

Consolidated financial statements of

**Eastern Platinum Limited**

December 31, 2011 and 2010

# Eastern Platinum Limited

December 31, 2011

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## **Independent Auditor's Report**

To the Shareholders of  
Eastern Platinum Limited

We have audited the accompanying consolidated financial statements of Eastern Platinum Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, comprehensive (loss) income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***(Signed) Deloitte & Touche LLP***

Chartered Accountants  
Vancouver, British Columbia  
March 5, 2012

# Eastern Platinum Limited

## Consolidated income statements

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

	Note	Year ended December 31, 2011	Year ended December 31, 2010
<b>Revenue</b>		<b>\$ 113,203</b>	<b>\$ 155,000</b>
Cost of operations			
Production costs		114,614	109,901
Depletion and depreciation	7	20,451	22,507
Impairment	7(e), 16	46,327	-
		<b>181,392</b>	<b>132,408</b>
<b>Mine operating (loss) earnings</b>		<b>(68,189)</b>	<b>22,592</b>
Expenses			
General and administrative	7(d)	11,847	12,117
Share-based payments	8(f)(g)	8,325	1,452
		<b>20,172</b>	<b>13,569</b>
Operating (loss) profit		<b>(88,361)</b>	9,023
Other income (expense)			
Interest income		5,529	1,797
Finance costs	9	(1,549)	(1,807)
Foreign exchange loss		(2,551)	(160)
(Loss) profit before income taxes		<b>(86,932)</b>	8,853
Income tax (expense) recovery	10	(56)	924
<b>Net (loss) profit for the year</b>		<b>\$ (86,988)</b>	<b>\$ 9,777</b>
<b>Attributable to</b>			
Non-controlling interest	11	\$ (10,443)	\$ (3,575)
Equity shareholders of the Company		(76,545)	13,352
<b>Net (loss) profit for the year</b>		<b>\$ (86,988)</b>	<b>\$ 9,777</b>
(Loss) earnings per share			
Basic	12	\$ (0.08)	\$ 0.02
Diluted	12	\$ (0.08)	\$ 0.02
Weighted average number of common shares outstanding in thousands			
Basic	12	908,199	683,177
Diluted	12	908,199	694,839

## Eastern Platinum Limited

Consolidated statements of comprehensive (loss) income  
(Expressed in thousands of U.S. dollars)

	Year ended December 31, 2011	Year ended December 31, 2010
Net (loss) profit for the year	\$ (86,988)	\$ 9,777
Other comprehensive (loss) income		
Exchange differences on translating foreign operations	(120,935)	70,355
Exchange differences on translating non-controlling interest	(268)	762
Comprehensive (loss) income for the year	<u>\$ (208,191)</u>	<u>\$ 80,894</u>
Attributable to		
Non-controlling interest	(10,711)	(2,813)
Equity shareholders of the Company	(197,480)	83,707
Comprehensive (loss) income for the year	<u>\$ (208,191)</u>	<u>\$ 80,894</u>

# Eastern Platinum Limited

Consolidated statements of financial position as at

December 31, 2011 and 2010

(Expressed in thousands of U.S. dollars)

	Note	December 31, 2011	December 31, 2010
<b>Assets</b>			
Current assets			
Cash and cash equivalents	13	\$ 151,838	\$ 107,846
Short-term investments		98,963	242,446
Trade and other receivables	14	23,580	33,787
Inventories	15	7,989	8,832
		<b>282,370</b>	<b>392,911</b>
Non-current assets			
Property, plant and equipment	7	615,439	715,976
Refining contract	16	9,009	14,265
Other assets	17	7,995	3,823
		<b>\$ 914,813</b>	<b>\$ 1,126,975</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	18	\$ 40,459	\$ 27,009
Finance leases	19	1,675	3,211
		<b>42,134</b>	<b>30,220</b>
Non-current liabilities			
Provision for environmental rehabilitation	20	8,390	8,934
Deferred tax liabilities	10	33,520	46,642
		<b>84,044</b>	<b>85,796</b>
<b>Equity</b>			
Issued capital	8	1,230,358	1,219,869
Treasury shares	8(g)	(334)	-
Equity-settled employee benefits reserve		41,563	33,390
Foreign currency translation reserve		(103,479)	17,456
Deficit		(333,856)	(236,764)
Capital and reserves attributable to equity shareholders of the Company		<b>834,252</b>	<b>1,033,951</b>
Non-controlling interest	11	(3,483)	7,228
		<b>830,769</b>	<b>1,041,179</b>
		<b>\$ 914,813</b>	<b>\$ 1,126,975</b>

Approved and authorized for issue by the Board on March 5, 2012.

**"David Cohen"**

David Cohen, Director

**"Robert Gayton"**

Robert Gayton, Director

## Eastern Platinum Limited

### Consolidated statements of changes in equity

(Expressed in thousands of U.S. dollars, except number of shares)

	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, 2009</b>	<b>\$ 890,150</b>	<b>\$ -</b>	<b>\$ 32,336</b>	<b>\$ (52,899)</b>	<b>\$ (250,116)</b>	<b>\$ 619,471</b>	<b>\$ 10,041</b>	<b>\$ 629,512</b>
Net profit	-	-	-	-	13,352	13,352	(3,575)	9,777
Currency translation adjustment	-	-	-	70,355	-	70,355	762	71,117
Total comprehensive income	-	-	-	70,355	13,352	83,707	(2,813)	80,894
Public offering	345,391	-	-	-	-	345,391	-	345,391
Share issuance costs	(16,501)	-	-	-	-	(16,501)	-	(16,501)
Stock options exercised	829	-	(398)	-	-	431	-	431
Share-based payments	-	-	1,452	-	-	1,452	-	1,452
<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	-	-	-	-	(76,545)	(76,545)	(10,443)	(86,988)
Currency translation adjustment	-	-	-	(120,935)	-	(120,935)	(268)	(121,203)
Total comprehensive loss	-	-	-	(120,935)	(76,545)	(197,480)	(10,711)	(208,191)
Acquisition of Lion's Head (Note 6)	10,389	-	-	-	(20,547)	(10,158)	-	(10,158)
Stock options exercised	100	-	(100)	-	-	-	-	-
Share-based payments	-	-	8,193	-	-	8,193	-	8,193
Treasury shares	-	(334)	80	-	-	(254)	-	(254)
<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>

# Eastern Platinum Limited

## Consolidated statements of cash flows

(Expressed in thousands of U.S. dollars)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
<b>Operating activities</b>			
(Loss) profit before income taxes		\$ (86,932)	\$ 8,853
Adjustments to net (loss) profit for non-cash items			
Impairment	7(e), 16	46,327	-
Depletion and depreciation	7	21,170	22,507
Refining contract amortization	16	1,530	1,513
Environmental expense		409	-
Loss on disposal of property, plant and equipment		67	-
Share-based payments	8(f)(g)	8,325	1,452
Interest income		(5,529)	(1,797)
Finance costs	9	1,549	1,807
Foreign exchange loss		2,551	160
Allowance for bad debts	14(b)	528	-
Net changes in non-cash working capital items			
Trade and other receivables		4,147	(2,318)
Inventories		(828)	(3,040)
Trade and other payables		3,299	1,322
<b>Cash (used in) generated from operations</b>		<b>(3,387)</b>	<b>30,459</b>
Adjustments to net (loss) profit for cash items			
Interest income received		4,917	1,767
Finance costs paid		(243)	(252)
Net taxes received		126	-
<b>Net operating cash flows</b>		<b>1,413</b>	<b>31,974</b>
<b>Investing activities</b>			
Net maturity of short-term investments		137,999	(223,118)
Purchase of other assets		(5,387)	(1,129)
Property, plant and equipment expenditures		(87,048)	(32,991)
Disposal of property, plant and equipment		232	-
Acquisition related dividend refund received		228	-
<b>Net investing cash flows</b>		<b>46,024</b>	<b>(257,238)</b>
<b>Financing activities</b>			
Common shares issued for cash, net of share issue costs - public financing		-	328,890
Common shares issued for cash - exercise of stock options		-	423
Payment of finance leases		(1,205)	(2,161)
<b>Net financing cash flows</b>		<b>(1,205)</b>	<b>327,152</b>
Effect of exchange rate changes on cash and cash equivalents		(2,240)	(1,291)
Increase in cash and cash equivalents		43,992	100,597
Cash and cash equivalents, beginning of year		107,846	7,249
<b>Cash and cash equivalents, end of year</b>		<b>\$ 151,838</b>	<b>\$ 107,846</b>

# Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

## 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 consolidated financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

### (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).

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

Effective January 1, 2011, the Company adopted new and revised International Financial Reporting Standards (“IFRSs”) that were issued by the International Accounting Standards Board (“IASB”). The application of these new and revised IFRSs 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.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

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

(a) *Amendment to IAS 32 Financial Instruments: Presentation*

Rights, options or warrants to acquire a fixed number of the Company's equity instruments for a fixed amount of any currency will be allowed to be classified as equity instruments so long as the Company offers the rights, options or warrants pro rata to all of the Company's existing owners of the same class of the Company's non-derivative equity instruments.

(b) *Amendments to IFRS 3 Business Combinations*

Clarification that the contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 that is outstanding at the adoption date continues to be accounted for in accordance with IFRS 3.

Limiting the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation.

Expansion of the guidance with regards to the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards.

(c) *Amendments to IAS 27 Consolidated and Separate Financial Statements*

Clarification that the amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates*, and IAS 31 *Interests in Joint Ventures* resulting from IAS 27 should be applied prospectively, except for amendments resulting from renumbering.

(d) *Amendments to IFRS 7 Financial Instruments: Disclosures*

Amendment to disclosure requirements, specifically, ensuring qualitative disclosures are made in close proximity to quantitative disclosures in order to better enable financial statement users to evaluate an entity's exposure to risks arising from financial instruments.

(e) *Amendments to IAS 1 Presentation of Financial Statements*

Clarification that the breakdown of changes in equity resulting from transactions recognized in other comprehensive income is required to be presented in the statement of changes in equity or in the notes to the financial statements.

(f) *Amendments to IAS 24 Related Party Disclosures*

Amendment of the definition for related parties.

(g) *Amendments to IAS 34 Interim Financial Reporting*

Addition of further examples of events or transactions that require disclosure and removal of references to materiality when discussing other minimum disclosures.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

### 4. Summary of significant accounting policies

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The Company's principal accounting policies are outlined below:

#### (a) *Basis of consolidation*

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries, including special purpose entities). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

Special Purpose Entities ("SPE's") as defined in SIC 12 *Consolidation – Special Purpose Entities* are entities which are created to accomplish a narrow and well-defined objective (e.g. to act as a Black Economic Empowerment ("BEE") partner). SPE's are subject to consolidation when there is an indication that an entity controls the SPE. The Company has determined that its investment in Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu") is a SPE that the Company controls. The accounts of Gubevu are consolidated with those of the Company.

#### (b) *Business combinations*

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Any costs directly attributable to the business combination are generally recognized in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

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

#### (c) Presentation currency

The Company's presentation currency is the U.S. dollar ("\$"), as is general practice within the mining industry. The functional currencies of the Company and its South African subsidiaries are the Canadian Dollar and South African Rand ("ZAR"), respectively. These consolidated financial statements have been translated to the U.S. dollar in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period).

#### (d) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

#### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific criteria must be met before revenue is recognized:

##### (i) Sale of goods

Revenue from the sale of platinum group and other metals is recognized when all of the following conditions are satisfied:

- the specific risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

The sale of platinum group and other metals is provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue on these sales is initially recognized (when the conditions above are met) at the current market price. The difference between the present value and the future value of the current market price is recognized as interest income over the term of settlement. Subsequent to initial recognition but prior to settlement, sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark to market adjustment is recorded in revenue.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

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

(e) *Revenue recognition*

(ii) *Rental income*

Rental income from residential properties is recognized on a straight-line basis over the term of the lease.

(iii) *Interest income*

Interest income is recognized in profit or loss as it accrues, using the effective interest method.

(f) *Share-based payments*

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

(g) *Finance costs*

Finance costs comprise interest payable on revenue advances, finance leases, provision for environmental rehabilitation and other borrowings. Interest payable on borrowings is calculated using the effective interest method and foreign exchange gains and losses on foreign currency borrowings.

(h) *Income taxes*

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

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

#### (h) *Income taxes (continued)*

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### (i) *Earnings (loss) per share*

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

#### (j) *Comprehensive income (loss)*

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

#### (k) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

#### (l) *Short-term investments*

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

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

#### (m) Inventories

Inventories, comprising stockpiled ore, concentrate awaiting further processing and sale, and chrome inventory are valued at the lower of cost and net realizable value. Consumables are valued at cost except when inventories are written down to net realizable value, in which case consumables are valued at the lower of cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Cost is determined using the weighted average method and includes direct mining expenditures and an appropriate portion of normal overhead expenditure. In the case of concentrate, direct concentrate costs are also included. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow moving stores are identified and written down to net realizable values.

#### (n) Property, plant and equipment

##### (i) Mining assets

Assets owned and mineral properties being depleted are recorded at cost less accumulated depreciation and accumulated impairment losses. Mineral properties not being depleted are recorded at cost less accumulated impairment losses. All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mineral properties being depleted and amortized using the units-of-production method following commencement of production. Interest on borrowings incurred to finance mining assets is capitalized until the asset is capable of carrying out its intended use.

Mining properties and mining and process facility assets are amortized on a units-of-production basis which is measured by the portion of the mine's proven and probable ore reserves recovered during the period. Capital work-in-progress, which is included in mining assets, is not depreciated until the assets are ready for their intended use.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

##### (ii) Residential properties and other property, plant and equipment

Residential properties and other property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. These assets are depreciated using the straight-line method based on estimated useful lives, which generally range from 5 to 7 years, with the exception of residential properties and mine houses whose estimated useful lives are 50 years and office buildings whose estimated useful lives are 20 years. Land is not depreciated.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

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

(n) *Property, plant and equipment (continued)*

(ii) *Residential properties and other property, plant and equipment (continued)*

Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

(iii) *Leased assets*

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as discussed in Note 4(q).

(iv) *Subsequent Costs*

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

(v) *Impairment*

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

(n) *Property, plant and equipment (continued)*

(v) *Impairment (continued)*

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(vi) *Reversal of impairment*

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

(o) *Refining contract*

The Company sells substantially all its PGM concentrate to one customer under the terms of an off-take or refining contract. The refining contract is amortized over the original life of the contract, estimated to be fifteen years, commencing in mid 2004. An evaluation of the carrying value of the contract is undertaken whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(p) *Financial assets*

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available for sale ("AFS"); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) *FVTPL financial assets*

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

#### (p) *Financial assets (continued)*

##### (i) *FVTPL financial assets (continued)*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company does not have any assets classified as FVTPL financial assets.

