

Condensed consolidated interim financial  
statements of

## **Eastern Platinum Limited**

June 30, 2012  
(Unaudited)

# Eastern Platinum Limited

June 30, 2012

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# Eastern Platinum Limited

## Condensed consolidated interim statements of loss

(Expressed in thousands of U.S. dollars, except per share amounts - unaudited)

	Note	Three months ended		Six months ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<b>Revenue</b>		<b>\$ 24,287</b>	\$ 26,876	<b>\$ 48,673</b>	\$ 62,578
Cost of operations					
Production costs		<b>28,886</b>	31,156	<b>55,686</b>	60,446
Depletion and depreciation	6	<b>3,810</b>	5,259	<b>8,133</b>	10,378
Impairment	6	<b>88,278</b>	-	<b>88,278</b>	-
Loss on disposal of property, plant and equipment		<b>1,569</b>	-	<b>1,569</b>	-
		<b>122,543</b>	36,415	<b>153,666</b>	70,824
Mine operating loss		<b>(98,256)</b>	(9,539)	<b>(104,993)</b>	(8,246)
Expenses					
General and administrative	6(d)	<b>2,492</b>	2,932	<b>4,695</b>	6,027
Share-based payments	7(e)(f)	<b>23</b>	46	<b>2,340</b>	8,269
		<b>2,515</b>	2,978	<b>7,035</b>	14,296
Operating loss		<b>(100,771)</b>	(12,517)	<b>(112,028)</b>	(22,542)
Other income (expense)					
Interest income		<b>897</b>	1,413	<b>1,929</b>	2,922
Finance costs	8	<b>(4,805)</b>	(353)	<b>(5,099)</b>	(875)
Foreign exchange (loss) gain		<b>(45)</b>	113	<b>202</b>	1,677
Loss before income taxes		<b>(104,724)</b>	(11,344)	<b>(114,996)</b>	(18,818)
Income tax recovery		<b>15,312</b>	471	<b>12,475</b>	593
<b>Net loss for the period</b>		<b>\$ (89,412)</b>	\$ (10,873)	<b>\$ (102,521)</b>	\$ (18,225)
<b>Attributable to</b>					
Non-controlling interest	9	<b>\$ (3,738)</b>	\$ (2,922)	<b>\$ (7,939)</b>	\$ (4,641)
Equity shareholders of the Company		<b>(85,674)</b>	(7,951)	<b>(94,582)</b>	(13,584)
<b>Net loss for the period</b>		<b>\$ (89,412)</b>	\$ (10,873)	<b>\$ (102,521)</b>	\$ (18,225)
Loss per share					
Basic	10	<b>\$ (0.09)</b>	\$ (0.01)	<b>\$ (0.10)</b>	\$ (0.01)
Diluted	10	<b>\$ (0.09)</b>	\$ (0.01)	<b>\$ (0.10)</b>	\$ (0.01)
Weighted average number of common shares outstanding in thousands					
Basic	10	<b>927,499</b>	908,183	<b>927,499</b>	908,099
Diluted	10	<b>927,499</b>	908,183	<b>927,499</b>	908,099

Approved and authorized for issue by the Board on August 10, 2012.

"David Cohen"

David Cohen, Director

"Robert Gayton"

Robert Gayton, Director

## Eastern Platinum Limited

Condensed consolidated interim statements of comprehensive loss  
(Expressed in thousands of U.S. dollars - unaudited)

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net loss for the period	\$ (89,412)	\$ (10,873)	\$ (102,521)	\$ (18,225)
Other comprehensive (loss) income				
Exchange differences on translating foreign operations	(40,064)	1,257	(6,888)	(472)
Exchange differences on translating non-controlling interest	576	(11)	291	(203)
Comprehensive loss for the period	\$ (128,900)	\$ (9,627)	\$ (109,118)	\$ (18,900)
Attributable to				
Non-controlling interest	(3,162)	(2,933)	(7,648)	(4,844)
Equity shareholders of the Company	(125,738)	(6,694)	(101,470)	(14,056)
Comprehensive loss for the period	\$ (128,900)	\$ (9,627)	\$ (109,118)	\$ (18,900)

## Eastern Platinum Limited

Condensed consolidated interim statements of financial position as at  
June 30, 2012 and December 31, 2011

(Expressed in thousands of U.S. dollars - unaudited)

	Note	June 30, 2012	December 31, 2011
<b>Assets</b>			
Current assets			
Cash and cash equivalents	11	\$ 57,397	\$ 151,838
Short-term investments		110,474	98,963
Trade and other receivables	12	27,244	23,580
Inventories	13	6,556	7,989
		<b>201,671</b>	<b>282,370</b>
Non-current assets			
Property, plant and equipment	6	564,494	615,439
Refining contract	14	8,230	9,009
Other assets	15	8,595	7,995
		<b>\$ 782,990</b>	<b>\$ 914,813</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	16	\$ 29,945	\$ 40,459
Finance leases		-	1,675
		<b>29,945</b>	<b>42,134</b>
Non-current liabilities			
Provision for environmental rehabilitation	17	8,646	8,390
Deferred tax liabilities		20,424	33,520
		<b>59,015</b>	<b>84,044</b>
<b>Equity</b>			
Issued capital	7	1,230,358	1,230,358
Treasury shares	7(c)	(334)	(334)
Equity-settled employee benefits reserve		43,887	41,563
Foreign currency translation reserve		(110,367)	(103,479)
Deficit		(428,438)	(333,856)
Capital and reserves attributable to equity shareholders of the Company		<b>735,106</b>	<b>834,252</b>
Non-controlling interest	9	(11,131)	(3,483)
		<b>723,975</b>	<b>830,769</b>
		<b>\$ 782,990</b>	<b>\$ 914,813</b>

## Eastern Platinum Limited

Condensed consolidated interim statements of changes in equity  
(Expressed in thousands of U.S. dollars - unaudited)

	Issued capital	Treasury shares	Equity- settled employee benefits reserve	Foreign currency translation reserve	Deficit	Capital and reserves attributable to equity shareholders of the Company	Non-controlling interest	Equity
<b>Balance December 31, 2010</b>	<b>\$ 1,219,869</b>	<b>\$ -</b>	<b>\$ 33,390</b>	<b>\$ 17,456</b>	<b>\$ (236,764)</b>	<b>\$ 1,033,951</b>	<b>\$ 7,228</b>	<b>\$ 1,041,179</b>
Net loss	-	-	-	-	(13,584)	(13,584)	(4,641)	(18,225)
Currency translation adjustment	-	-	-	(472)	-	(472)	(203)	(675)
Total comprehensive loss	-	-	-	(472)	(13,584)	(14,056)	(4,844)	(18,900)
Stock options exercised	100	-	(100)	-	-	-	-	-
Share-based payments	-	-	8,190	-	-	8,190	-	8,190
Treasury shares	-	(334)	48	-	-	(286)	-	(286)
<b>Balance, June 30, 2011</b>	<b>\$ 1,219,969</b>	<b>\$ (334)</b>	<b>\$ 41,528</b>	<b>\$ 16,984</b>	<b>\$ (250,348)</b>	<b>\$ 1,027,799</b>	<b>\$ 2,384</b>	<b>\$ 1,030,183</b>
Net loss	-	-	-	-	(62,961)	(62,961)	(5,802)	(68,763)
Currency translation adjustment	-	-	-	(120,463)	-	(120,463)	(65)	(120,528)
Total comprehensive loss	-	-	-	(120,463)	(62,961)	(183,424)	(5,867)	(189,291)
Acquisition of Lion's Head (Note 5)	10,389	-	-	-	(20,547)	(10,158)	-	(10,158)
Stock options exercised	-	-	-	-	-	-	-	-
Share-based payments	-	-	3	-	-	3	-	3
Treasury shares	-	-	32	-	-	32	-	32
<b>Balance, December 31, 2011</b>	<b>\$ 1,230,358</b>	<b>\$ (334)</b>	<b>\$ 41,563</b>	<b>\$ (103,479)</b>	<b>\$ (333,856)</b>	<b>\$ 834,252</b>	<b>\$ (3,483)</b>	<b>\$ 830,769</b>
Net loss	-	-	-	-	(94,582)	(94,582)	(7,939)	(102,521)
Currency translation adjustment	-	-	-	(6,888)	-	(6,888)	291	(6,597)
Total comprehensive loss	-	-	-	(6,888)	(94,582)	(101,470)	(7,648)	(109,118)
Share-based payments	-	-	2,324	-	-	2,324	-	2,324
<b>Balance, June 30, 2012</b>	<b>\$ 1,230,358</b>	<b>\$ (334)</b>	<b>\$ 43,887</b>	<b>\$ (110,367)</b>	<b>\$ (428,438)</b>	<b>\$ 735,106</b>	<b>\$ (11,131)</b>	<b>\$ 723,975</b>

# Eastern Platinum Limited

## Condensed consolidated interim statements of cash flows

(Expressed in thousands of U.S. dollars - unaudited)

	Note	Three months ended		Six months ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<b>Operating activities</b>					
Loss before income taxes		\$ (104,724)	\$ (11,344)	\$ (114,996)	\$ (18,818)
Adjustments to net loss for non-cash items					
Depletion and depreciation	6	3,878	5,853	8,266	10,972
Impairment	6	88,278	-	88,278	-
Refining contract amortization	14	340	407	697	802
Share-based payments	7(e)(f)	23	46	2,340	8,269
Loss on disposal of property, plant and equipment		1,569	-	1,569	-
Interest income		(897)	(1,413)	(1,929)	(2,922)
Finance costs	8	4,805	353	5,099	875
Foreign exchange loss (gain)		45	(113)	(202)	(1,677)
Net changes in non-cash working capital items					
Trade and other receivables		2,461	7,858	(3,192)	7,541
Inventories		1,959	792	1,322	754
Trade and other payables		(2,284)	(2,072)	(739)	356
<b>Cash (used in) generated from operations</b>					
		(4,547)	367	(13,487)	6,152
Adjustments to net loss for cash items					
Interest income received		1,237	1,023	2,056	1,673
Finance costs paid		(4,428)	(2)	(4,466)	(195)
Net taxes (paid) received		(173)	250	543	(33)
<b>Net operating cash flows</b>					
		(7,911)	1,638	(15,354)	7,597
<b>Investing activities</b>					
Acquisition of Lion's Head	5	-	-	(10,000)	-
Net purchase of short-term investments		22,445	3,576	(12,022)	(1,495)
Purchase of other assets		(378)	(4,304)	(712)	(4,995)
Property, plant and equipment expenditures		(34,031)	(19,193)	(56,654)	(33,516)
Disposal of property, plant and equipment		554	-	554	-
<b>Net investing cash flows</b>					
		(11,410)	(19,921)	(78,834)	(40,006)
<b>Financing activities</b>					
Common shares issued for cash - exercise of stock options		-	-	-	-
Payment of finance leases		127	(648)	(1,553)	(648)
<b>Net financing cash flows</b>					
		127	(648)	(1,553)	(648)
Effect of exchange rate changes on cash and cash equivalents		(1,419)	(756)	1,300	1,370
Decrease in cash and cash equivalents		(20,613)	(19,687)	(94,441)	(31,687)
Cash and cash equivalents, beginning of period		78,010	95,846	151,838	107,846
<b>Cash and cash equivalents, end of period</b>					
		\$ 57,397	\$ 76,159	\$ 57,397	\$ 76,159

# Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

## 1. Nature of operations

Eastern Platinum Limited (the "Company") is a platinum group metal ("PGM") producer engaged in the mining, exploration and development of PGM properties located in various provinces in South Africa.

Eastern Platinum Limited is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange, Alternative Investment Market, and the Johannesburg Stock Exchange.

The head office, principal address and records office of the Company are located at 1075 West Georgia Street, Suite 250, Vancouver, British Columbia, Canada, V6E 3C9. The Company's registered address is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7.

## 2. Basis of preparation

### (a) *Statement of compliance*

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

### (b) *Judgments and estimates*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 4(v) and 4(w) of the Company's audited consolidated financial statements for the year ended December 31, 2011.

## 3. Application of new and revised International Financial Reporting Standards

Effective January 1, 2012, the Company adopted a revised International Financial Reporting Standard ("IFRS") that was issued by the International Accounting Standards Board ("IASB"). The application of this revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

### (a) *Amendments to IFRS 7 Financial Instruments: Disclosures*

Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.



# Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

## 4. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2011. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2011.

### (a) Accounting standards issued but not yet effective

#### (i) Effective for annual periods beginning on or after July 1, 2012

- Amended standard *IAS 1 Presentation of Financial Statements*

The amendment to IAS 1 revises the presentation of other comprehensive income.

#### (ii) Effective for annual periods beginning on or after January 1, 2013

- Amended standard *IFRS 7 Financial Instruments: Disclosures*

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities.

- New standard *IFRS 10 Consolidated Financial Statements*

IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements.

- New standard *IFRS 11 Joint Arrangements*

IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement.

- New standard *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows.

- New standard *IFRS 13 Fair Value Measurement*

IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements.

