical rates.

Impact on profit or loss (pre-tax)	2018 USD'000	2017 USD'000
Increase by 10% in 4E basket price	5,189	5,354
Decrease by 20% in 4E basket price	(10,377)	(10,707)

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 cash 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 optimising the Groups' funding structure.

25. Financial instruments (continued)

25.3 Financial risk (continued)

25.3.1 Market risk (continued)

Commodity price risk (continued)

The financial instruments exposed to cash flow interest rate risk due to movements in variable interest rates are as follows:

GROUP		Notes	2018 USD'000	2017 USD'000
Restricted cash investments and guarantees	Cash deposited at financial institutions	7.2	18,607	17,733
Loans receivable	Interest at SA prime overdraft rate	22.4/27.1	16,553	18,252
Cash and cash equivalents	Cash on hand at financial institutions	7.1	38,093	6,323
Total financial assets			**73,253**	**42,308**
Long-term borrowings	Interest at SA prime overdraft rate	12.1/27.3	42,964	4,788
Revolving commodity facility	Fixed at Interest at JIBAR + % per contract	16	18,751	17,530
Total financial liabilities			**61,715**	**22,318**

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

The following table summarises 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 year, using the observed range of actual historical rates.

Impact on profit or loss (pre-tax)	2018 USD'000	2017 USD'000
Increase of 1% in prime overdraft	(224)	(48)
Decrease of 0.5% in prime overdraft	112	24

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

(Expressed in United States Dollars, unless otherwise stated)

25. Financial instruments (continued)

25.3 Financial risk (continued)

25.3.2 Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost effective manner. The Group's Executive Directors continually review the liquidity position including cash flow forecasts to determine the forecast liquidity position.

All excess cash is held by the Company, Platmin SA or PPM. The Company invests excess funds in deposit structures and accounts and fixed income funds.

The contractual undiscounted cashflow maturity analysis of payables at the reporting date was as follows:

GROUP Balances at December 31, 2018	Presented USD'000	Less than 6 months USD'000	Between 6 - 12 months USD'000	Greater than 12 months USD'000
Long-term borrowings	42,964	-	-	42,964
Short-term borrowings	100	100	-	-
Trade payables and accrued liabilities	16, 410	16, 410	-	-
Revolving commodity facility	18,751	18,751	-	-
Total financial liabilities	**78,225**	**35,261**	**-**	**42,964**
Balances at December 31,2017				
Long-term borrowings	4,788	-	-	4,788
Short-term borrowings	314	314	-	-
Trade payables and accrued liabilities	22,421	22,421	-	-
Revolving commodity facility	17,530	17,530	-	-
Total financial liabilities	**45,053**	**40,265**	**-**	**4,788**

The fair value of the financial assets and liabilities carried at amortised cost is approximately equal to their carrying amounts.

25.3.3 Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure. Trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At the reporting date, there is a significant concentration of credit risk represented in restricted cash investments and guarantees, cash and cash equivalents and trade receivables balance. With respect to trade receivables, customers have complied with all contractual sales terms and have not at any stage defaulted on amounts due.

The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The maximum exposure to credit risk is as follows:

GROUP	2018 USD'000	2017 USD'000
Restricted cash investments and guarantees	18,607	17,733
Loans receivable	16,553	18,252
Trade receivables	51,885	53,535
Cash and cash equivalents	38,093	6,323
Total financial assets	**125138**	**95,843**

(Expressed in United States Dollars, unless otherwise stated)

25. Financial instruments (continued)

25.3 Financial risk (continued)

25.3.3 Credit risk (continued)

The ageing of trade receivables at the reporting date was as follows:

GROUP	2018 USD'000	2017 USD'000
Less than 1 month	13,055	53,339
Between 1-3 months	35,718	190
Between 3-6 months	3,112	6
Total trade receivables	**51,885**	**53,535**

Cash and cash equivalents are managed to maximise returns while minimising risk. In order to maximise credit protection, cash and cash equivalents are placed with a variety of good quality financial institutions. The credit rating spread of these institutions can be summarised as follows:

GROUP	2018 USD'000	2017 USD'000
AA+	7,959	583
AA	29,110	20,451
BBB-	2,474	2,988
Other	20	34
Total cash and cash equivalents and restricted cash investments and guarantees	**39,563**	**24,056**

25.4 Capital risk management

The Group's corporate office is responsible for capital risk management. This involves the use of corporate forecasting models, which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Corporate office monitors gearing.

Capital management is undertaken to ensure a secure, cost effective supply of funds to ensure the Group's operating and capital expenditure requirements are met. The mix of debt and equity is regularly reviewed. The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure to be able to take advantage of new investment opportunities that may arise. Net debt is calculated as total borrowings (long-term borrowing and the revolving commodity facility) less cash. Total capital is calculated as the total equity plus net debt.

GROUP	2018 USD'000	2017 USD'000
Long-term borrowings	42,964	4,788
Revolving commodity facility	18,751	17,530
Cash and cash equivalents	(38,093)	(6,323)
Net debt	23,622	15,995
Total equity	991,921	1,189,993
Total capital	**1,015,543**	**1,205,988**
Gearing ratio	**0.024**	**0.013**

No dividends were paid during the year. The Board of Directors maintains a policy of balancing returns to shareholders with the need to fund growth.

(Expressed in United States Dollars, unless otherwise stated)

26. Auditors' Remuneration

GROUP	2018 USD'000	2017 USD'000
Fee payable to Company's auditors and its associates for the audit of the parent company and consolidated financial statements[(a)]	128	124
Fees payable to Company's auditors and its associated for other services:		
The audit of the Company's subsidiaries[(a)]	165	162
Audit-related assurance services	-	3
	293	**289**

(a) These amounts relate to the fees charged for the respective year end audits. The Group does not accrue for audit fees and audit expenses are recognised as invoices are received.

27. Notes to the parent company financial statements

27.1 Loans receivable

	2018 USD'000	2017 USD'000
ORKID S.a r.l.	2,276,282	12,764
Platmin Resources S.a.r.l.	-	83
Kelltech Limited	3,812	3,614
Hodos Holdings Limited	-	1,290,353
Osier Corporation Limited	-	272
Balance at the end of the year	**2,280,094**	**1,307,086**

27.2 Investments in subsidiaries

	2018 USD'000	2017 USD'000
Balance at the end of the year	**57,895**	**54,100**

Investment in group undertakings are recorded at cost, which is the fair value of the consideration paid. Detail of the Company's direct and indirect investments in subsidiaries set out in Note 2.