##### (ii) *HTM investments*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

##### (iii) *AFS financial assets*

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and are accumulated in the investments revaluation reserve. To date, these gains and losses have not been significant due to the nature of the underlying investment. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of debt instruments is recognized in profit or loss, while other changes are recognized in equity.

##### (iv) *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

(p) *Financial assets (continued)*

(v) *Effective interest method*

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(vi) *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(vii) *Derecognition of financial assets*

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

#### (q) Leases

##### (i) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the corresponding lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

##### (ii) The Company as lessee

Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

#### (r) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

#### (s) Environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

#### (s) *Environmental rehabilitation (continued)*

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

#### (t) *Employee benefits*

##### (i) *Employee post-retirement obligations – defined contribution retirement plan*

The Company's South African subsidiaries operate a defined contribution retirement plan for its employees. The pension plan is funded by payments from the employees and the subsidiaries and payments are charged to profit and loss for the period as incurred. The assets of the different plans are held by independently managed trust funds. The South African Pension Funds Act of 1956 governs these funds.

##### (ii) *Leave pay*

Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at period end.

#### (u) *Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

##### (i) *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified trade and other payables, short-term financial liabilities and long-term financial liabilities as other financial liabilities.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

(u) *Financial liabilities and equity (continued)*

(ii) *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(v) *Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

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

Please refer to Note 4(n)(v).

(ii) *Rehabilitation provision*

The future value of the provision for environmental rehabilitation was determined using an inflation rate of 6.00% (December 31, 2010 – 5.49%) and an estimated life of mine of 20 years for Zandfontein (December 31, 2010 – 20 years), 9 years for Maroelabult (December 31, 2010 – 11 years), 16 years for Crocette (December 31, 2010 – 14 years), 21 years for Kennedy's Vale (December 31, 2010 – 1 year) and 21 years for Spitzkop (December 31, 2010 – 22 years). The provision has been discounted to present value at a discount rate of 8.47% (December 31, 2010 – 8.29%).

(w) *Critical accounting judgments*

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

(i) *Determination of functional currency*

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currencies of Eastern Platinum Limited and its South African subsidiaries are the Canadian Dollar and South African Rand ("ZAR"), respectively, as these are the currencies of the primary economic environment in which the companies operate.

(ii) *Useful life of assets*

At December 31, 2011 the remaining life of mine for Zandfontein, Maroelabult, Crocette, Kennedy's Vale and Spitzkop was assessed at 20 years, 9 years, 16 years, 21 years and 21 years, respectively (December 31, 2010 – 20 years, 11 years, 14 years, 1 year and 22 years, respectively) based on proven and probable ore reserves. The change in remaining mine life will be evaluated each year as the reserves move to the proven and probable category.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

(w) *Critical accounting judgments (continued)*

(iii) *Depreciation rates*

The estimated maximum useful lives of property, plant and equipment are:

<hr/>	
Mining assets owned	
Underground and other assets	Life of mine
Mine houses	50 years
Office buildings	20 years
Plant	Life of mine
Computer equipment	3 years
Mining assets leased	5 years
Mineral properties being depleted	Life of mine
Residential properties	50 years
Properties and land	50 years

(x) *Accounting standards issued but not yet effective*

(i) *Effective for annual periods beginning on or after July 1, 2011*

- *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.

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

- *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.

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
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### 4. Summary of significant accounting policies (continued)

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

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

- 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.

- 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, 2015*

- 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

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### 5. Subsidiaries and associates

#### (a) Subsidiaries

Details of the Company's subsidiaries at December 31, 2011 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			December 31, 2011	December 31, 2010
Eastern Platinum Holdings Limited	Holding company	BVI (i)	100%	100%
Eastplats Holdings Limited	Holding company	BVI (i)	100%	100%
Eastplats Acquisition Co. Ltd.	Holding company	BVI (i)	100%	100%
Eastplats International Incorporated	Holding company	Barbados	100%	100%
Royal Anthem Investments 134 (Pty) Ltd.	Holding company	South Africa	100%	100%
Spitzkop Joint Venture	Mining	South Africa	93.37%	93.37%
Barplats Investments Limited	Mining	South Africa	87.49%	87.49%
Spitzkop Platinum (Pty) Ltd.	Mining	South Africa	86.74%	86.74%
Mareesburg Joint Venture	Mining	South Africa	87%	75.5%
Lion's Head Platinum (Pty) Ltd.	Holding company	South Africa	74%	51%
Gubevu Consortium Investment Holdings (Pty) Ltd. (ii)	Holding company	South Africa	49.99%	49.99%

(i) British Virgin Islands ("BVI")

(ii) The Company has determined that its investment in Gubevu Consortium Investment Holdings (Pty) Ltd. is a Special Purpose Entity.

#### (b) Associates

Details of the Company's associates at December 31, 2011 are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			December 31, 2011	December 31, 2010
Afriminerall Holdings (Pty) Ltd.	Holding company	South Africa	49%	49%

## Eastern Platinum Limited

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### 6. 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 18).

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

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### 7. 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, 2009</b>	<b>\$ 426,223</b>	<b>\$ 6,132</b>	<b>\$ 136,100</b>	<b>\$ 546,122</b>	<b>\$ 10,071</b>	<b>\$ 6,978</b>	<b>\$ 1,131,626</b>
Assets acquired	32,444	-	-	261	286	-	32,991
Foreign exchange movement	56,520	768	17,040	58,901	1,275	874	135,378
<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>
<b>Accumulated depreciation and impairment losses</b>							
<b>Balance as at December 31, 2009</b>	<b>\$ 126,944</b>	<b>\$ 3,691</b>	<b>\$ 20,765</b>	<b>\$ 342,322</b>	<b>\$ 2,296</b>	<b>\$ 830</b>	<b>\$ 496,848</b>
Depreciation	15,452	1,244	5,676	-	135	-	22,507
Foreign exchange movement	17,574	598	3,224	42,862	302	104	64,664
<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>
<b>Carrying amounts</b>							
At December 31, 2009	\$ 299,279	\$ 2,441	\$ 115,335	\$ 203,800	\$ 7,775	\$ 6,148	\$ 634,778
At December 31, 2010	\$ 355,217	\$ 1,367	\$ 123,475	\$ 220,100	\$ 8,899	\$ 6,918	\$ 715,976
<b>At December 31, 2011</b>	<b>\$ 310,613</b>	<b>\$ 395</b>	<b>\$ 84,973</b>	<b>\$ 196,532</b>	<b>\$ 17,286</b>	<b>\$ 5,640</b>	<b>\$ 615,439</b>

## Eastern Platinum Limited

Notes to the consolidated financial statements

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### 7. 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, 2009</b>	<b>\$ 585,376</b>	<b>\$ 400,017</b>	<b>\$ 118,994</b>	<b>\$ 27,111</b>	<b>\$ 128</b>	<b>\$ 1,131,626</b>
Assets acquired	32,728	-	47	214	2	32,991
Foreign exchange movement	76,470	50,082	7,316	1,503	7	135,378
<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>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance as at December 31, 2009</b>	<b>\$ 154,417</b>	<b>\$ 342,322</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109</b>	<b>\$ 496,848</b>
Depreciation	22,500	-	-	-	7	22,507
Foreign exchange movement	21,796	42,861	-	1	6	64,664
<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>
<b>Carrying amounts</b>						
At December 31, 2009	\$ 430,959	\$ 57,695	\$ 118,994	\$ 27,111	\$ 19	\$ 634,778
At December 31, 2010	\$ 495,861	\$ 64,916	\$ 126,357	\$ 28,827	\$ 15	\$ 715,976
<b>At December 31, 2011</b>	<b>\$ 338,087</b>	<b>\$ 133,746</b>	<b>\$ 115,493</b>	<b>\$ 28,103</b>	<b>\$ 10</b>	<b>\$ 615,439</b>

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010  
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

### 7. 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. Development of the Crocette section was put on hold in December 2011.