- New interpretation *IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*

IFRIC Interpretation 20 summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 4. Summary of significant accounting policies (continued)

(a) *Accounting standards issued but not yet effective (continued)*

(ii) *Effective for annual periods beginning on or after January 1, 2013 (continued)*

- Amended standard *IAS 19 Employee Benefits*

IAS 19 outlines the accounting treatment and required disclosures for employee benefits. The amendments applicable to the Company consist of modification of the accounting treatment for termination benefits and the clarification of miscellaneous issues including the classification of employee benefits.

- Amended standard *IAS 27 Separate Financial Statements*

IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, non-consolidated, financial statements. The previous standard was titled *IAS 27 Consolidated and Separate Financial Statements*.

- Amended standard *IAS 28 Investments in Associates and Joint Ventures*

IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting in investments in associates and joint ventures. The previous standard was titled *IAS 28 Investments in Associates*.

(iii) *Effective for annual periods beginning on or after January 1, 2014*

- Amended standard *IAS 32 Financial Instruments: Presentation*

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

(iv) *Effective for annual periods beginning on or after January 1, 2015*

- Amended standard *IFRS 7 Financial Instruments: Disclosures*

The amendments to IFRS 7 outlines the disclosures required when initially applying *IFRS 9 Financial Instruments*.

- New standard *IFRS 9 Financial Instruments*

Partial replacement of *IAS 39 Financial Instruments: Recognition and Measurement*

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the consolidated financial statements. IFRS 10, IFRS 11, IAS 27 and IAS 28 cannot be early adopted on a stand-alone basis and may only be early adopted as a group along with IFRS 12. Early adoption must be disclosed.

IFRS 12 disclosure is encouraged prior to adoption of the standard. This early disclosure does not require the entity to apply IFRS 10, IFRS 11, IAS 27 or IAS 28. IFRS 13 may be early adopted on a stand-alone basis so long as this fact is disclosed and the standard is applied prospectively as at the beginning of the annual reporting period in which the standard is initially applied.

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 5. Purchase of Lion's Head Platinum (Pty) Ltd.

On December 14, 2011 the Company acquired a further 23% of Lion's Head Platinum (Pty) Ltd. ("Lion's Head") to increase its direct and indirect interest to 74%. The acquisition was by way of a purchase of 23 shares in Lion's Head for consideration of \$10 million and 20,000,000 common shares in Eastern Platinum Limited. The cash of \$10 million was paid in January 2012 (Note 16).

This transaction increased the Company's direct and indirect ownership in the Mareesburg Joint Venture from 75.5% to 87%. As the acquisition did not lead to the Company acquiring control nor losing control of the Mareesburg JV, the increase in ownership was accounted for as an equity transaction.

Purchase price

Acquisition of 23% of Lion's Head

Cash (\$10 million)	\$	10,000
Shares (20,000,000 common shares of Eastern Platinum Limited)		10,389
Acquisition costs		158
	\$	<b>20,547</b>

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 6. Property, plant and equipment

	Tangible assets owned	Tangible assets leased being depleted	Intangible mineral properties being depleted	Intangible mineral properties not being depleted	Residential properties	Properties and land	TOTAL
<b>Cost</b>							
<b>Balance as at December 31, 2010</b>	<b>\$ 515,187</b>	<b>\$ 6,900</b>	<b>\$ 153,140</b>	<b>\$ 605,284</b>	<b>\$ 11,632</b>	<b>\$ 7,852</b>	<b>\$ 1,299,995</b>
Assets acquired	85,857	265	-	34	892	-	87,048
Assets disposed	(2,221)	-	-	-	-	-	(2,221)
Transfer	(10,876)	-	862	(862)	10,876	-	-
Foreign exchange movement	(101,804)	(1,272)	(28,364)	(94,591)	(3,509)	(1,450)	(230,990)
<b>Balance as at December 31, 2011</b>	<b>\$ 486,143</b>	<b>\$ 5,893</b>	<b>\$ 125,638</b>	<b>\$ 509,865</b>	<b>\$ 19,891</b>	<b>\$ 6,402</b>	<b>\$ 1,153,832</b>
Assets acquired	52,194	-	-	130	1,594	-	53,918
Assets disposed	(2,367)	-	-	-	-	-	(2,367)
Transfer	5,895	(5,895)	-	-	-	-	-
Foreign exchange movement	(6,772)	2	(1,437)	(4,564)	(311)	(75)	(13,157)
<b>Balance as at June 30, 2012</b>	<b>\$ 535,093</b>	<b>\$ -</b>	<b>\$ 124,201</b>	<b>\$ 505,431</b>	<b>\$ 21,174</b>	<b>\$ 6,327</b>	<b>\$ 1,192,226</b>
<b>Accumulated depreciation and impairment losses</b>							
<b>Balance as at December 31, 2010</b>	<b>\$ 159,970</b>	<b>\$ 5,533</b>	<b>\$ 29,665</b>	<b>\$ 385,184</b>	<b>\$ 2,733</b>	<b>\$ 934</b>	<b>\$ 584,019</b>
Depreciation	15,282	1,114	4,339	-	435	-	21,170
Depreciation of disposed assets	(1,989)	-	-	-	-	-	(1,989)
Impairment loss	33,281	-	11,796	-	-	-	45,077
Transfer	-	-	862	(862)	-	-	-
Foreign exchange movement	(31,014)	(1,149)	(5,997)	(70,989)	(563)	(172)	(109,884)
<b>Balance as at December 31, 2011</b>	<b>\$ 175,530</b>	<b>\$ 5,498</b>	<b>\$ 40,665</b>	<b>\$ 313,333</b>	<b>\$ 2,605</b>	<b>\$ 762</b>	<b>\$ 538,393</b>
Depreciation	5,978	167	2,003	-	118	-	8,266
Depreciation of disposed assets	(243)	-	-	-	-	-	(243)
Impairment loss	32,557	-	-	55,721	-	-	88,278
Transfer	5,655	(5,655)	-	-	-	-	-
Foreign exchange movement	(2,452)	(10)	(523)	(3,917)	(52)	(8)	(6,962)
<b>Balance as at June 30, 2012</b>	<b>\$ 217,025</b>	<b>\$ -</b>	<b>\$ 42,145</b>	<b>\$ 365,137</b>	<b>\$ 2,671</b>	<b>\$ 754</b>	<b>\$ 627,732</b>
<b>Carrying amounts</b>							
At December 31, 2010	\$ 355,217	\$ 1,367	\$ 123,475	\$ 220,100	\$ 8,899	\$ 6,918	\$ 715,976
At December 31, 2011	\$ 310,613	\$ 395	\$ 84,973	\$ 196,532	\$ 17,286	\$ 5,640	\$ 615,439
<b>At June 30, 2012</b>	<b>\$ 318,068</b>	<b>\$ -</b>	<b>\$ 82,056</b>	<b>\$ 140,294</b>	<b>\$ 18,503</b>	<b>\$ 5,573</b>	<b>\$ 564,494</b>

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 6. Property, plant and equipment

	Crocodile River Mine (a)	Kennedy's Vale Project and Concentrator (b)	Spitzkop PGM Project (c)	Mareesburg Project (c)	Other property plant and equipment	TOTAL
<b>Cost</b>						
<b>Balance as at December 31, 2010</b>	<b>\$ 694,574</b>	<b>\$ 450,099</b>	<b>\$ 126,357</b>	<b>\$ 28,828</b>	<b>\$ 137</b>	<b>\$ 1,299,995</b>
Assets acquired	52,384	34,618	30	14	2	87,048
Assets disposed	(2,221)	-	-	-	-	(2,221)
Transfer	(55,783)	55,783	-	-	-	-
Foreign exchange movement	(127,312)	(92,043)	(10,894)	(739)	(2)	(230,990)
<b>Balance as at December 31, 2011</b>	<b>\$ 561,642</b>	<b>\$ 448,457</b>	<b>\$ 115,493</b>	<b>\$ 28,103</b>	<b>\$ 137</b>	<b>\$ 1,153,832</b>
Assets acquired	7,297	46,489	-	130	2	53,918
Assets disposed	(2,367)	-	-	-	-	(2,367)
Foreign exchange movement	(6,536)	(6,229)	(351)	(41)	-	(13,157)
<b>Balance as at June 30, 2012</b>	<b>\$ 560,036</b>	<b>\$ 488,717</b>	<b>\$ 115,142</b>	<b>\$ 28,192</b>	<b>\$ 139</b>	<b>\$ 1,192,226</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance as at December 31, 2010</b>	<b>\$ 198,713</b>	<b>\$ 385,183</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 122</b>	<b>\$ 584,019</b>
Depreciation	20,444	719	-	-	7	21,170
Depreciation of disposed assets	(1,989)	-	-	-	-	(1,989)
Impairment loss	45,077	-	-	-	-	45,077
Foreign exchange movement	(38,690)	(71,191)	-	(1)	(2)	(109,884)
<b>Balance as at December 31, 2011</b>	<b>\$ 223,555</b>	<b>\$ 314,711</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127</b>	<b>\$ 538,393</b>
Depreciation	8,166	100	-	-	-	8,266
Depreciation of disposed assets	(243)	-	-	-	-	(243)
Impairment loss	-	47,445	32,802	8,031	-	88,278
Foreign exchange movement	(2,788)	(3,915)	(205)	(51)	(3)	(6,962)
<b>Balance as at June 30, 2012</b>	<b>\$ 228,690</b>	<b>\$ 358,341</b>	<b>\$ 32,597</b>	<b>\$ 7,980</b>	<b>\$ 124</b>	<b>\$ 627,732</b>
<b>Carrying amounts</b>						
At December 31, 2010	\$ 495,861	\$ 64,916	\$ 126,357	\$ 28,827	\$ 15	\$ 715,976
At December 31, 2011	\$ 338,087	\$ 133,746	\$ 115,493	\$ 28,103	\$ 10	\$ 615,439
<b>At June 30, 2012</b>	<b>\$ 331,346</b>	<b>\$ 130,376</b>	<b>\$ 82,545</b>	<b>\$ 20,212</b>	<b>\$ 15</b>	<b>\$ 564,494</b>

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 6. Property, plant and equipment (continued)

(a) *Crocodile River Mine ("CRM")*

The Company holds directly and indirectly 87.5% of CRM, which is located on the eastern portion of the western limb of the Bushveld Complex. The Maroelabult and Zandfontein sections are currently in production, but the Company proposed to temporarily suspend production from stoping and embark on a 12 to 18 month development program at Zandfontein as a result of continuing cost pressures combined with depressed metal prices. Development of the Crocette section was put on hold in December 2011.

(b) *Kennedy's Vale Project and Concentrator ("KV")*

The Company holds directly and indirectly 87.5% of KV, which is located on the eastern limb of the Bushveld Complex, near Steelpoort in the Province of Mpumalanga. It comprises PGM mineral rights on five farms in the Steelpoort Valley. The development of this project was on hold as at December 31, 2011. However, the design and construction of a concentrator located on the KV property had commenced and was expected to be completed in the first quarter of 2013, but due to the continuing negative outlook in the global economic environment and the operating environment in South Africa, the Company has decided to suspend funding for the construction of the concentrator. The concentrator would initially have been used to process ore from the Mareesburg Project.

(c) *Spitzkop PGM Project and Mareesburg Project*

The Company holds directly and indirectly a 93.4% interest in the Spitzkop PGM Project and an 87% interest in the Mareesburg Project. The Company currently acts as the operator of both the Mareesburg Platinum Project and Spitzkop PGM Project, both located on the eastern limb of the Bushveld Complex. Construction of the Mareesburg Project was expected to be completed in the first quarter of 2013, but due to the continuing negative outlook in the global economic environment and the operating environment in South Africa, the Company has decided to suspend funding for the Mareesburg Project. The Spitzkop PGM Project is planned to be developed after the Mareesburg Project goes into production.

(d) *Depreciation*

Depreciation of \$68 and \$133 (June 30, 2011 – \$594 and \$594) is included in general and administrative expenses for the three months and six months ended June 30, 2012, respectively. This depreciation pertains to assets which are not currently being used for mining operations.

(e) *Impairment of property, plant and equipment*

At June 30, 2012 and December 31, 2011, the Company assessed the carrying values of its mineral properties for indication of impairment. The Company believes that certain factors, such as the suspension of funding for the Mareesburg open pit mine and KV concentrator project, a significant drop in production at CRM in 2011 and 2012 compared to 2010, the continued operational issues facing the South African PGM industry, and the volatility in the global financial markets, which has negatively affected PGM prices, have contributed to the decrease in the Company's share price. In August 2011, the Company's market capitalization fell below its book value and has remained below its book value since then.

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 6. Property, plant and equipment (continued)

#### (e) Impairment of property, plant and equipment (continued)

During the quarter ended June 30, 2012, the Company determined that the carrying value of its Eastern Limb projects exceeded the expected net present value of its future cash flows. This resulted in an impairment charge of \$88,278 that has been allocated pro-rata amongst KV, the Spitzkop PGM Project and the Mareesburg Project. An impairment charge of \$47,445 was recorded at KV, of which \$32,557 pertained to mining assets owned and \$14,888 pertained to intangible mineral properties not being depleted. Impairment charges of \$32,802 and \$8,031 were recorded to the mineral properties not being depleted at the Spitzkop PGM Project and the Mareesburg Project, respectively. The Company concluded that as at June 30, 2012, there is no impairment of assets at CRM.

The expected net present value of the Eastern Limb projects' future cash flows were calculated using a weighted average cost of capital of 8.78%, and the following forecasted foreign exchange rates and prices.

		2012	2013	2014	2015	2016	2017+
South African Rand							
	per U.S. Dollar	7.89	7.97	8.23	9.64	9.96	10.21
Platinum	US\$/oz	1,575	1,728	1,688	1,673	1,662	1,649
Palladium	US\$/oz	679	809	808	838	758	706
Rhodium	US\$/oz	1,525	1,763	2,413	2,678	2,692	3,625
Gold	US\$/oz	1,698	1,688	1,456	1,280	1,182	1,119
Iridium	US\$/oz	1,040	1,019	624	620	617	610
Ruthenium	US\$/oz	120	118	221	216	212	210
Nickel	US\$/tonne	18,483	19,769	20,402	20,818	20,158	19,346
Copper	US\$/tonne	8,242	8,271	7,773	7,293	6,787	5,777
Chrome	Rand/tonne	400	600	600	600	600	600

During the year ended December 31, 2011, the Company determined that the carrying value of Crocodile River Mine exceeded the expected net present value of its future cash flows. This resulted in an impairment charge of \$45,077 at CRM, of which \$33,281 pertained to tangible assets owned and \$11,796 pertained to intangible mineral properties being depleted.

The expected net present value of CRM's future cash flows were calculated using a weighted average cost of capital of 8.63%, and the following forecasted foreign exchange rates and prices.

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 6. Property, plant and equipment (continued)

(e) *Impairment of property, plant and equipment (continued)*

		2012	2013	2014	2015	2016	2017+
South African Rand							
per U.S. Dollar		7.35	7.20	8.20	8.59	9.03	10.59
Platinum	US\$/oz	1,750	1,753	1,741	1,752	1,735	1,665
Palladium	US\$/oz	750	784	821	859	825	702
Rhodium	US\$/oz	1,525	1,763	2,413	2,678	2,692	3,625
Gold	US\$/oz	1,580	1,430	1,319	1,221	1,113	1,005
Iridium	US\$/oz	1,040	1,019	643	648	644	620
Ruthenium	US\$/oz	120	118	230	225	230	220
Nickel	US\$/tonne	24,150	22,865	21,598	20,886	20,231	18,210
Copper	US\$/tonne	9,855	9,001	7,828	7,319	6,916	5,565
Chrome	Rand/tonne	600	600	600	600	600	600

### 7. Issued capital

(a) *Authorized*

- Unlimited number of preferred redeemable, voting, non-participating shares without nominal or par value,
- Unlimited number of common shares with no par value.

(b) *Issued and outstanding*

Changes to the number of shares issued and outstanding are as follows:

		June 30, 2012	December 31, 2011
	Note	Number of shares	Number of shares
Balance outstanding, beginning of period		<b>928,187,840</b>	907,589,567
Lion's Head acquisition	7(d)	-	20,000,000
Shares issued upon option exercise	7(e)	-	598,273
Balance outstanding, end of period		<b>928,187,840</b>	928,187,840



## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 7. Issued capital (continued)

#### (c) Treasury shares

	June 30, 2012	December 31, 2011
	Number of treasury shares	Number of treasury shares
Balance outstanding, beginning of period	198,563	-
Purchase of shares pursuant to Key Skills Retention Plan [Note 7(f)]	-	198,563
Balance outstanding, end of period	198,563	198,563

#### (d) December 14, 2011 Lion's Head acquisition

On December 14, 2011, the Company acquired a further 23% of Lion's Head for consideration of \$10 million and 20,000,000 common shares in Eastern Platinum Limited (Note 5).

#### (e) Share options

The Company has an incentive plan (the "2011 Plan"), approved by the Company's shareholders at its annual general meeting held on June 9, 2011, under which options to purchase common shares may be granted to its directors, officers, employees and others at the discretion of the Board of Directors. Under the terms of the 2011 Plan:

- 79 million common shares are reserved for issuance upon the exercise of options, of which 29,116,592 remain available for issuance at June 30, 2012.
- All outstanding options at June 9, 2011 granted under the Company's previous plan (the "2008 Plan") continue to exist under the 2011 plan provided that the fundamental terms governing such options will be deemed to be those under the 2008 Plan.
- Each option granted shall be for a term not exceeding five years from the date of being granted and the vesting period is determined based on the discretion of the Board of Directors. Vesting is dependent on continued employment with the Company.
- The option exercise price is set at the date of the grant and cannot be less than the closing market price of the Company's common shares on the Toronto Stock Exchange on the day immediately preceding the day of the grant of the option.
- The 2011 Plan includes share appreciation rights providing for an optionee to elect to exercise options and to receive an amount in common shares equal to the difference between fair market value at the time of exercise and the exercise price for the options exercised.

#### (i) Movements in share options

The changes in share options during the six months ended June 30, 2012 and year ended December 31, 2011 were as follows:

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 7. Issued capital (continued)

(e) *Share options (continued)*

(i) *Movements in share options (continued)*

	June 30, 2012		December 31, 2011	
	Number of options	Weighted average exercise price Cdn\$	Number of options	Weighted average exercise price Cdn\$
Balance outstanding, beginning of period	59,855,503	1.52	57,976,836	1.52
Options granted	7,265,000	0.60	9,875,000	1.55
Options exercised	-	-	(741,333)	0.32
Options forfeited	(1,096,667)	1.73	(7,255,000)	1.71
Options expired	(19,987,500)	1.82	-	-
Balance outstanding, end of period	46,036,336	1.24	59,855,503	1.52

The share-based payment expense during the three and six months ended June 30, 2012 resulting from options granted during the period was Nil and \$2,304 (June 30, 2011 - \$3 and \$8,189), respectively.

(ii) *Fair value of share options granted in the year*

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

2012	
March 8	
Exercise price	Cdn\$0.60
Closing market price on day preceding date of grant	Cdn\$0.53
Grant date share price	Cdn\$0.54
Risk-free interest rate	1.50%
Expected life	5
Annualized volatility	74%
Dividend rate	0%
Grant date fair value	Cdn\$0.32
2011	
March 25	
Exercise price	Cdn\$1.55
Closing market price on day preceding date of grant	Cdn\$1.38
Grant date share price	Cdn\$1.39
Risk-free interest rate	2.69%
Expected life	5
Annualized volatility	73%
Dividend rate	0%
Grant date fair value	Cdn\$0.82

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 7. Issued capital (continued)

(e) *Share options (continued)*

(ii) *Fair value of share options granted in the year (continued)*

Exercise price for the March 25, 2011 option issuance is equivalent to the December 30, 2010 public offering price.

Grant date share price is the closing market price on the day the options were granted.

Annualized volatility is based on the historical volatility of the Company's Canadian dollar common share price of the Toronto Stock Exchange.

(iii) *Share options outstanding at the end of the period*

The following table summarizes information concerning outstanding and exercisable options at June 30, 2012:

Options outstanding	Options exercisable	Exercise price	Remaining Contractual Life (Years)	Expiry date
		Cdn\$		
13,765,334	13,765,334	0.32	1.47	December 18, 2013
400,000	400,000	0.52	2.00	June 30, 2014
75,002	75,002	0.76	2.34	November 3, 2014
2,026,000	2,026,000	1.30	2.56	January 18, 2015
9,325,000	9,325,000	1.55	3.74	March 25, 2016
7,265,000	7,265,000	0.60	4.70	March 12, 2017
12,610,000	12,610,000	2.31	5.27	October 5, 2017
400,000	400,000	3.38	5.65	February 20, 2018
170,000	170,000	3.38	5.74	March 27, 2018
46,036,336	46,036,336		3.59	

The weighted average exercise price of options exercisable at June 30, 2012 is Cdn\$1.24.

(f) *Key skills retention plan*

In 2010, the Company's South African subsidiary, Barplats Investments Limited ("BIL"), implemented a key skills retention plan for its senior employees in South Africa. The purpose of the plan is to retain key employees, attract new employees as the need arises and remain competitive with other South African mining companies.

The plan operates through a trust ("the Trust") which purchases shares of the Company on behalf of the employees. These shares then vest to the employees over time. These shares have been recorded as "treasury shares" in the statement of financial position.

The share-based payment expense during the three and six months ended June 30, 2012 resulting from the purchase of shares was \$23 and \$36 (June 30, 2011 - \$43 and \$80), respectively, and the share-based payment liability as at June 30, 2012 was \$63 (December 31, 2011 - \$48).

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 8. Finance costs

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Interest on revenue advances	\$ 109	\$ 121	\$ 218	\$ 247
Interest on finance leases	-	52	-	103
Interest on provision for environmental rehabilitation	179	180	364	354
Interest on tax	-	-	-	171
Credit facility costs (Note 18)	4,517	-	4,517	-
	<b>\$ 4,805</b>	<b>\$ 353</b>	<b>\$ 5,099</b>	<b>\$ 875</b>

### 9. Non-controlling interest

The non-controlling interests are comprised of the following:

Balance, December 31, 2010	\$ 7,228
Non-controlling interests' share of loss in Barplats	(7,751)
Non-controlling interests' share of interest on advances to Gubevu	(2,692)
Foreign exchange movement	(268)
Balance, December 31, 2011	\$ (3,483)
Non-controlling interests' share of loss in Barplats	(6,631)
Non-controlling interests' share of interest on advances to Gubevu	(1,308)
Foreign exchange movement	291
<b>Balance, June 30, 2012</b>	<b>\$ (11,131)</b>

### 10. Loss per share

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(in thousands)		(in thousands)	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	927,499	908,183	927,499	908,099
Shares deemed to be issued for no consideration in respect of options	-	-	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	927,499	908,183	927,499	908,099

The loss used to calculate basic and diluted earnings per share for the three and six months ended June 30, 2012 was \$85,674 and \$94,582 (June 30, 2011 – loss of \$7,951 and \$13,584), respectively.

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 10. Loss per share (continued)

The following potential ordinary shares, outstanding at June 30, 2012, are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(in thousands)		(in thousands)	
Options	<b>46,036</b>	46,039	<b>46,036</b>	43,813

### 11. Cash and cash equivalents

Cash and cash equivalents are comprised of:

	June 30, 2012	December 31, 2011
Cash in bank	\$ 52,807	\$ 110,150
Short-term money market instruments	4,590	41,688
	<b>\$ 57,397</b>	\$ 151,838

### 12. Trade and other receivables

Trade and other receivables are comprised of the following:

	June 30, 2012	December 31, 2011
Trade receivables	\$ 16,004	\$ 11,550
Current tax receivable	730	738
VAT receivable	8,838	5,027
Other receivables	2,335	6,793
Allowance for doubtful debts for other receivables	(663)	(528)
	<b>\$ 27,244</b>	\$ 23,580

### 13. Inventories

	June 30, 2012	December 31, 2011
Consumables	\$ 4,815	\$ 5,348
Ore and concentrate	499	634
Chrome inventory	1,242	2,007
	<b>\$ 6,556</b>	\$ 7,989

Production costs for the three months and six months ended June 30, 2012 was \$28,886 and \$55,686 (June 30, 2011 - \$31,156 and \$60,446), respectively. Production costs and depletion and depreciation costs represent the cost of inventories sold during the period. For the three and six months ended June 30, 2012 and 2011 production costs did not include any amounts with regards to the write-down of inventory to net realizable value or with regards to the reversal of write-downs.

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 14. Refining Contract

During the year ended June 30, 2006, the Company acquired a 69% interest in Barplats and assigned a portion of the purchase price to the off-take contract governing the sales of Barplats' PGM concentrate production. The initial value of the contract was \$17,939. During the year ended June 30, 2007, the Company acquired an additional 5% interest in Barplats resulting in an additional allocation to the contract of \$4,802 for a total aggregate value of \$22,741. During the year ended December 31, 2008, the Company acquired an additional 2.47% interest in Barplats. The acquisition did not affect the aggregate value of the contract. The value of the contract is amortized over the remaining term of the contract which is 7 years as at June 30, 2012.

#### Cost

Balance as at December 31, 2010	\$	23,767
Foreign exchange movement		(4,385)
<b>Balance as at December 31, 2011</b>	<b>\$</b>	<b>19,382</b>
Foreign exchange movement		(221)
<b>Balance as at June 30, 2012</b>	<b>\$</b>	<b>19,161</b>

#### Accumulated amortization

Balance as at December 31, 2010	\$	9,502
Amortization		1,530
Impairment		1,250
Foreign exchange movement		(1,909)
<b>Balance as at December 31, 2011</b>	<b>\$</b>	<b>10,373</b>
Amortization		697
Foreign exchange movement		(139)
<b>Balance as at June 30, 2012</b>	<b>\$</b>	<b>10,931</b>

#### Carrying amounts

At December 31, 2010	\$	14,265
At December 31, 2011	\$	9,009
<b>At June 30, 2012</b>	<b>\$</b>	<b>8,230</b>

During the year ended December 31, 2011, the Company determined that the carrying value of CRM exceeded the expected net present value of its future cash flows. This resulted in an impairment charge of \$1,250 being recorded against the refining contract.