(b) *Kennedy's Vale Project ("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 is currently in progress and is expected to be completed in the first quarter of 2013. The concentrator will initially be 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 is currently in progress and is expected to be completed in the first quarter of 2013. The Spitzkop PGM Project is planned to be developed after the Mareesburg Project goes into production.

(d) *Depreciation*

Depreciation of \$719 (December 31, 2010 – \$Nil) is included in general and administrative expenses for the twelve months ended December 31, 2011. This depreciation pertains to assets which are not currently being used for mining operations.

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

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 \$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 consolidated financial statements

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

### 7. 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

#### (f) Assets pledged as security

As at December 31, 2011, \$338,087 of property, plant and equipment has been pledged as security for the \$100 million credit facility (December 31, 2010 – Nil).

### 8. 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:

		December 31,	
		2011	2010
	Note	Number of shares	Number of shares
Balance outstanding, beginning of period		<b>907,589,567</b>	680,893,325
Lion's Head acquisition	8(d)	<b>20,000,000</b>	-
Public offering	8(e)	-	224,250,000
Shares issued upon option exercise	8(f)	<b>598,273</b>	2,446,242
Balance outstanding, end of period		<b>928,187,840</b>	907,589,567

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 8. Issued capital (continued)

#### (c) Treasury shares

	December 31, 2011	December 31, 2010
	Number of treasury shares	Number of treasury shares
Balance outstanding, beginning of period	-	-
Purchase of shares pursuant to Key Skills Retention Plan [Note 8(g)]	<b>198,563</b>	-
Balance outstanding, end of period	<b>198,563</b>	-

#### (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 6).

#### (e) December 30, 2010 Public Offering

On December 30, 2010, the Company completed a public offering (the "Public Offering"). The Public Offering consisted of 224,250,000 common shares, of which 195,361,476 common shares were sold at a price of Cdn\$1.55 and 28,888,524 common shares were sold at a price of £0.9568. Share issue costs of Cdn\$16,501 were incurred.

#### (f) 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 19,144,497 remain available for issuance at December 31, 2011.
- All outstanding options at June 9, 2011 granted under the Company's previous plan (the "2008 Plan") will 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.

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 8. Issued capital (continued)

#### (f) Share options (continued)

- 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 during the year

The changes in share options during the years ended December 31, 2011 and 2010 were as follows:

	December 31, 2011		December 31, 2010	
	Number of options	Weighted average exercise price Cdn\$	Number of options	Weighted average exercise price Cdn\$
Balance outstanding, beginning of year	57,976,836	1.52	59,575,834	1.48
Options granted	9,875,000	1.55	2,231,000	1.30
Options exercised	(741,333)	0.32	(2,794,995)	0.33
Options forfeited	(7,255,000)	1.71	(1,035,003)	1.82
Balance outstanding, end of year	59,855,503	1.52	57,976,836	1.52

598,273 shares were issued upon the exercise of 741,333 share options during the year ended December 31, 2011. All 741,333 options exercised were non-cash exercises in accordance with the 2011 Plan's share appreciation rights. The weighted average closing share price at the date of exercise was Cdn\$1.66.

Options granted and exercised during the year ended December 31, 2011 resulted in share-based payment expense of \$8,193 (December 31, 2010 - \$1,452).

#### (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:

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 consolidated financial statements

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

### 8. Issued capital (continued)

(f) *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.

<u>2010</u>	
<u>January 18</u>	
Exercise price	Cdn\$1.30
Closing market price on day preceding date of grant	Cdn\$1.30
Grant date share price	Cdn\$1.42
Risk-free interest rate	1.73%
Expected life	3 years
Annualized volatility	83%
Dividend rate	0%
<u>Grant date fair value</u>	<u>Cdn\$0.80</u>

Exercise price for the January 18, 2010 option issuance is equivalent to the closing market price on the day preceding the date the options were granted, as defined by the 2008 Plan.

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

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

The following table summarizes information concerning outstanding and exercisable options at December 31, 2011:

Options outstanding	Options exercisable	Exercise price	Remaining Contractual Life (Years)	Expiry date
		Cdn\$		
19,987,500	19,987,500	1.82	0.19	March 7, 2012
13,772,001	13,772,001	0.32	1.97	December 18, 2013
400,000	400,000	0.52	2.50	June 30, 2014
75,002	75,002	0.76	2.84	November 3, 2014
2,226,000	2,226,000	1.30	3.06	January 18, 2015
9,875,000	9,875,000	1.55	4.24	March 25, 2016
12,950,000	12,950,000	2.31	5.77	October 5, 2017
400,000	400,000	3.38	6.15	February 20, 2018
170,000	170,000	3.38	6.24	March 27, 2018
<u>59,855,503</u>	<u>59,855,503</u>		<u>2.66</u>	

The weighted average exercise price of options exercisable at December 31, 2011 is Cdn\$1.52.

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 8. Issued capital (continued)

#### (g) 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.

In February, 2011, the Trust purchased 198,563 shares pursuant to the plan which resulted in a share-based payment expense of \$132 in the year ended December 31, 2011, and a share-based payment liability of \$48 at December 31, 2011. These shares have been recorded as "treasury shares" in the statement of financial position.

### 9. Finance costs

	December 31, 2011	December 31, 2010
Interest on revenue advances	\$ 476	\$ 614
Interest on finance leases	178	277
Interest on provision for environmental rehabilitation	676	694
Interest on tax	215	209
Other interest	4	13
	<u>\$ 1,549</u>	<u>\$ 1,807</u>

### 10. Income taxes

The income tax recognized in profit or loss comprises of:

	December 31, 2011	December 31, 2010
Deferred tax recovery relating to the origination and reversal of temporary differences	\$ 4,901	\$ 924
Current tax	(4,957)	-
Total income tax	<u>\$ (56)</u>	<u>\$ 924</u>

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 10. Income taxes (continued)

	December 31, 2011	December 31, 2010
Statutory tax rate	<b>26.50%</b>	28.50%
Expected tax expense (recovery) on (profit) loss before income tax	\$ (23,036)	\$ 2,523
Difference in tax rates between foreign jurisdictions and Canada	<b>(11,210)</b>	(9,365)
Items not deductible for income tax purposes	<b>9,537</b>	534
Secondary tax on companies	<b>4,546</b>	-
Tax losses not recognized	<b>20,219</b>	4,572
Change in tax estimates	-	812
<b>Income tax expense (recovery)</b>	<b>\$ 56</b>	<b>\$ (924)</b>

The approximate tax effect of each item that gives rise to the Company's deferred tax liabilities are as follows:

	December 31, 2011	December 31, 2010
Non-capital loss carry forwards	\$ 19,879	\$ 12,031
Share issue costs	<b>2,436</b>	3,582
Accumulated cost base difference on assets and other	<b>(32,534)</b>	(43,517)
Deferred receipts	<b>(555)</b>	(6,102)
Deferred tax liabilities before valuation allowance	\$ (10,774)	\$ (34,006)
Less valuation allowance	<b>(22,746)</b>	(12,636)
<b>Total deferred tax liabilities</b>	<b>\$ (33,520)</b>	<b>\$ (46,642)</b>

The movement between the opening and closing balances was recognized in profit or loss and in foreign currency translation reserve.