### 15. Other assets

Other assets consists of a money market fund investment that is classified as available-for-sale and serves as security for a guarantee issued to the Department of Mineral Resources of South Africa in respect of the environmental rehabilitation liability (Note 17). Changes to other assets for the six months ended June 30, 2012 are as follows:

Balance, December 31, 2010	\$	3,823
Additional investment	\$	5,387
Service fees		(8)
Interest income		344
Foreign exchange movement		(1,551)
<b>Balance, December 31, 2011</b>	<b>\$</b>	<b>7,995</b>
Additional investment		490
Service fees		(4)
Interest income		226
Foreign exchange movement		(112)
<b>Balance, June 30, 2012</b>	<b>\$</b>	<b>8,595</b>

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 16. Trade and other payables

	June 30, 2012	December 31, 2011
Trade payables	\$ 5,216	\$ 8,133
Accrued liabilities	16,215	20,464
Other	8,514	11,862
	<b>\$ 29,945</b>	<b>\$ 40,459</b>

Accrued liabilities as at December 31, 2011, includes \$10 million in respect of the purchase of a further 23% of Lion's Head (Note 5).

The average credit period of purchases is 1 month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

### 17. Provision for environmental rehabilitation

Although the ultimate amount of the environmental rehabilitation provision is uncertain, the best estimate of these obligations is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

The provision for environmental rehabilitation at June 30, 2012 is ZAR 71 million (\$8,646) (December 31, 2011 – ZAR 68 million, \$8,390). The provision was determined using an inflation rate of 6.00% (December 31, 2011 – 6.00%) and an estimated life of mine of 20 years for Zandfontein (December 31, 2011 – 20 years), 9 years for Maroelabult (December 31, 2011 – 9 years), 16 years for Crocette (December 31, 2011 – 16 years), 21 years for Kennedy's Vale (December 31, 2011 – 21 years) and 21 years for Spitzkop (December 31, 2011 – 21 years). A discount rate of 8.47% was used (December 31, 2011 – 8.47%). A guarantee of \$8,595 (December 31, 2011 - \$7,995) has been issued to the Department of Mineral Resources (Note 15). The guarantee will be utilized to cover expenses incurred to rehabilitate the mining area upon closure of the mine. The undiscounted value of this liability is approximately ZAR 328 million (\$40,103) (December 31, 2011 – ZAR 328 million, \$40,567).

Changes to the environmental rehabilitation provision are as follows:

Balance, December 31, 2010	\$ 8,934
Revision in estimates	499
Interest expense (Note 8)	676
Foreign exchange movement	(1,719)
Balance, December 31, 2011	\$ 8,390
Interest expense (Note 8)	364
Foreign exchange movement	(108)
<b>Balance, June 30, 2012</b>	<b>\$ 8,646</b>

### 18. Credit facility

As a result of the Company's decision to suspend funding for the ongoing development of the Maresburg open pit mine and the construction of the Kennedy's Vale Concentrator Plant, the Company terminated the Facilities Agreement dated December 30, 2011 with UniCredit Bank AG, London Branch and Standard Finance (Isle of Man) Limited (a subsidiary of Standard Bank Group Limited) for the US\$100 million financing package in June 2012. All costs associated with the credit facility have been charged to the statement of loss in the three months ended June 30, 2012 (Note 8).

## Eastern Platinum Limited

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(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 19. Commitments

The Company has committed to capital expenditures on projects of approximately ZAR 109 million (\$13,379) as at June 30, 2012 (December 31, 2011 – ZAR 144 million, \$17,862).

### 20. Retirement benefit plans

The Barplats Provident Fund is an independent, defined contribution plan administered by Liberty Life Limited in South Africa. The costs associated with the defined contribution plan included in net loss for the three and six months ended June 30, 2012 were \$810 and \$1,618 (June 30, 2011 - \$1,087 and \$2,110), respectively. The total number of employees in the plan at June 30, 2012 was 1,362 (June 30, 2011 – 1,646).

### 21. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

#### (a) Trading transactions

The Company's related parties consist of companies owned by executive officers and directors as follows:

	<b>Nature of transactions</b>
Andrews PGM Consulting	Consulting
Buccaneer Management Inc.	Management
Jazz Financial Ltd.	Management
Maluti Services Limited	General and administrative
Xiste Consulting Ltd.	Management

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

		<b>Three months ended</b>		<b>Six months ended</b>	
	Note	<b>June 30,</b>	June 30,	<b>June 30,</b>	June 30,
		<b>2012</b>	2011	<b>2012</b>	2011
Consulting fees	(i)	\$ 54	\$ 42	\$ 252	\$ 84
General and administrative expenses		90	37	192	55
Management fees		344	411	691	761
		<b>\$ 488</b>	<b>\$ 490</b>	<b>\$ 1,135</b>	<b>\$ 900</b>

- (i) The Company paid fees to a private company controlled by a director of the Company for consulting services performed outside of his capacity as a director.

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2012 included \$7 (December 31, 2011 - \$873) which was due to private companies controlled by officers and directors of the Company.



## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 21. Related party transactions (continued)

#### (b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three months ended June 30, 2012 and 2011 were as follows:

	Note	Three months ended		Six months ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Salaries and directors' fees	(i)	\$ 569	\$ 705	\$ 1,286	\$ 1,352
Share-based payments	(ii)	-	-	2,216	7,996
		\$ 569	\$ 705	\$ 3,502	\$ 9,348

- (i) Salaries and directors' fees include consulting and management fees disclosed in Note 21(a).
- (ii) Share-based payments are the fair value of options granted to key management personnel.
- (iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and six months ended June 30, 2012 and 2011.

### 22. Segmented information

- (a) Operating segment - The Company's operations are primarily directed towards the acquisition, exploration and production of platinum group metals in South Africa.
- (b) Geographic segments - The Company's revenues and expenses by geographic areas for the three months ended June 30, 2012 and 2011 and assets by geographic area as at June 30, 2012 and December 31, 2011 are as follows:

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 22. Segmented Information (continued)

(b) *Geographic segments (continued)*

	Three months ended June 30, 2012								
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Other	Total South Africa	Barbados and BVI	Canada	TOTAL
Property, plant and equipment expenditures	\$ 5,062	\$ 28,839	\$ -	\$ 130	\$ -	\$ 34,031	\$ -	\$ -	\$ 34,031
Revenue	\$ 24,287	\$ -	\$ -	\$ -	\$ -	\$ 24,287	\$ -	\$ -	\$ 24,287
Production costs	(28,886)	-	-	-	-	(28,886)	-	-	(28,886)
Depletion and depreciation	(3,810)	-	-	-	-	(3,810)	-	-	(3,810)
Impairment	-	(47,445)	(32,802)	(8,031)	-	(88,278)	-	-	(88,278)
Loss on disposal of property, plant and equipment	(1,569)	-	-	-	-	(1,569)	-	-	(1,569)
General and administrative expenses	(1,203)	(53)	(7)	(9)	-	(1,272)	(30)	(1,190)	(2,492)
Share-based payments	(23)	-	-	-	-	(23)	-	-	(23)
Interest income	325	44	5	-	-	374	-	523	897
Finance costs	(2,512)	(2,067)	-	(226)	-	(4,805)	-	-	(4,805)
Foreign exchange (loss) gain	(71)	7	-	-	-	(64)	(13)	32	(45)
<b>Loss before income taxes</b>	<b>(13,462)</b>	<b>(49,514)</b>	<b>(32,804)</b>	<b>(8,266)</b>	<b>-</b>	<b>(104,046)</b>	<b>(43)</b>	<b>(635)</b>	<b>(104,724)</b>
<b>Income tax recovery (expense)</b>	<b>-</b>	<b>5,434</b>	<b>8,010</b>	<b>1,999</b>	<b>-</b>	<b>15,443</b>	<b>(131)</b>	<b>-</b>	<b>15,312</b>
<b>Net loss</b>	<b>\$ (13,462)</b>	<b>\$ (44,080)</b>	<b>\$ (24,794)</b>	<b>\$ (6,267)</b>	<b>\$ -</b>	<b>\$ (88,603)</b>	<b>\$ (174)</b>	<b>\$ (635)</b>	<b>\$ (89,412)</b>

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 22. Segmented Information (continued)

(b) *Geographic segments (continued)*

	Six months ended June 30, 2012								
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Other	Total South Africa	Barbados and BVI	Canada	TOTAL
Property, plant and equipment expenditures	\$ 7,297	\$ 46,489	\$ -	\$ 130	\$ -	\$ 53,916	\$ -	\$ 2	\$ 53,918
Revenue	\$ 48,673	\$ -	\$ -	\$ -	\$ -	\$ 48,673	\$ -	\$ -	\$ 48,673
Production costs	(55,686)	-	-	-	-	(55,686)	-	-	(55,686)
Depletion and depreciation	(8,133)	-	-	-	-	(8,133)	-	-	(8,133)
Impairment	-	(47,445)	(32,802)	(8,031)	-	(88,278)	-	-	(88,278)
Loss on disposal of property, plant and equipment	(1,569)	-	-	-	-	(1,569)	-	-	(1,569)
General and administrative expenses	(1,957)	(5)	(39)	(14)	-	(2,015)	(31)	(2,649)	(4,695)
Share-based payments	(36)	-	-	-	-	(36)	-	(2,304)	(2,340)
Interest income	653	78	10	-	-	741	-	1,188	1,929
Finance costs	(2,775)	(2,098)	-	(226)	-	(5,099)	-	-	(5,099)
Foreign exchange (loss) gain	(354)	(13)	-	-	-	(367)	(6)	575	202
<b>Loss before income taxes</b>	<b>(21,184)</b>	<b>(49,483)</b>	<b>(32,831)</b>	<b>(8,271)</b>	<b>-</b>	<b>(111,769)</b>	<b>(37)</b>	<b>(3,190)</b>	<b>(114,996)</b>
<b>Income tax (expense) recovery</b>	<b>(4,139)</b>	<b>5,587</b>	<b>8,964</b>	<b>2,277</b>	<b>-</b>	<b>12,689</b>	<b>(214)</b>	<b>-</b>	<b>12,475</b>
<b>Net (loss) profit</b>	<b>\$ (25,323)</b>	<b>\$ (43,896)</b>	<b>\$ (23,867)</b>	<b>\$ (5,994)</b>	<b>\$ -</b>	<b>\$ (99,080)</b>	<b>\$ (251)</b>	<b>\$ (3,190)</b>	<b>\$ (102,521)</b>

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 22. Segmented Information (continued)

(b) *Geographic segments (continued)*

	Three months ended June 30, 2011								
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Other	Total South Africa	Barbados and BVI	Canada	TOTAL
Property, plant and equipment expenditures	\$ 10,022	\$ 9,171	\$ -	\$ -	\$ -	\$ 19,193	\$ -	\$ -	\$ 19,193
Revenue	\$ 26,876	\$ -	\$ -	\$ -	\$ -	\$ 26,876	\$ -	\$ -	\$ 26,876
Production costs	(31,156)	-	-	-	-	(31,156)	-	-	(31,156)
Depletion and depreciation	(5,259)	-	-	-	-	(5,259)	-	-	(5,259)
General and administrative expenses	(1,069)	(690)	240	(7)	(1)	(1,527)	(33)	(1,372)	(2,932)
Share-based payment	(46)	-	-	-	-	(46)	-	-	(46)
Interest income	334	18	-	-	-	352	-	1,061	1,413
Finance costs	(306)	(47)	-	-	-	(353)	-	-	(353)
Foreign exchange gain (loss)	297	-	-	-	-	297	-	(184)	113
(Loss) profit before income taxes	(10,329)	(719)	240	(7)	(1)	(10,816)	(33)	(495)	(11,344)
Deferred income tax recovery	471	-	-	-	-	471	-	-	471
Net (loss) profit	\$ (9,858)	\$ (719)	\$ 240	\$ (7)	\$ (1)	\$ (10,345)	\$ (33)	\$ (495)	\$ (10,873)

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 22. Segmented Information (continued)

(b) *Geographic segments (continued)*

	Six months ended June 30, 2011								
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Other	Total South Africa	Barbados and BVI	Canada	TOTAL
Property, plant and equipment expenditures	\$ 24,328	\$ 9,171	\$ -	\$ 15	\$ -	\$ 33,514	\$ -	\$ 2	\$ 33,516
Revenue	\$ 62,578	\$ -	\$ -	\$ -	\$ -	\$ 62,578	\$ -	\$ -	\$ 62,578
Production costs	(60,446)	-	-	-	-	(60,446)	-	-	(60,446)
Depletion and depreciation	(10,378)	-	-	-	-	(10,378)	-	-	(10,378)
General and administrative expenses	(2,541)	(947)	171	(36)	(2)	(3,355)	(38)	(2,634)	(6,027)
Share-based payment	(293)	-	-	-	-	(293)	-	(7,976)	(8,269)
Interest income	729	18	-	-	-	747	-	2,175	2,922
Finance costs	(628)	(247)	-	-	-	(875)	-	-	(875)
Foreign exchange gain	788	-	-	-	-	788	-	889	1,677
(Loss) profit before income taxes	(10,191)	(1,176)	171	(36)	(2)	(11,234)	(38)	(7,546)	(18,818)
Deferred income tax recovery	593	-	-	-	-	593	-	-	593
Net (loss) profit	\$ (9,598)	\$ (1,176)	\$ 171	\$ (36)	\$ (2)	\$ (10,641)	\$ (38)	\$ (7,546)	\$ (18,225)

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 22. Segmented Information (continued)

(b) *Geographic segments (continued)*

	June 30, 2012								
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Other	Total South Africa	Barbados and BVI	Canada	TOTAL
<b>Assets</b>									
Current assets	\$ 27,251	\$ 8,738	\$ 1,511	\$ 186	\$ 730	\$ 38,416	\$ 6	\$ 163,249	\$ 201,671
Property, plant and equipment	331,346	130,376	82,545	20,212	-	564,479	-	15	564,494
Refining contract	8,230	-	-	-	-	8,230	-	-	8,230
Other assets	8,595	-	-	-	-	8,595	-	-	8,595
	<b>\$ 375,422</b>	<b>\$ 139,114</b>	<b>\$ 84,056</b>	<b>\$ 20,398</b>	<b>\$ 730</b>	<b>\$ 619,720</b>	<b>\$ 6</b>	<b>\$ 163,264</b>	<b>\$ 782,990</b>
<b>Liabilities</b>									
Current liabilities	\$ 18,031	\$ 8,916	\$ 396	\$ 109	\$ 507	\$ 27,959	\$ 7	\$ 1,979	\$ 29,945
Provision for environmental rehabilitation	6,836	1,462	348	-	-	8,646	-	-	8,646
Deferred tax liabilities	-	-	15,179	3,236	-	18,415	2,009	-	20,424
	<b>\$ 24,867</b>	<b>\$ 10,378</b>	<b>\$ 15,923</b>	<b>\$ 3,345</b>	<b>\$ 507</b>	<b>\$ 55,020</b>	<b>\$ 2,016</b>	<b>\$ 1,979</b>	<b>\$ 59,015</b>

## Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### 22. Segmented Information (continued)

#### (b) Geographic segments (continued)

	December 31, 2011								
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Other	Total South Africa	Barbados and BVI	Canada	TOTAL
<b>Assets</b>									
Current assets	\$ 24,460	\$ 9,478	\$ 1,535	\$ 68	\$ 738	\$ 36,279	\$ 6	\$ 246,085	\$ 282,370
Property, plant and equipment	338,087	133,746	115,493	28,103	-	615,429	-	10	615,439
Refining contract	9,009	-	-	-	-	9,009	-	-	9,009
Other assets	7,995	-	-	-	-	7,995	-	-	7,995
	<u>\$ 379,551</u>	<u>\$ 143,224</u>	<u>\$ 117,028</u>	<u>\$ 28,171</u>	<u>\$ 738</u>	<u>\$ 668,712</u>	<u>\$ 6</u>	<u>\$ 246,095</u>	<u>\$ 914,813</u>
<b>Liabilities</b>									
Current liabilities	\$ 21,365	\$ 6,985	\$ 420	\$ 26	\$ 514	\$ 29,310	\$ 31	\$ 12,793	\$ 42,134
Provision for environmental rehabilitation	6,633	1,419	338	-	-	8,390	-	-	8,390
Deferred tax liabilities	(3,902)	5,746	24,313	5,549	-	31,706	1,808	6	33,520
	<u>\$ 24,096</u>	<u>\$ 14,150</u>	<u>\$ 25,071</u>	<u>\$ 5,575</u>	<u>\$ 514</u>	<u>\$ 69,406</u>	<u>\$ 1,839</u>	<u>\$ 12,799</u>	<u>\$ 84,044</u>

#### (c) Revenue

The Company's primary product is platinum group metals and by-product is chrome. For the three and six months ended June 30, 2012 and 2011, substantially all of the Company's PGM production was sold to one customer.

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Platinum group metals	\$ 19,439	\$ 20,322	\$ 41,247	\$ 49,061
Chrome	4,848	6,554	7,426	13,517
	<u>\$ 24,287</u>	<u>\$ 26,876</u>	<u>\$ 48,673</u>	<u>\$ 62,578</u>

## **Eastern Platinum Limited**

Notes to the condensed consolidated interim financial statements

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

### **23. Contingency**

In June 2011, the Company became aware that the law firm of Siskinds LLP of London, Ontario, had filed a "Notice of Application" under the Class Action Proceedings Act, 1992, in the Ontario Superior Court of Justice against the Company and three of its directors and officers. The Notice of Application seeks permission of the Court to grant leave or permission to commence a lawsuit under the Securities Act of Ontario and other provinces in respect to certain alleged breaches of disclosure obligations. In July 2011, the Company and its officers and directors were served with court documents.

On June 18, 2012, the Company was served with the Plaintiff's Application Record and Amended Notice of Application. No further steps had been taken in the action until this time. The Amended Notice of Application is no longer being brought on behalf of a class, and instead, is being brought by Brian Bradley in his individual capacity. The affidavits filed in support of the application state that should the applicant be successful in obtaining leave to file the statement of claim, the plaintiff would move for the certification of the action as a class proceeding. The Company believes the proposed action has no merit and intends to continue to vigorously defend the action.

The Company is also subject to claims and legal proceedings arising in the ordinary course of business activities, each of which is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. For matters that are probable and can be reasonably estimated, the Company establishes provisions in its financial statements.

When evaluating legal proceedings that are pending against the Company, the Company and its legal counsel assess the perceived merits of the legal proceedings along with the perceived merits of the amount of relief sought. It is management's opinion that there are currently no other claims expected to have a material effect on the results of operations or financial condition of the Company.

### **24. Events after the reporting period**

There were no events that required adjustment to, or disclosure in, the financial statements after the reporting period from July 1, 2012 to August 10, 2012.



**EASTERN PLATINUM LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS**  
**AND RESULTS OF OPERATIONS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012**

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*The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at June 30, 2012 and for the three and six months then ended in comparison to the same period in 2011.*

*This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2012 and supporting notes. These condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34").*

*In this MD&A, the Company also reports certain non-IFRS measures such as adjusted EBITDA and cash costs per ounce which are explained in Section 3.2 of this MD&A.*

*All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is August 10, 2012. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

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  - 3.1. Mining operations at Crocodile River Mine ("CRM")
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- 

## **1. Overview**

Eastplats is a platinum group metals (“PGM”) producer engaged in the mining and development of PGM deposits with properties located in South Africa. All of the Company’s properties are situated on the western and eastern limbs of the Bushveld Complex (“BC”), the geological environment that supports over 75% of the world’s PGM mine production.

The Company’s primary operating asset is an 87.5% direct and indirect interest in Barplats Investments Limited (“Barplats”), whose main assets are the PGM producing Crocodile River Mine (“CRM”) located on the Western Limb of the BC and the non-producing Kennedy’s Vale Project located on the Eastern Limb of the BC. The Company also has an 87% direct and indirect interest in Mareesburg Platinum Project (“Mareesburg”) and a 93.4% direct and indirect interest in Spitzkop PGM Project (“Spitzkop”), both located on the Eastern Limb of the BC.

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## **2. Summary of results**

### ***2.1 Summary of results for the three months ended June 30, 2012***

- Eastplats recorded a loss attributable to equity shareholders of the Company of \$85,674,000 (\$0.09 loss per share) in the quarter ended June 30, 2012 (“Q2 2012”) compared to a loss of \$7,951,000 (\$0.01 loss per share) in the quarter ended June 30, 2011 (“Q2 2011”).
- The Company recorded an impairment charge of \$88,278,000 on its Eastern Limb properties in Q2 2012.
- Adjusted EBITDA was negative \$4,599,000 in Q2 2012 compared to negative \$4,280,000 in Q2 2011. The impairment charge was not included in the calculation of adjusted EBITDA.
- PGM ounces sold increased 29% to 26,412 ounces in Q2 2012 compared to 20,528 PGM ounces in Q2 2011.
- The U.S. dollar average delivered price per PGM ounce decreased 19% to \$902 in Q2 2012 compared to \$1,113 in Q2 2011.
- The Rand average delivered price per PGM ounce decreased 3% to R7,324 in Q2 2012 compared to R7,557 in Q2 2011.
- Total Rand operating cash costs increased 11% to R235 million in Q2 2012 compared to R211 million in Q2 2011.
- Rand operating cash costs net of by-product credits decreased 9% to R7,390 per ounce in Q2 2012 compared to R8,119 per ounce in Q2 2011. Rand operating cash costs decreased 14% to R8,881 per ounce in Q2 2012 compared to R10,287 per ounce in Q2 2011.

- U.S. dollar operating cash costs net of by-product credits decreased 24% to \$910 per ounce in Q2 2012 compared to \$1,196 per ounce achieved in Q2 2011. U.S. dollar operating cash costs decreased 28% to \$1,094 per ounce in Q2 2012 compared to \$1,515 per ounce in Q2 2011.
- Head grade increased to 3.99 grams per tonne in Q2 2012 from 3.93 grams per tonne in Q2 2011.
- Average concentrator recovery increased to 79% in Q2 2012 compared to 76% in Q2 2011.
- Development meters decreased by 18% to 2,922 meters and on-reef development decreased by 21% to 1,653 meters compared to Q2 2011.
- Stopping units increased 29% to 40,959 square meters in Q2 2012 compared to 31,828 square meters in Q2 2011.
- Run-of-mine ore hoisted increased 27% to 257,250 tonnes in Q2 2012 compared to 203,166 tonnes in Q2 2011.
- Run-of-mine ore processed increased by 25% to 252,883 tonnes in Q2 2012 compared to 201,986 tonnes in Q2 2011.
- The Company's Lost Time Injury Frequency Rate (LTIFR) was 1.17 in Q2 2012 compared to 0.63 in Q2 2011.
- At June 30, 2012, the Company had a cash position (including cash, cash equivalents and short term investments) of \$167,871,000 (December 31, 2011 – \$250,801,000).

## ***2.2 Summary of results for the six months ended June 30, 2012***

- Eastplats recorded a loss attributable to equity shareholders of the Company of \$94,582,000 (\$0.10 loss per share) in the six months ended June 30, 2012 ("6M 2012") compared to a loss of \$13,584,000 (\$0.01 loss per share) in the six months ended June 30, 2011 ("6M 2011").
- The Company recorded an impairment charge of \$88,278,000 on its Eastern Limb properties in Q2 2012.
- Adjusted EBITDA decreased to negative \$7,013,000 in 6M 2012 compared to \$2,132,000 in 6M 2011. The impairment charge was not included in the calculation of adjusted EBITDA.
- PGM ounces sold increased 11% to 50,886 ounces in 6M 2012 compared to 45,915 PGM ounces in 6M 2011.
- The U.S. dollar average delivered price per PGM ounce decreased 17% to \$934 in 6M 2012 compared to \$1,126 in 6M 2011.
- The Rand average delivered price per PGM ounce decreased 5% to R7,413 in 6M 2012 compared to R7,782 in 6M 2011.
- Total Rand operating cash costs increased 6% to R442 million in 6M 2012 compared to R417 million in 6M 2011.

- Rand operating cash costs net of by-product credits increased 7% to R7,524 per ounce in 6M 2012 compared to R7,040 per ounce in 6M 2011. Rand operating cash costs decreased 4% to R8,691 per ounce in 6M 2012 compared to R9,072 per ounce in 6M 2011.
- U.S. dollar operating cash costs net of by-product credits decreased 7% to \$948 per ounce in 6M 2012 compared to \$1,021 per ounce achieved in 6M 2011. U.S. dollar operating cash costs decreased 17% to \$1,094 per ounce in 6M 2012 compared to \$1,315 per ounce in 6M 2011.
- Head grade increased to 4.03 grams per tonne in 6M 2012 from 3.93 grams per tonne in 6M 2011.
- Average concentrator recovery remained consistent at 78% in 6M 2012 and 6M 2011.
- Development meters decreased by 22% to 6,039 meters and on-reef development decreased by 26% to 3,357 meters compared to 6M 2011.
- Stopping units increased 6% to 80,816 square meters in 6M 2012 compared to 76,502 square meters in 6M 2011.
- Run-of-mine ore hoisted increased 12% to 504,788 tonnes in 6M 2012 compared to 450,535 tonnes in 6M 2011.
- Run-of-mine ore processed increased by 9% to 488,237 tonnes in 6M 2012 compared to 447,486 tonnes in 6M 2011.

The table below sets forth selected results of operations for the Company's eight most recently completed quarters (in thousands of U.S. dollars, except per share amounts) in accordance with IFRS.