At December 31, 2011, the Company has non-capital losses of approximately Cdn\$29,471 (December 31, 2010 – Cdn\$20,679) available to apply against future Canadian income for tax purposes. In South Africa, the Company has unredeemed capital expenditures available for utilization against future taxable income and estimated tax losses of approximately R3.5 billion (December 31, 2010 – R3.3 billion). The South African losses do not expire unless the Company's mining activities cease. The Canadian non-capital losses will expire as follows (in thousands of Canadian dollars):

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 10. Income taxes (continued)

	Cdn\$ (000's)
2015	\$ 2,780
2026	3,224
2027	9,498
2028	4,217
2029	75
2030	8,665
2031	1,012
	<u>\$ 29,471</u>

At December 31, 2011, the Company had capital losses of Cdn\$1,569 available to apply against future capital gains in Canada.

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net profit or loss, tax assets and operating loss carry-forwards. The Company provides for such reassessments when it is probable that a taxation authority will not sustain the Company's filing position and the amount of the tax exposure can be reasonably estimated. As at December 31, 2011, no provisions have been made in the financial statements for any estimated tax liability.

### 11. Non-controlling interest

The non-controlling interests are comprised of the following:

Balance, December 31, 2009	\$ 10,041
Non-controlling interests' share of loss in Barplats	(866)
Non-controlling interests' share of interest on advances to Gubevu	(2,709)
Foreign exchange movement	762
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)
<b>Balance, December 31, 2011</b>	<b>\$ (3,483)</b>

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 12. Earnings 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:

	December 31, 2011	December 31, 2010
	(in thousands)	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	908,199	683,177
Shares deemed to be issued for no consideration in respect of options	-	11,662
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	908,199	694,839

The loss used to calculate basic and diluted earnings per share for the year ended December 31, 2011 was \$76,545 (December 31, 2010 – earnings of \$13,352).

The following potential ordinary shares, outstanding at December 31, 2011, are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	December 31, 2011	December 31, 2010
	(in thousands)	
Options	45,609	40,663

### 13. Cash and cash equivalents

Cash and cash equivalents are comprised of:

	December 31, 2011	December 31, 2010
Cash in bank	\$ 110,150	\$ 102,654
Short-term money market instruments	41,688	5,192
	\$ 151,838	\$ 107,846

### 14. Trade and other receivables

Trade and other receivables are comprised of the following:

	December 31, 2011	December 31, 2010
Trade receivables	\$ 11,550	\$ 30,142
Current tax receivable	738	1,283
Other receivables	11,820	2,556
Allowance for doubtful debts for other receivables	(528)	(194)
	\$ 23,580	\$ 33,787

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 14. Trade and other receivables (continued)

As at December 31, 2011, \$18,360 of trade and other receivables has been pledged as security for the \$100 million credit facility (December 31, 2010 – Nil).

#### (a) Aging of past due, but not impaired

The average credit period of PGM sales is 4 months. The Company has the right to request up to a 90% advance on payment, payable 1 month subsequent to sale. The Company has financial risk management policies in place to ensure that all receivables are received within the pre-agreed credit terms.

Included in trade and other receivables are receivables with a carrying value of \$124 (December 31, 2010 - \$152) that are past due but have not been provided for. For the years ended December 31, 2011 and 2010, substantially all of the Company's PGM production was sold to one customer and there was no significant change in the credit quality of this customer over that time. The past due amounts are considered recoverable.

	December 31, 2011	December 31, 2010
Less than 5 months	\$ -	\$ -
5 months and greater	124	152
	<b>\$ 124</b>	<b>\$ 152</b>

#### (b) Movement in the allowance for doubtful debts

	December 31, 2011	December 31, 2010
Opening balance	\$ 194	\$ 74
Impairment losses recognized on receivables	413	116
Amounts written off during the year as uncollectible	-	(16)
Foreign exchange translation gains and losses	(79)	20
<b>Closing balance</b>	<b>\$ 528</b>	<b>\$ 194</b>

#### (c) Aging of impaired receivables

	December 31, 2011	December 31, 2010
Less than 4 months	32	46
Greater than 4 months	496	148
	<b>\$ 528</b>	<b>\$ 194</b>

At December 31, 2011, other receivables of \$528 (December 31, 2010 - \$194) were impaired and provided for. These receivables were for rental income, royalties and scrap sales. Impairment was determined based on payment history and how far past due the receivables were.

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 15. Inventories

	December 31, 2011	December 31, 2010
Consumables	\$ 5,348	\$ 6,607
Ore and concentrate	634	477
Chrome inventory	2,007	1,748
	<b>\$ 7,989</b>	<b>\$ 8,832</b>

Production costs for the year ended December 31, 2011 was \$114,614 (December 31, 2010 - \$109,901). Production costs represent the cost of inventories sold during the period. For the years ended December 31, 2011 and 2010 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.

### 16. 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 7.5 years as at December 31, 2011.

#### Cost

Balance as at December 31, 2009	\$ 21,122
Foreign exchange movement	2,645
Balance as at December 31, 2010	\$ 23,767
Foreign exchange movement	(4,385)
<b>Balance as at December 31, 2011</b>	<b>\$ 19,382</b>

#### Accumulated amortization

Balance as at December 31, 2009	\$ 6,953
Amortization	1,513
Foreign exchange movement	1,036
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>\$ 10,373</b>

#### Carrying amounts

At December 31, 2009	\$ 14,169
At December 31, 2010	\$ 14,265
<b>At December 31, 2011</b>	<b>\$ 9,009</b>

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 16. Refining Contract (continued)

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.

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.

		2012	2013	2014	2015	2016	2017+
South African Rand							
	per US 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

### 17. 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 20). Changes to other assets for the year ended December 31, 2011 are as follows:

Balance, December 31, 2009	\$	2,282
Additional investment	\$	955
Service fees		(8)
Interest income		185
Foreign exchange movement		409
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>

### 18. Trade and other payables

	December 31, 2011	December 31, 2010
Trade payables	\$ 8,133	\$ 10,604
Accrued liabilities	20,464	10,240
Other	11,862	6,165
	<b>\$ 40,459</b>	<b>\$ 27,009</b>

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 18. Trade and other payables (continued)

Accrued liabilities includes \$10 million in respect of the purchase of a further 23% of Lion's Head (Note 6). 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.

### 19. Finance leases

Finance leases relate to mining vehicles that had lease terms of 5 years payable half yearly in advance. The leases expired in December 2011 and the final installment was made in January 2012. The Company chose not to purchase the vehicles at the conclusion of the lease agreements. The Company's obligations under finance leases were secured by the lessor's title to the leased assets. Interest was calculated at the South African prime rate plus 1%. The fair value of the finance lease liabilities approximated carrying value.

#### (a) Minimum lease payments

	December 31, 2011	December 31, 2010
No later than 1 year	\$ 1,675	\$ 3,405
	1,675	3,405
Less: future finance charges	-	(194)
Present value of minimum lease payments	\$ 1,675	\$ 3,211

#### (b) Present value of minimum lease payments

	December 31, 2011	December 31, 2010
No later than 1 year	\$ 1,675	\$ 3,211

### 20. 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 December 31, 2011 is ZAR 68 million (\$8,390) (December 31, 2010 – ZAR 58.9 million, \$8,934). The provision was determined using an inflation rate of 6.00% (December 31, 2010 – 5.49%) and an estimated life of mine of 20 years for Zandfontein (December 31, 2010 – 20 years), 9 years for Maroelabult (December 31, 2010 – 11 years), 16 years for Crocette (December 31, 2010 – 14 years), 21 years for Kennedy's Vale (December 31, 2010 – 1 year) and 21 years for Spitzkop (December 31, 2010 – 22 years). A discount rate of 8.47% was used (December 31, 2010 – 8.29%). A guarantee of \$7,995 (December 31, 2010 - \$3,823) has been issued to the Department of Mineral Resources (Note 17). 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 (\$40,567) (December 31, 2010 – ZAR 215.4 million, \$32,694).