*Table 1*

Selected quarterly data	2012		2011				2010	
	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30
Revenues	\$ 24,287	\$ 24,386	\$ 19,172	\$ 31,453	\$ 26,876	\$ 35,702	\$ 45,616	\$ 38,073
Cost of operations	(122,543)	(31,123)	(76,525)	(34,043)	(36,415)	(34,409)	(36,272)	(32,735)
Mine operating (loss) earnings	(98,256)	(6,737)	(57,353)	(2,590)	(9,539)	1,293	9,344	5,338
Expenses (G&A and share-based payment)	(2,515)	(4,520)	(3,308)	(2,568)	(2,978)	(11,318)	(4,382)	(2,202)
Operating (loss) profit	(100,771)	(11,257)	(60,661)	(5,158)	(12,517)	(10,025)	4,962	3,136
Net (loss) profit attributable to equity shareholders of the Company	\$ (85,674)	\$ (8,908)	\$ (64,325)	\$ 1,364	\$ (7,951)	\$ (5,633)	\$ 5,041	\$ 4,039
(Loss) earnings per share - basic	\$ (0.09)	\$ (0.01)	\$ (0.07)	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01
(Loss) earnings per share - diluted	\$ (0.09)	\$ (0.01)	\$ (0.07)	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01
Average foreign exchange rates								
South African Rand per US dollar	8.12	7.75	8.10	7.14	6.79	7.01	6.91	7.31
US dollar per Canadian dollar	0.9902	0.9990	0.9777	1.0204	1.0335	1.0141	0.9870	0.9621
Period end foreign exchange rates								
South African Rand per US dollar	8.17	7.65	8.08	8.09	6.76	6.75	6.59	7.00
US dollar per Canadian dollar	0.9822	1.0025	0.9833	0.9540	1.0368	1.0314	1.0054	0.9718

### 3. Results of operations for the three and six months ended June 30, 2012

The following table sets forth selected consolidated financial information for the three and six months ended June 30, 2012 and 2011:

Table 2

<b>Condensed consolidated interim statements of loss</b>				
(Expressed in thousands of U.S. dollars, except per share amounts - unaudited)				
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
<b>Revenue</b>	<b>\$ 24,287</b>	\$ 26,876	<b>\$ 48,673</b>	\$ 62,578
Cost of operations				
Production costs	<b>28,886</b>	31,156	<b>55,686</b>	60,446
Depletion and depreciation	<b>3,810</b>	5,259	<b>8,133</b>	10,378
Impairment	<b>88,278</b>	-	<b>88,278</b>	-
Loss on disposal of property, plant and equipment	<b>1,569</b>	-	<b>1,569</b>	-
Mine operating loss	<b>(98,256)</b>	(9,539)	<b>(104,993)</b>	(8,246)
Expenses				
General and administrative	<b>2,492</b>	2,932	<b>4,695</b>	6,027
Share-based payments	<b>23</b>	46	<b>2,340</b>	8,269
Operating loss	<b>(100,771)</b>	(12,517)	<b>(112,028)</b>	(22,542)
Other income (expense)				
Interest income	<b>897</b>	1,413	<b>1,929</b>	2,922
Finance costs	<b>(4,805)</b>	(353)	<b>(5,099)</b>	(875)
Foreign exchange (loss) gain	<b>(45)</b>	113	<b>202</b>	1,677
Loss before income taxes	<b>(104,724)</b>	(11,344)	<b>(114,996)</b>	(18,818)
Income tax recovery	<b>15,312</b>	471	<b>12,475</b>	593
<b>Net loss for the period</b>	<b>\$ (89,412)</b>	\$ (10,873)	<b>\$ (102,521)</b>	\$ (18,225)
Attributable to				
Non-controlling interest	<b>(3,738)</b>	(2,922)	<b>(7,939)</b>	(4,641)
<b>Equity shareholders of the Company</b>	<b>(85,674)</b>	(7,951)	<b>(94,582)</b>	(13,584)
<b>Net loss for the period</b>	<b>\$ (89,412)</b>	\$ (10,873)	<b>\$ (102,521)</b>	\$ (18,225)
Loss per share				
Basic	<b>\$ (0.09)</b>	\$ (0.01)	<b>\$ (0.10)</b>	\$ (0.01)
Diluted	<b>\$ (0.09)</b>	\$ (0.01)	<b>\$ (0.10)</b>	\$ (0.01)
Weighted average number of common share outstanding				
Basic	<b>927,499</b>	908,183	<b>927,499</b>	908,099
Diluted	<b>927,499</b>	908,183	<b>927,499</b>	908,099
<b>Condensed consolidated statements of financial position</b>	<b>June 30,</b>	December 31,		
	<b>2012</b>	2011		
Total assets	<b>\$ 782,990</b>	\$ 914,813		
Total long-term liabilities	<b>\$ 29,070</b>	\$ 41,910		

### 3.1 Mining operations at Crocodile River Mine (“CRM”)

The following is a summary of CRM’s operations for the eight most recently completed quarters:

Table 3

Crocodile River Mine operations	Three months ended							
	2012		2011				2010	
	June 30	March 31	December 31	September 30	June 30	March 31	December 31	September 30
<b>Key financial statistics</b>								
(dollar amounts stated in U.S. dollars)								
Sales - PGM ounces	26,412	24,474	19,854	26,955	20,528	25,387	32,752	37,798
Average delivered price per ounce (2)	\$902	\$969	\$931	\$1,088	\$1,113	\$1,136	\$1,058	\$953
Average basket price	\$1,071	\$1,149	\$1,104	\$1,290	\$1,319	\$1,344	\$1,250	\$1,128
Rand average delivered price per ounce	R 7,324	R 7,510	R 7,541	R 7,768	R 7,557	R 7,963	R 7,311	R 6,966
Rand average basket price	R 8,697	R 8,905	R 8,942	R 9,211	R 8,956	R 9,421	R 8,638	R 8,246
Cash costs per ounce of PGM (1)	\$1,094	\$1,095	\$1,291	\$1,059	\$1,515	\$1,154	\$928	\$713
Cash costs per ounce of PGM, net of chrome by-product credits (1)	\$910	\$990	\$1,072	\$854	\$1,196	\$880	\$653	\$625
Rand cash costs per ounce of PGM (1)	R 8,881	R 8,486	R 10,455	R 7,561	R 10,287	R 8,090	R 6,412	R 5,212
Rand cash costs per ounce of PGM, net of chrome by-product credits (1)	R 7,390	R 7,670	R 8,685	R 6,097	R 8,119	R 6,167	R 4,509	R 4,566
<b>Key production statistics</b>								
Run-of-mine (“ROM”) ore tonnes processed	252,883	235,354	194,532	261,280	201,986	245,500	327,872	357,219
Development meters	2,922	3,117	2,929	3,976	3,562	4,219	3,501	3,299
On-reef development meters	1,653	1,704	1,591	2,248	2,090	2,434	1,925	1,797
Stopping units (square meters)	40,959	39,857	31,767	40,594	31,828	44,674	53,044	50,892
Concentrator recovery from ROM ore	79%	77%	76%	78%	76%	79%	78%	81%
Chrome sold (tonnes)	71,833	61,025	56,890	64,608	60,661	63,578	89,123	50,148
<b>Metal in concentrate sold (ounces)</b>								
Platinum (Pt)	13,240	12,263	9,819	13,656	10,363	12,790	16,526	19,195
Palladium (Pd)	5,847	5,508	4,428	5,844	4,485	5,494	7,055	8,129
Rhodium (Rh)	2,274	2,056	1,696	2,294	1,740	2,162	2,786	3,216
Gold (Au)	97	83	77	98	74	97	117	131
Iridium (Ir)	985	866	778	967	728	919	1,183	1,323
Ruthenium (Ru)	3,969	3,698	3,056	4,096	3,138	3,925	5,085	5,804
Total PGM ounces	26,412	24,474	19,854	26,955	20,528	25,387	32,752	37,798

(1) These are non-IFRS measures as described in Section 3.2

(2) Average delivered price is the average basket price at the time of delivery of PGM concentrates, net of associated smelting, refining and marketing costs, under the Company’s primary off-take agreement.

#### Quarter ended June 30, 2012 compared to the quarter ended June 30, 2011

In Q2 2012, CRM recorded a Lost Time Injury Frequency Rate (“LTIFR”) of 1.17 compared to 0.63 in Q2 2011. There were two lost time injuries in Q2 2012 compared to one lost time injury in Q2 2011. The Company is continually working on improving safety awareness at its operations.

The Company generated revenue of \$24,287,000 in Q2 2012 of which \$19,439,000 was PGM revenue and \$4,848,000 was chrome revenue. PGM revenues represent the amounts recorded when PGM concentrates are physically delivered to the buyer, which are provisionally priced on the date of delivery. The Company settles its PGM sales three to five months following the physical delivery of the concentrates and adjustments are made when the prices for the metal sold to the market are established.

The Company recorded an average delivered basket price of \$902 per PGM ounce in Q2 2012, compared to \$1,113 in Q2 2011 and \$931 in the fourth quarter of 2011 (“Q4 2011”). The delivered price per ounce refers to the PGM prices in effect at the time the PGM concentrates are delivered to the smelter. As a

result of fluctuations in PGM prices, the Company recorded negative provisional price adjustments of \$1,612,000 in Q2 2012, compared to negative price adjustments of \$1,244,000 in Q2 2011.

The following table shows a reconciliation of revenue and provisional price adjustments.

*Table 4*

<b>Crocodile River Mine</b>				
<b>Effect of provisional price adjustments on revenues</b>				
(stated in thousands of U.S. dollars)				
	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Revenue before provisional price adjustments	\$ 25,899	\$ 28,120	\$ 49,242	\$ 62,549
Provisional price adjustments				
Adjustments to revenue upon settlement of prior periods' sales	(780)	(308)	263	965
Mark-to-market adjustment on sales not yet settled at end of period	(832)	(936)	(832)	(936)
Revenue as reported in the income statement	\$ 24,287	\$ 26,876	\$ 48,673	\$ 62,578

PGM ounces sold increased by 29% in Q2 2012 compared to Q2 2011 due to higher run-of-mine ore tonnes processed (252,883 tonnes in Q2 2012 compared to 201,986 tonnes in Q2 2011), higher concentrator recovery (79% in Q2 2012 compared to 76% in Q2 2011), and an increase in grade (3.99 grams per tonne in Q2 2012 compared to 3.93 grams per tonne in Q2 2011). Q2 2011 production and mining were negatively impacted by an illegal underground sit-in followed by an unprotected strike and damage to underground infrastructure at CRM in May 2011.

Operating cash costs, a non-IFRS measure, are incurred in Rand. Total Rand operating cash costs increased by 11% compared to Q2 2011, but Rand operating cash costs per ounce decreased by 14% from R10,287 per ounce in Q2 2011 to R8,881 per ounce in Q2 2012 primarily due to a 29% increase in ounces sold. The 11% increase in total Rand operating cash costs was due to a variety of factors including an increase in power and electricity costs and the replacement of all steel balls in Q2 2012 subsequent to the re-lining of the mills.

By comparison, U.S. dollar operating cash costs per ounce decreased by 28% from \$1,515 per ounce in Q2 2011 to \$1,094 per ounce in Q2 2012 primarily due to a 20% depreciation of the South African Rand relative to the U.S. dollar combined with a 29% increase in ounces sold, which was offset by an 11% increase in total Rand operating cash costs. The average U.S. dollar-Rand exchange rate was R8.12:\$1.00 in Q2 2012 compared to R6.79:\$1.00 in Q2 2011.

A reconciliation of production costs, as reported in the income statement, to cash operating costs, is shown in Table 5 under Section 3.2 CRM non-IFRS measures.

*Chrome revenues and effect on cash costs per ounce*

The Company recorded revenue for 71,833 tonnes of chrome in Q2 2012 (60,661 tonnes in Q2 2011). Net chrome revenue recognized was \$67 per tonne (\$108 per tonne in Q2 2011) for a total of \$4,848,000 (\$6,554,000 in Q2 2011). The 38% decrease in chrome revenue recognized per tonne compared to Q2 2011 was due to a softer market for chrome in Q2 2012 compared to Q2 2011 combined with the 20% depreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R8.12:\$1.00 in Q2 2012 compared to R6.79:\$1.00 in Q2 2011.

Q2 2012 chrome revenues of \$4,848,000 reduced operating cash costs from \$1,094 per ounce to \$910 per ounce net of by-product credits and from R8,881 to R7,390 per ounce net of by-product credits.

Quarter ended June 30, 2012 compared to the quarter ended March 31, 2012

Revenues remained consistent with Q1 2012 as a result of a 7% decrease in the average delivered price per ounce and a negative \$2,655,000 change in price adjustments, which were offset by an 8% increase in the number of ounces produced, combined with a \$2,270,000 increase in chrome revenues, a \$458,000 decrease in concentrate grade penalties and a \$381,000 decrease in ounce penalties. The increase in ounces produced was due to a 7% increase in run-of-mine ore processed (252,883 in Q2 2012 compared to 235,354 tonnes in Q1 2012) combined with an increase in concentrator recovery from 77% in Q1 2012 to 79% in Q2 2012, which were offset by a decrease in grade from 4.07 grams per tonne in Q1 2012 to 3.99 grams per tonne in Q2 2012.

Rand operating cash costs increased by 5% from R8,486 per ounce in Q1 2012 to R8,881 per ounce in Q2 2012 as a result of a 13% increase in total Rand operating cash costs, which was partially offset by the 8% increase in the number of ounces produced. Operating cash costs stated in U.S. dollars remained consistent at \$1,095 per ounce in Q1 2012 and \$1,094 per ounce in Q2 2012 due to the 13% increase in total Rand operating cash costs being offset by an 8% increase in the number of ounces produced, combined with a 5% depreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R8.12:\$1.00 in Q2 2012 compared to R7.75:\$1.00 in Q1 2012.

Total Rand operating cash costs increased 13% between Q1 2012 and Q2 2012 mainly due to increases in power and electricity costs, an increase in repairs and maintenance due to damages incurred on three scoop trucks, and the replacement of all steel balls subsequent to the re-lining of the mills.

There have been encouraging improvements in production at CRM, particularly from the Zandfontein section, during Q2 2012 compared to recent quarters. However, as a result of declining PGM prices and continued operational issues facing the industry, the Company has proposed to temporarily suspend stopping at Zandfontein and embark on a 12 to 18 month development program, as described in the Company's press release dated June 12, 2012. At the Maroelabult section, the Company has proposed to continue "on-reef" mining operations, along with the development of major conveyor development ends.

Six months ended June 30, 2012 compared to the six months ended June 30, 2011

In 6M 2012, the Company sold 50,886 PGM ounces, an increase of 11% compared to 6M 2011, primarily as a result of a 9% increase in run-of-mine ore processed (447,486 tonnes in 6M 2011 compared to 488,237 tonnes in 6M 2012), combined with an increase in head grade (3.93 grams per tonne in 6M 2011 compared to 4.03 grams per tonne in 6M 2012). Production and mining in 6M 2011 were negatively impacted by an illegal underground sit-in followed by an unprotected strike and damage to underground infrastructure at CRM in May 2011.

The average delivered basket price per ounce decreased from \$1,126 in 6M 2011 to \$934 in 6M 2012.

Operating cash costs decreased 17% from \$1,315 per ounce in 6M 2011 to \$1,094 per ounce in 6M 2012 due to an 11% increase in ounces produced and a 15% depreciation of the Rand, which were offset by a 6% increase in total Rand operating cash costs. The average U.S. dollar-Rand exchange rate was R7.94:\$1.00 in 6M 2012 compared to R6.90:\$1.00 in 6M 2011.

Total Rand operating cash costs increased 6% between 6M 2011 and 6M 2012 mainly due to a 26% increase in power and electricity tariffs effective April 1, 2012 and the replacement of all steel balls in Q2 2012. Power and electricity costs comprise approximately 8% of the mine's total operating costs.



### 3.2 CRM non-IFRS measures

The following table provides a reconciliation of adjusted EBITDA (see definition below) and cash operating costs per PGM ounce to mine operating earnings and production costs, respectively:

Table 5

<b>Crocodile River Mine non-IFRS measures</b>				
(Expressed in thousands of U.S. dollars, except ounce and per ounce data)				
	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Mine operating loss	\$ (98,256)	\$ (9,539)	\$ (104,993)	\$ (8,246)
Depletion and depreciation	3,810	5,259	8,133	10,378
Impairment	88,278	-	88,278	-
Loss on disposal of property, plant and equipment	1,569	-	1,569	-
<b>Adjusted EBITDA (1)</b>	<b>(4,599)</b>	<b>(4,280)</b>	<b>(7,013)</b>	<b>2,132</b>
Production costs as reported	28,886	31,156	55,686	60,446
Adjustments for miscellaneous costs (2)	0	(56)	(1)	(49)
Cash operating costs	28,886	31,100	55,685	60,397
Less by-product credits - chrome revenues and adjustments	(4,848)	(6,554)	(7,426)	(13,517)
Cash operating costs net of by-product credits	24,038	24,546	48,259	46,880
Ounces sold	26,412	20,528	50,886	45,915
<b>Cash cost per ounce sold</b>	<b>\$ 1,094</b>	<b>\$ 1,515</b>	<b>\$ 1,094</b>	<b>\$ 1,315</b>
<b>Cash cost per ounce sold net of by-product credits</b>	<b>\$ 910</b>	<b>\$ 1,196</b>	<b>\$ 948</b>	<b>\$ 1,021</b>

- (1) Adjusted EBITDA consists of mine operating loss before depletion, depreciation, impairment, gains and losses on disposal of property, plant and equipment, interest and tax.
- (2) Miscellaneous costs include costs such as housing, technical services and planning.

The Company is of the opinion that conventional measures of performance prepared in accordance with IFRS do not meaningfully demonstrate the operational profitability of the Company's business, in this case the Crocodile River Mine. Therefore, the Company has included certain non-IFRS measures in this MD&A to supplement its financial statements which are prepared in accordance with IFRS. These non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies.

In this MD&A, the Company has reported its share of mine operating loss before depletion, depreciation, impairment, gains and losses on disposal of property, plant and equipment, interest and tax ("adjusted EBITDA") for CRM. This is a liquidity non-IFRS measure which the Company believes is used by certain investors to determine CRM's operational profitability. The Company also reports cash operating costs per ounce of PGM produced, another non-IFRS measure which is a common performance measure used in the precious metals industry.

### 3.3 Development projects

#### 3.3.1 CRM

During the six months ended June 30, 2012, the Company spent \$7,297,000 at CRM on underground mine development, underground electrical upgrades, and ongoing underground works at the Zandfontein vertical shaft, including the development of a decline for a conveyor and chairlift system that will move

ore and workers to and from the new stopes being developed below 4-level as well as workshops and refuelling systems underground to improve equipment availability.

As a result of declining PGM prices and continued operational issues and cost pressures facing the industry, the Company has proposed to temporarily suspend stoping at Zandfontein and embark on a 12 to 18 month development program, as described in the Company's press release dated June 12, 2012. At the Maroelabult Section, the Company has proposed to continue "on-reef" mining operations, along with the development of major conveyor development ends. Decline development and conveyor installations are proceeding and the mine life of this section of CRM has been extended by two years to 2016. All development activities at the Crocette section ceased in early 2012.

### ***3.3.2 Eastern Limb projects***

During the six months ended June 30, 2012, Eastern Limb expenditures of \$46,619,000 were mainly incurred for the construction of the Kennedy's Vale concentrator and consisted of finishing mass earthworks, pouring concrete in the grinding and flotation areas, slip forming the fine ore silo, erect structural steel and main incoming power transformer installation for the 90,000 tonne-per-month (tpm) concentrator and support facilities. Due to the continuing negative outlook in the global economic environment and the operating environment in South Africa, the Company has decided to temporarily suspend funding for the construction of the concentrator and the development of the Mareesburg open pit mine. Construction work has wound down efficiently following a coordinated plan with particular attention paid to site security and to ensuring the site can withstand the upcoming rainy season. The project will be an estimated 40% complete and is forecast to be on full care and maintenance by the end of September 2012. It is expected that when economic conditions improve, the project will be able to restart relatively quickly.

### ***3.4 Corporate and other expenses***

General and administrative expenses ("G&A") are costs associated with the Company's Vancouver corporate head office and Johannesburg administrative office. Corporate office costs include legal and accounting, regulatory, executive management fees, investor relations, travel and consulting fees.

G&A decreased by 15% from \$2,932,000 in Q2 2011 to \$2,492,000 in Q2 2012 mainly due to a \$503,000 decrease in G&A at the Company's South African subsidiaries, combined with a \$182,000 decrease in G&A at the Company's head office. The decrease in G&A at the Company's South African subsidiaries was mainly due to the depreciation of the Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R8.12:\$1.00 in Q2 2012 compared to R6.79:\$1.00 in Q2 2011.

G&A increased 13% from \$2,203,000 in Q1 2012 to \$2,492,000 in Q2 2012 mainly due to a \$549,000 increase in G&A at the Company's South African subsidiaries, which was partially offset by a \$269,000 decrease in G&A at the Company's head office. The \$549,000 increase at the Company's South African subsidiaries was mainly due to a \$234,000 increase in legal fees rendered in connection with the implementation of the Company's proposed plans for CRM and the Mareesburg/Kennedy's Vale Project combined with a \$381,000 decrease in other income, which were partially offset by a \$142,000 decrease in bad debt expense. The decrease in other income between Q1 2012 and Q2 2012 was due to the Company's South African subsidiaries' receipt of insurance claims in Q1 2012 for the underground damages incurred during the strike action in Q2 2011.

G&A decreased 22% from \$6,027,000 in 6M 2011 to \$4,695,000 in 6M 2012 mainly due to a \$1,551,000 decrease in G&A at the Company's South African subsidiaries. The decrease in G&A at the Company's South African subsidiaries was mainly due to a \$459,000 decrease in depreciation expense pertaining to assets purchased for the Mareesburg Project, a \$411,000 increase in other income, a \$253,000 decrease in

outsourced services, a \$176,000 decrease in legal fees and the depreciation of the Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R7.94:\$1.00 in 6M 2012 compared to R6.90:\$1.00 in 6M 2011.

Interest income recorded during the three and six months ended June 30, 2012 was \$897,000 and \$1,929,000, respectively, compared with \$1,413,000 and \$2,922,000, respectively, during the same periods in 2011. The decrease in interest income was mainly due to a decrease in cash balances at head office as a result of the cash expenditures for the Company's development of the Mareesburg/Kennedy's Vale open-pit and concentrator project.

During the three and six months ended June 30, 2012, the Company recorded a net income tax recovery of \$15,312,000 and \$12,475,000, respectively. The Company's net income tax recovery for the three months ended June 30, 2012 consists of current tax expense of \$137,000 and a deferred income tax recovery of \$15,449,000. The Company's net income tax recovery for the six months ended June 30, 2012 consists of current tax expense of \$208,000 and a deferred income tax recovery of \$12,683,000. The current tax expense was comprised of tax on income earned for non-mining activities, which consists primarily of the rental of CRM's residential properties. The deferred income tax recovery was based on changes in the Company's net assets. The consolidated statement of financial position reflects total deferred tax liabilities of \$20,424,000 which arose primarily as a result of the step-up to fair value of the net assets acquired on the Spitzkop and Mareesburg business acquisitions in prior years.

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#### **4. Liquidity and capital resources**

At June 30, 2012, the Company had working capital of \$171,726,000 (December 31, 2011 – \$240,236,000) and cash and cash equivalents and short-term investments of \$167,871,000 (December 31, 2010 – \$250,801,000) in highly liquid, fully guaranteed, bank sponsored instruments.

Working capital, cash and cash equivalents and short-term investments decreased during the six months ended June 30, 2012 as the Company incurred negative operating cash flows of approximately \$13 million at CRM, and spent approximately \$7 million in development costs at CRM, approximately \$47 million in the development of the Mareesburg/Kennedy's Vale open pit and concentrator, and approximately \$5 million in G&A. The Company's working capital and cash position were also affected by fluctuations in the exchange rates between the Rand and the U.S. dollar.

The Company had no long-term debt outstanding at June 30, 2012, other than a provision for environmental rehabilitation relating to CRM, Kennedy's Vale and Spitzkop.

In December 2011, the Company signed a definitive agreement with UniCredit Bank AG, London Branch and Standard Finance (Isle of Man) Limited (a subsidiary of The Standard Bank of South Africa Limited) for a U.S.\$100 million financing package. As a result of the Company's decision to suspend funding for the ongoing development of the Mareesburg open pit mine and the construction of the Kennedy's Vale concentrator, the Company terminated the definitive agreement for the U.S.\$100 million financing package in June 2012.

#### **4.1 Outlook**

The prices of PGMs have declined significantly in the last 18 months as a result of the ongoing weakness and volatility in the global financial markets, particularly in Europe which consumes approximately 50% of South Africa's platinum production. The Company is of the view that a near term recovery in PGM prices to sustainably appropriate levels is unlikely. In addition, the South African PGM industry is dealing with a number of other adverse economic factors, including unrelenting operating cost inflation,

unfavourable currency exchange rates, weak chrome prices, heightened concerns with respect to reliable power delivery and unplanned and unlawful labour actions.

In order to preserve its cash resources in the current operating environment, the Company has undergone a thorough analysis of the cash requirements for the operations at Crocodile River Mine (“CRM”) and for the development and construction of its Mareesburg open pit mine and Kennedy’s Vale concentrator project (the “Project”) and has concluded that the financial risk of continuing to mine at current rates and continuing to develop the Project is not merited. As a result, the Company has proposed to implement a comprehensive mine development plan at CRM to reduce costs and improve efficiencies and has proposed to suspend the funding to the Project so as to maintain the value in the resources planned to be mined. Overhead and administrative costs will also be targeted for reduction and non-critical expenditures will be deferred to beyond 2013.

The Company’s proposed plans are currently being implemented effectively and in keeping with the South African Labour Relations Act, the Company is undergoing the required consultation process with potentially affected employees and their representatives to review the need for possible restructuring and the potential implications to staffing levels as a result of the proposed plans.

Should there be a sustainable strengthening of PGM prices and marked improvement in operating conditions in South Africa, CRM can react quickly and can ramp up production at its Zandfontein section at any time, and development of the Project can be restarted, subject to adequate funding being available.

As a result of the Company’s decision to suspend funding for the Project, the Company has terminated the Facilities Agreement dated December 30, 2011 with UniCredit Bank AG, London Branch and Standard Finance (Isle of Man) Limited (a subsidiary of Standard Bank Group Limited) for the U.S.\$100 million financing package that was to be used to part fund the development costs of the Project. The Company and the banks have agreed to investigate the restructuring of the financing package when the Project is restarted. There is no assurance that a restructuring of the financing package will be available to the Company or, if available, that this funding will be on acceptable terms.

The Company does not believe that it will have sufficient funds in the form of cash and short-term investments to complete the development and construction of the Mareesburg open-pit and Kennedy’s Vale concentrator when the Project is restarted.