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 20. Provision for environmental rehabilitation (continued)

Changes to the environmental rehabilitation provision are as follows:

Balance, December 31, 2009	\$	8,152
Revision in estimates		(961)
Interest expense (Note 21)		694
Foreign exchange movement		1,049
Balance, December 31, 2010	\$	8,934
Revision in estimates		499
Interest expense (Note 21)		676
Foreign exchange movement		(1,719)
<b>Balance, December 31, 2011</b>	<b>\$</b>	<b>8,390</b>

During the year ended December 31, 2011, \$409 of the revision in estimate was expensed (December 31, 2010 – nil). The remaining \$90 (December 31, 2010 – negative \$961) was capitalized to fixed assets.

### 21. Credit facility

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 US\$100 million financing package. The borrowers are Barplats Mines Limited, Rhodium Reefs Limited, and Royal Anthem Investments 134 (Pty) Ltd. The financing package consists of an US\$70 million term facility and an US\$30 million revolving loan facility. The scheduled tenor is for 5.5 years with an 18 month grace period for principal repayments. The initial interest is US LIBOR plus 3.85% rising to US LIBOR plus 4.15% for the last 2.5 years of the loan. The financing package does not require commodity, currency or interest rate hedging.

The facility is secured by:

- The shares of Barplats Mines Limited (“BML”), Spitzkop Platinum (Pty) Ltd. and Royal Anthem Investments 134 (Pty) Ltd. held by the Company;
- The physical assets, accounts receivable, insurance policies and certain property of BML;
- The Mareesburg and Spitzkop JV agreements; and,
- Certain bank accounts required to be set up for the facilities agreement.

As at December 31, 2011, the Company had not drawn down on the term facility or the revolving loan facility.

### 22. Commitments

The Company has committed to capital expenditures on projects of approximately ZAR 144 million (\$17,862) as at December 31, 2011 (December 31, 2010 – ZAR 86 million, \$13,056).

### 23. 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 profit (loss) for the year ended December 31, 2011 were \$3,788 (December 31, 2010 - \$3,894). The total number of employees in the plan at December 31, 2011 was 1,421 (December 31, 2010 – 1,762).

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 24. 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.

	Note	<b>December 31, 2011</b>	December 31, 2010
Consulting fees	(i)	\$ 186	\$ 304
General and administrative expenses		237	193
Management fees		<b>2,338</b>	2,253
		<b>\$ 2,761</b>	<b>\$ 2,750</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 December 31, 2011 included \$873 (December 31, 2010 - \$1,089) which was due to private companies controlled by officers and directors of the Company.

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

The remuneration of directors and other members of key management personnel during the years ended December 31, 2011 and 2010 were as follows:

	Note	<b>December 31, 2011</b>	December 31, 2010
Salaries and directors' fees	(i)	\$ 3,547	\$ 3,758
Share-based payments	(ii)	<b>7,996</b>	1,627
		<b>\$ 11,543</b>	<b>\$ 5,385</b>

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 24. Related party transactions (continued)

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

- (i) Salaries and directors' fees include consulting and management fees disclosed in Note 24(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 years ended December 31, 2011 and 2010.

### 25. 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 assets by geographic areas as at December 31, 2011 and revenues and expenses by geographic areas for the years ended December 31, 2011 and 2010 are as follows:

## Eastern Platinum Limited

Notes to the consolidated financial statements – years ended December 31, 2011 and 2010

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

### 25. 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
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
	<b>\$ 379,551</b>	<b>\$ 143,224</b>	<b>\$ 117,028</b>	<b>\$ 28,171</b>	<b>\$ 738</b>	<b>\$ 668,712</b>	<b>\$ 6</b>	<b>\$ 246,095</b>	<b>\$ 914,813</b>
Property, plant and equipment expenditures	\$ 52,384	\$ 34,618	\$ 30	\$ 14	\$ -	\$ 87,046	\$ -	\$ 2	\$ 87,048
Property, plant and equipment disposals	2,221	-	-	-	-	2,221	-	-	2,221
Revenue	\$ 113,203	\$ -	\$ -	\$ -	\$ -	\$ 113,203	\$ -	\$ -	\$ 113,203
Production costs	(114,614)	-	-	-	-	(114,614)	-	-	(114,614)
Depletion and depreciation	(20,444)	-	-	-	-	(20,444)	-	(7)	(20,451)
Impairment	(46,327)	-	-	-	-	(46,327)	-	-	(46,327)
General and administrative expenses	(4,276)	(1,442)	31	(145)	(8)	(5,840)	(162)	(5,845)	(11,847)
Share-based payment	(254)	-	-	-	-	(254)	-	(8,071)	(8,325)
Interest income	1,416	63	16	-	-	1,495	-	4,034	5,529
Finance costs	(1,016)	(331)	(14)	-	(188)	(1,549)	-	-	(1,549)
Foreign exchange gain (loss)	825	(66)	-	-	-	759	-	(3,310)	(2,551)
<b>(Loss) profit before income taxes</b>	<b>(71,487)</b>	<b>(1,776)</b>	<b>33</b>	<b>(145)</b>	<b>(196)</b>	<b>(73,571)</b>	<b>(162)</b>	<b>(13,199)</b>	<b>(86,932)</b>
<b>Income tax recovery (expense)</b>	<b>53</b>	<b>(109)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56)</b>	<b>-</b>	<b>-</b>	<b>(56)</b>
<b>Net (loss) profit</b>	<b>\$ (71,434)</b>	<b>\$ (1,885)</b>	<b>\$ 33</b>	<b>\$ (145)</b>	<b>\$ (196)</b>	<b>\$ (73,627)</b>	<b>\$ (162)</b>	<b>\$ (13,199)</b>	<b>\$ (86,988)</b>

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 25. Segmented Information (continued)

(b) Geographic segments (continued)

	December 31, 2010								
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Other	Total South Africa	Barbados and BVI	Canada	TOTAL
Current assets	\$ 45,787	\$ 445	\$ 1,669	\$ 61	\$ 997	\$ 48,959	\$ -	\$ 343,952	\$ 392,911
Property, plant and equipment	495,861	64,916	126,357	28,827	-	715,961	-	15	715,976
Refining contract	14,265	-	-	-	-	14,265	-	-	14,265
Other assets	3,823	-	-	-	-	3,823	-	-	3,823
	<u>\$ 559,736</u>	<u>\$ 65,361</u>	<u>\$ 128,026</u>	<u>\$ 28,888</u>	<u>\$ 997</u>	<u>\$ 783,008</u>	<u>\$ -</u>	<u>\$ 343,967</u>	<u>\$ 1,126,975</u>
Property, plant and equipment expenditures	\$ 32,728	\$ -	\$ 47	\$ 214	\$ -	\$ 32,989	\$ -	\$ 2	\$ 32,991
Revenue	\$ 155,000	\$ -	\$ -	\$ -	\$ -	\$ 155,000	\$ -	\$ -	\$ 155,000
Production costs	(109,901)	-	-	-	-	(109,901)	-	-	(109,901)
Depletion and depreciation	(22,499)	-	-	-	-	(22,499)	-	(8)	(22,507)
General and administrative expenses	(4,591)	(1,396)	(118)	(114)	(16)	(6,235)	(60)	(5,822)	(12,117)
Share-based payment	(79)	-	-	-	-	(79)	-	(1,373)	(1,452)
Interest income	1,635	-	-	8	-	1,643	-	154	1,797
Finance costs	(1,027)	(752)	(28)	-	-	(1,807)	-	-	(1,807)
Foreign exchange (loss) gain	(827)	-	-	-	-	(827)	-	667	(160)
Profit (loss) before income taxes	17,711	(2,148)	(146)	(106)	(16)	15,295	(60)	(6,382)	8,853
Deferred income tax recovery (expense)	2,240	-	-	-	-	2,240	(1,316)	-	924
Net profit (loss)	<u>\$ 19,951</u>	<u>\$ (2,148)</u>	<u>\$ (146)</u>	<u>\$ (106)</u>	<u>\$ (16)</u>	<u>\$ 17,535</u>	<u>\$ (1,376)</u>	<u>\$ (6,382)</u>	<u>\$ 9,777</u>

For the years ended December 31, 2011 and 2010, substantially all of the Company's PGM production was sold to one customer.