To bring the Project into production, and to bring the rest of the Eastern Limb projects (including Spitzkop and Kennedy’s Vale) into production, additional funding will be required and may include a restructuring of the financing package as described above, joint venture or other third party participation in one or more of these projects, or the public or private sales of equity or debt securities of the Company. There can be no assurance that additional funding will be available to the Company or, if available, that this funding will be on acceptable terms. If adequate funds are not available, including funds generated from producing operations, the Company may be required to delay or reduce the scope of these development projects.

## ***4.2 Impairment***

At June 30, 2012, the Company assessed the carrying values of its mineral properties for indication of impairment. The Company believes that certain factors, such as the suspension of funding for the Mareesburg open pit mine and Kennedy’s Vale concentrator project, a significant drop in production at CRM in 2011 and 2012 compared to 2010, the continued operational issues facing the South African PGM industry, and the volatility in the global financial markets, which has negatively affected PGM prices, have contributed to the decrease in the Company’s share price. In August 2011, the Company’s market capitalization fell below its book value and has remained below its book value since then.

During the quarter ended June 30, 2012, the Company determined that the carrying value of its Eastern Limb projects exceeded the expected net present value of its future cash flows. This resulted in a Q2 2012 impairment charge of \$88,278,000 that has been allocated pro-rata amongst the Kennedy's Vale, Spitzkop and Mareesburg PGM Projects. An impairment charge of \$47,445,000 was recorded at KV, of which \$32,557,000 pertained to mining assets owned and \$14,888,000 pertained to intangible mineral properties not being depleted. Impairment charges of \$32,802,000 and \$8,031,000 were recorded to the mineral properties not being depleted at the Spitzkop PGM Project and the Mareesburg Project, respectively. The Company concluded that as at June 30, 2012, there is no impairment of assets at CRM. Any changes to future market conditions and commodity prices may result in impairment, a further impairment or a reversal of impairment of any of the Company's mineral properties.

#### **4.3 Share capital**

During the three months ended June 30, 2012, the Company did not grant any stock options. There was no share-based payment expense recorded with regards to stock options granted and vested during the quarter. During Q2 2012, no options were exercised, 90,000 options were forfeited at a weighted average exercise price of Cdn\$2.31, and no options expired.

During the six months ended June 30, 2012, the Company granted 7,265,000 stock options at an exercise price of Cdn\$0.60 and total share-based payment expense with regards to stock options was \$2,340,000, which also takes into account the vesting of options. During the six months ended June 30, 2012, no options were exercised, 1,096,667 options were forfeited at a weighted average exercise price of Cdn\$1.73 and 19,987,500 options expired at a weighted average exercise price of Cdn\$1.82.

In 2010, the Company's South African subsidiary, Barplats Investments Limited, implemented a key skills retention plan for its senior employees in South Africa. The purpose of the plan is to retain key employees, attract new employees as the need arises and remain competitive with other South African mining companies. The plan operates through a trust which purchases shares of the Company on behalf of the employees. These shares then vest to the employees over time. In February 2011, the trust purchased 198,563 shares pursuant to the plan. The corresponding share-based payment expense was \$23,000 and \$36,000 for the three and six months ended June 30, 2012, and there was a share-based payment liability of \$63,000 as at June 30, 2012. The Trust has not purchased any shares since February 2011.

As at August 10, 2012, the Company had:

- 928,187,840 common shares outstanding; and
- 46,036,336 stock options outstanding, which are exercisable at prices ranging from Cdn\$0.32 to Cdn\$3.38 and which expire between 2013 and 2018.

#### **4.4 Contractual obligations, commitments and contingencies**

The Company's major contractual obligations and commitments at June 30, 2012 were as follows:

*Table 6*

(in thousands of U.S. dollars)				
	Total	Less than 1 year	1-5 years	More than 5 years
Provision for environmental rehabilitation	\$ 8,646	\$ -	\$ -	\$ 8,646
Capital expenditure and purchase commitments contracted at June 30, 2012 but not recognized on the consolidated statement of financial position	13,379	13,379	-	-
	\$ 22,025	\$ 13,379	\$ -	\$ 8,646

In June 2011, the Company became aware that the law firm of Siskinds LLP of London, Ontario, had filed a “Notice of Application” under the Class Action Proceedings Act, 1992, in the Ontario Superior Court of Justice against the Company and three of its directors and officers. The Notice of Application seeks permission of the Court to grant leave or permission to commence a lawsuit under the Securities Act of Ontario and other provinces in respect to certain alleged breaches of disclosure obligations. In July 2011, the Company and its officers and directors were served with court documents.

On June 18, 2012, the Company was served with the Plaintiff’s Application Record and Amended Notice of Application. No further steps had been taken in the action until this time. The Amended Notice of Application is no longer being brought on behalf of a class, and instead, is being brought by Brian Bradley in his individual capacity. The affidavits filed in support of the application state that should the applicant be successful in obtaining leave to file the statement of claim, the plaintiff would move for the certification of the action as a class proceeding. The Company believes the proposed action has no merit and intends to continue to vigorously defend the action.

The Company is also subject to claims and legal proceedings arising in the ordinary course of business activities, each of which is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. For matters that are probable and can be reasonably estimated, the Company establishes provisions in its financial statements. When evaluating legal proceedings that are pending against the Company, the Company and its legal counsel assess the perceived merits of the legal proceedings along with the perceived merits of the amount of relief sought. It is management’s opinion that there are currently no other claims expected to have a material effect on the results of operations or financial condition of the Company.

## 5. Related party transactions

A number of the Company’s executive officers are engaged under contract with those officers’ personal services companies. Other executive officers are paid directly via salary and directors’ fees. All share options are issued to the Company’s officers and directors, and not to their companies.

*Table 7*

(Expressed in thousands of U.S. dollars, except per share amounts)					
	Three months ended		Six months ended		
	June 30,		June 30,		
	2012	2011	2012	2011	
Trading transactions					
Management and consulting fees	\$ 398	\$ 453	\$ 943	\$ 845	
Reimbursements of expenses	90	37	192	55	
<b>Total trading transactions</b>	<b>\$ 488</b>	<b>\$ 490</b>	<b>\$ 1,135</b>	<b>\$ 900</b>	
Compensation of key management personnel					
Salaries and directors' fees	\$ 569	\$ 705	\$ 1,286	\$ 1,352	
Share-based payments	-	-	2,216	7,996	
<b>Total compensation of key management personnel</b>	<b>\$ 569</b>	<b>\$ 705</b>	<b>\$ 3,502</b>	<b>\$ 9,348</b>	

Management and consulting fees decreased during the three months ended June 30, 2012 mainly due to the depreciation of the Canadian dollar compared to the U.S. dollar. The average U.S. dollar-Canadian dollar exchange rate was Cdn\$1.0099:U.S.\$1.00 in Q2 2012 compared to Cdn\$0.9676:U.S.\$1.00 in Q2 2011. Management and consulting fees increased during the six months ended June 30, 2012 compared to the same period in 2011 mainly due to the issuance of a \$150,000 bonus to a consulting director in Q1

2012, which was partially offset by the depreciation of the Canadian dollar compared to the U.S. dollar. The average U.S. dollar-Canadian dollar exchange rate was Cdn\$1.0054:U.S.\$1.00 in Q2 2012 compared to Cdn\$0.9768:U.S.\$1.00 in Q2 2011.

Salaries and directors' fees decreased during the three months ended June 30, 2012 compared to the same period in 2011 as a result of the depreciation of the Canadian dollar compared to the U.S. dollar, combined with decreases in salaries paid to the Company's South African Managing Director who resigned in December 2011.

Share-based payments decreased from \$7,996,000 in Q2 2011 to \$2,216,000 in the six months ended June 30, 2012 due to the issuance of less stock options in 2012 compared to 2011, combined with a decrease in the grant date fair value of the share options granted in 2012 compared to 2011.

All related party transactions were recorded at the amounts agreed upon between the parties. Any balances payable are payable on demand without interest.

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## **6. Adoption of accounting standards and accounting pronouncements under IFRS**

### ***6.1 Application of new and revised IFRSs***

Effective January 1, 2012, the Company adopted a revised International Financial Reporting Standard ("IFRS") that was issued by the International Accounting Standards Board ("IASB"). The application of this revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

#### *(a) Amendments to IFRS 7 Financial Instruments: Disclosures*

Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

### ***6.2 Accounting standards issued but not yet effective***

#### *(a) Effective for annual periods beginning on or after July 1, 2012*

##### *(i) Amended standard IAS 1 Presentation of Financial Statements*

The amendment to IAS 1 revises the presentation of other comprehensive income.

#### *(b) Effective for annual periods beginning on or after January 1, 2013*

##### *(i) Amended standard IFRS 7 Financial Instruments: Disclosures*

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities.

##### *(ii) New standard IFRS 10 Consolidated Financial Statements*

IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements.

(iii) *New standard IFRS 11 Joint Arrangements*

IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement.

(iv) *New standard IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows.

(v) *New standard IFRS 13 Fair Value Measurement*

IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements.

(vi) *New interpretation IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*

IFRIC Interpretation 20 summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

(vii) *Amended standard IAS 19 Employee Benefits*

IAS 19 outlines the accounting treatment and required disclosures for employee benefits. The amendments applicable to the Company consist of modification of the accounting treatment for termination benefits and the clarification of miscellaneous issues including the classification of employee benefits.

(viii) *Amended standard IAS 27 Separate Financial Statements*

IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, non-consolidated, financial statements. The previous standard was titled *IAS 27 Consolidated and Separate Financial Statements*.

(ix) *Amended standard IAS 28 Investments in Associates and Joint Ventures*

IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting in investments in associates and joint ventures. The previous standard was titled *IAS 28 Investments in Associates*.

(c) *Effective for annual periods beginning on or after January 1, 2014*

(i) *Amended standard IAS 32 Financial Instruments: Presentation*

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.



(d) *Effective for annual periods beginning on or after January 1, 2015*

(i) *Amended standard IFRS 7 Financial Instruments: Disclosures*

The amendments to IFRS 7 outlines the disclosures required when initially applying *IFRS 9 Financial Instruments*.

(ii) *New standard IFRS 9 Financial Instruments*

Partial replacement of IAS 39 *Financial Instruments: Recognition and Measurement*

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the consolidated financial statements. IFRS 10, IFRS 11, IAS 27 and IAS 28 cannot be early adopted on a stand-alone basis and may only be early adopted as a group along with IFRS 12. Early adoption must be disclosed.

IFRS 12 disclosure is encouraged prior to adoption of the standard. This early disclosure does not require the entity to apply IFRS 10, IFRS 11, IAS 27 or IAS 28. IFRS 13 may be early adopted on a stand-alone basis so long as this fact is disclosed and the standard is applied prospectively as at the beginning of the annual reporting period in which the standard is initially applied.

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## **7. Internal control over financial reporting**

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) of the Company, together with the Company’s management, are responsible for the information disclosed in this MD&A and in the Company’s other external disclosure documents. For the three months ended June 30, 2012 and 2011, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company’s disclosure controls and procedures (“DCP”) to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in accordance with regulatory requirements and good business practices and that the Company’s DCP will enable the Company to meet its ongoing disclosure requirements.

The CEO and CFO have evaluated the effectiveness of the Company’s disclosure controls and procedures and have concluded that the design and operation of the Company’s DCP were effective as of June 30, 2012 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting (“ICFR”) within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (“IFRS”). Since 2009, the Company has used the services of an international accounting firm to act as the Company’s internal auditors for its South African operations. Under the supervision, and with the participation, of the CEO and the CFO, management conducted an evaluation of the effectiveness of the Company’s ICFR based on the framework in the *Internal Control – Integrated Framework* developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the CEO and the CFO concluded that the design and operation of the Company’s ICFR were effective as at June 30, 2012.

The scope of the Company’s design of DCP and ICFR excluded Gubevu Consortium Investment Holdings (Pty) Ltd., a subsidiary which is accounted for as a special purpose entity under IFRS. During

the design and evaluation of the Company's ICFR, management identified certain non-material deficiencies, a number of which have been addressed or are in the process of being addressed in order to enhance the Company's processes and controls. The Company employs entity level and compensating controls to mitigate any deficiencies that may exist in its process controls. Management intends to continue to further enhance the Company's ICFR.

The Company's management, including its CEO and CFO, believe that any DCP and ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

There have been no changes in the Company's ICFR during the three months ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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## **8. Cautionary statement on forward-looking information**

This MD&A, which contains certain forward-looking statements, is intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. These forward-looking statements pertain to assumptions regarding the price of PGMs, fluctuations in currency markets (specifically the Rand and the U.S. dollar), the future funding of the Company's projects, the future development of the Company's projects, the Company's plans for its properties, the anticipated timing for the awarding of tenders, and the accounting policies issued but not yet effective for the Company. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, the risk of fluctuations in the assumed exchange rates of currencies that directly impact the Company, such as Canadian dollar, South African Rand and U.S. dollar, the risk of fluctuations in the assumed prices of PGM and other commodities, the risk of changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, South Africa, or Barbados or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and assumed quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

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August 10, 2012

Ian Rozier