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 26. Financial instruments

#### (a) Management of capital risk

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, equity-settled employee benefits reserve, deficit and currency translation adjustment. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company is not subject to externally imposed capital requirements.

#### (b) Categories of financial instruments

	December 31, 2011	December 31, 2010
Financial assets		
Cash and cash equivalents	\$ 151,838	\$ 107,846
Loans and receivables		
Trade receivables	23,580	33,787
Available for sale financial assets		
Short-term investments	98,963	242,446
Other assets	7,995	3,823
	<b>\$ 282,376</b>	<b>\$ 387,902</b>
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 40,459	\$ 27,009
	<b>\$ 40,459</b>	<b>\$ 27,009</b>

#### (c) Fair value of financial instruments

##### (i) Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair values of cash and cash equivalents, short-term investments, trade receivables and accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 26. Financial instruments (continued)

(c) *Fair value of financial instruments (continued)*

(ii) *Fair value measurements recognized in the statement of financial position*

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Company's short-term investments and other assets are measured subsequent to initial recognition at fair value and are Level 2 financial instruments at December 31, 2011. There were no transfers between levels during the year ended December 31, 2011.

(d) *Reclassification of financial assets*

There was no reclassification of financial assets during the years ended December 31, 2011 and 2010.

(e) *Financial risk management*

The Company's financial instruments are exposed to certain financial risks, including currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

(i) *Currency risk*

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company's revenues are based on US dollar PGM prices, but the Company receives revenues in South African Rand. A significant change in the currency exchange rates between the South African Rand relative to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

The carrying amount of the Company's subsidiary's foreign-currency denominated monetary assets at December 31, 2011, is as follows:

	<b>December 31, 2011</b>	December 31, 2010
Financial assets		
Loans and receivables	<b>19,712</b>	30,142

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 26. Financial instruments (continued)

(e) *Financial risk management (continued)*

(i) *Currency risk (continued)*

The sensitivity of the Company's net earnings due to changes in the exchange rate between the South African Rand and the United States dollar is summarized in the table below. This sensitivity is based on loans and receivables not denominated in the functional currency of the subsidiary. The increase (decrease) in net earnings is due to the effect of the exchange rate on financial instruments.

	Year ended Dec. 31, 2011	
	10% weakening of ZAR in relation to USD FX rate	10% strengthening of ZAR in relation to USD FX rate
Increase (decrease) in net earnings	(1,971)	1,971

The carrying amount of the Company's head office foreign-currency denominated monetary assets at December 31, 2011 is as follows:

	December 31, 2011	December 31, 2010
Financial assets		
Cash and cash equivalents	<b>42,387</b>	43,110

The sensitivity of the Company's net earnings due to changes in the exchange rate between the U.K. Pound Sterling and the United States dollar is summarized in the table below. This sensitivity is based on cash and cash equivalents not denominated in the functional currency of head office. The (decrease) increase in net earnings is due to the effect of the exchange rate on financial instruments.

	Year ended Dec. 31, 2011	
	10% weakening of GBP in relation to USD FX rate	10% strengthening of GBP in relation to USD FX rate
Increase (decrease) in net earnings	(4,239)	4,239

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 26. Financial instruments (continued)

(e) *Financial risk management (continued)*

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its short-term investments. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments is limited because these investments, although available for sale, are generally not sold before maturity. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk.

The Company has not included a sensitivity analysis of interest rate risk at year-end as it does not reflect the exposure experienced during the twelve months ended December 31, 2011. The Company's financial assets fluctuated throughout the year and presenting such an analysis would be misleading.

(iii) *Price risk*

The Company is exposed to price risk with respect to fluctuations in the prices of platinum group metals. These fluctuations directly affect revenues and trade receivables. As at December 31, 2011, the Company's financial assets subject to metal price risk consist of trade receivables of \$11,550 (December 31, 2010 - \$30,142). Historically, the Company has not entered into any derivative financial instruments to manage exposures to price fluctuations. No such derivative financial instruments existed at December 31, 2011 and 2010.

The Company has not included a sensitivity analysis of price risk at year-end as it does not reflect the exposure experienced during the twelve months ended December 31, 2011. Presenting such an analysis would be misleading.

(iv) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables. The carrying value of the financial assets represents the maximum credit exposure.

The Company currently sells substantially all of its PGM concentrate production to one customer under an off-take contract. At December 31, 2011, the Company had receivable balances associated with this one customer of \$11,550 (December 31, 2010 - \$30,142). The loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The Company has not experienced any bad debts with this customer.

The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at December 31, 2011.

## Eastern Platinum Limited

Notes to the consolidated financial statements

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

### 26. Financial instruments (continued)

(e) *Financial risk management (continued)*

(v) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. The Company staggers the maturity dates of its investments over different time periods and dates to minimize exposure to interest rate changes. This strategy remains unchanged from 2010.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities.

	December 31, 2011	
	Total	<1 year
<b>Trade and other payables</b>	<b>\$ 40,459</b>	<b>\$ 40,459</b>
<b>Finance leases</b>	<b>1,675</b>	<b>1,675</b>
<b>Commitments</b>	<b>17,862</b>	<b>17,862</b>
	<b>\$ 59,996</b>	<b>\$ 59,996</b>

	December 31, 2010	
	Total	<1 year
Trade and other payables	\$ 27,009	\$ 27,009
Finance leases	3,405	3,405
Commitments	13,056	13,056
	\$ 43,470	\$ 43,470

### 27. 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. The Company believes the proposed action has no merit and intends to continue to vigorously defend the action.

### 28. Events after the reporting period

There were no events that required adjustment to, or disclosure in, the financial statements after the reporting period from January 1, 2012 to March 5, 2012.

**EASTERN PLATINUM LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS**  
**AND RESULTS OF OPERATIONS**  
**FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2011**

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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 December 31, 2011 and for the three and twelve months then ended in comparison to the same period in 2010.*

*This MD&A should be read in conjunction with the consolidated financial statements for the year ended December 31, 2011 and supporting notes. These consolidated financial statements have been prepared using accounting policies in compliance with IFRS as issued by the International Accounting Standards Board ("IASB").*

*In this MD&A, the Company also reports certain non-IFRS measures such as 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 March 5, 2012. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

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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 quarter ended December 31, 2011***

- Eastplats recorded a loss attributable to equity shareholders of the Company of \$64,325,000 (\$0.07 loss per share) in the quarter ended December 31, 2011 (“Q4 2011”) compared to earnings of \$5,041,000 (\$0.01 per share) in the quarter ended December 31, 2010 (“Q4 2010”).
- During the quarter 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 \$46,327,000, of which \$33,281,000 pertained to tangible assets owned,

\$11,796,000 pertained to intangible mineral properties being depleted, and \$1,250,000 pertained to the refining contract.

- EBITDA decreased to negative \$6,455,000 in Q4 2011 compared to \$15,226,000 in Q4 2010.
- PGM ounces sold decreased 39% to 19,854 ounces in Q4 2011 compared to 32,752 PGM ounces in Q4 2010.
- The U.S. dollar average delivered price per PGM ounce decreased 12% to \$931 in Q4 2011 compared to \$1,058 in Q4 2010.
- The Rand average delivered price per PGM ounce increased 3% to R7,541 in Q4 2011 compared to R7,311 in Q4 2010.
- Total Rand operating cash costs decreased 1% to R208 million in Q4 2011 compared to R210 million in Q4 2010.
- Rand operating cash costs net of by-product credits increased 93% to R8,685 per ounce in Q4 2011 compared to R4,509 per ounce in Q4 2010. Rand operating cash costs increased 63% to R10,455 per ounce in Q4 2011 compared to R6,412 per ounce in Q4 2010.
- U.S. dollar operating cash costs net of by-product credits increased 64% to \$1,072 per ounce in Q4 2011 compared to \$653 per ounce achieved in Q4 2010. U.S. dollar operating cash costs increased 39% to \$1,291 per ounce in Q4 2011 compared to \$928 per ounce in Q4 2010.
- Head grade increased to 4.1 grams per tonne in Q4 2011 from 4.0 grams per tonne in Q4 2010.
- Average concentrator recovery decreased to 76% in Q4 2011 compared to 78% in Q4 2010.
- Development meters decreased by 16% to 2,929 meters and on-reef development decreased by 17% to 1,591 meters compared to Q4 2010.
- Stopping units decreased 40% to 31,767 square meters in Q4 2011 compared to 53,044 square meters in Q4 2010.
- Run-of-mine ore hoisted decreased by 38% to 200,919 tonnes in Q4 2011 compared to 324,879 tonnes in Q4 2010.
- Run-of-mine ore processed decreased by 41% to 194,532 tonnes in Q4 2011 compared to 327,872 tonnes in Q4 2010.
- The Company's Lost Time Injury Frequency Rate (LTIFR) improved to 2.61 in Q4 2011 compared to 3.88 in Q4 2010. As reported on November 7, 2011, a fatality occurred at CRM that resulted in a Section 54 Stop Work Order being issued by the Department of Mineral Resources ("DMR").
- At December 31, 2011, the Company had a cash position (including cash, cash equivalents and short term investments) of \$250,801,000 (December 31, 2010 – \$350,292,000).

## ***2.2 Summary of results for the year ended December 31, 2011***

- Eastplats recorded a net loss attributable to equity shareholders of the Company of \$76,545,000 (\$0.08 loss per share) in the year ended December 31, 2011 (“12M 2011”) compared to earnings of \$13,352,000 (\$0.02 per share) in the year ended December 31, 2010 (“12M 2010”).
- 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 \$46,327,000, of which \$33,281,000 pertained to tangible assets owned, \$11,796,000 pertained to intangible mineral properties being depleted, and \$1,250,000 pertained to the refining contract.
- EBITDA decreased to negative \$1,411,000 in 12M 2011 compared to \$45,099,000 in 12M 2010.
- PGM ounces sold decreased 30% to 92,724 ounces in 12M 2011 compared to 131,901 PGM ounces in 12M 2010.
- The U.S. dollar average delivered price per PGM ounce increased 8% to \$1,073 in 12M 2011 compared to \$995 in 12M 2010.
- The Rand average delivered price per PGM ounce increased 6% to R7,726 in 12M 2011 compared to R7,264 in 12M 2010.
- Total Rand operating cash costs increased 3% to R828 million in 12M 2011 compared to R804 million in 12M 2010.
- Rand operating cash costs net of by-product credits increased 48% to R7,118 per ounce in 12M 2011 compared to R4,800 per ounce in 12M 2010. Rand operating cash costs increased 46% to R8,929 per ounce in 12M 2011 compared to R6,099 per ounce in 12M 2010.
- U.S. dollar operating cash costs net of by-product credits increased 50% to \$984 per ounce in 12M 2011 compared to \$657 per ounce achieved in 12M 2010. U.S. dollar operating cash costs increased 48% to \$1,236 per ounce in 12M 2011 compared to \$835 per ounce in 12M 2010.
- Head grade decreased to 4.0 grams per tonne in 12M 2011 from 4.1 grams per tonne in 12M 2010.
- Average concentrator recovery decreased to 77% in 12M 2011 compared to 79% in 12M 2010.
- Development meters increased by 15% to 14,686 meters and on-reef development increased by 16% to 8,363 meters compared to 12M 2010.
- Stopping units decreased 28% to 148,863 square meters in 12M 2011 compared to 206,269 square meters in 12M 2010.
- Run-of-mine ore hoisted decreased by 29% to 917,343 tonnes in 12M 2011 compared to 1,288,416 tonnes in 12M 2010.
- Run-of-mine ore processed decreased by 29% to 903,298 tonnes in 12M 2011 compared to 1,265,973 tonnes in 12M 2010.

- The Company's LTIFR improved to 1.46 in 12M 2011 compared to 3.32 in 12M 2010. As reported on November 7, 2011, a fatality occurred at CRM and resulted in a Section 54 Stop Work Order being issued by the DMR. This came after 3.8 million fatality free shifts at the mine and was a major blow to the Company's efforts toward improvements in mine health and safety during 2011. The DMR's lengthy investigation into the accident resulted in lost production.

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	2011				2010			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	March 31
Revenues	\$ 19,172	\$ 31,453	\$ 26,876	\$ 35,702	\$ 45,616	\$ 38,073	\$ 36,612	\$ 34,699
Cost of operations	(76,525)	(34,043)	(36,415)	(34,409)	(36,272)	(32,735)	(32,383)	(31,018)
Mine operating (loss) earnings	(57,353)	(2,590)	(9,539)	1,293	9,344	5,338	4,229	3,681
Expenses (G&A and share-based payment)	(3,308)	(2,568)	(2,978)	(11,318)	(4,382)	(2,202)	(2,050)	(4,935)
Operating (loss) profit	(60,661)	(5,158)	(12,517)	(10,025)	4,962	3,136	2,179	(1,254)
Net (loss) profit attributable to equity shareholders of the Company	\$ (64,325)	\$ 1,364	\$ (7,951)	\$ (5,633)	\$ 5,041	\$ 4,039	\$ 3,448	\$ 824
(Loss) earnings per share - basic	\$ (0.07)	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.00
(Loss) earnings per share - diluted	\$ (0.07)	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.00
Average foreign exchange rates								
South African Rand per US dollar	8.10	7.14	6.79	7.01	6.91	7.31	7.53	7.51
US dollar per Canadian dollar	0.9777	1.0204	1.0335	1.0141	0.9870	0.9621	0.9727	0.9608
Period end foreign exchange rates								
South African Rand per US dollar	8.08	8.09	6.76	6.75	6.59	7.00	7.66	7.33
US dollar per Canadian dollar	0.9833	0.9540	1.0368	1.0314	1.0054	0.9718	0.9393	0.9844

### 3. Results of Operations for the three and twelve months ended December 31, 2011

The following table sets forth selected consolidated financial information for the three and twelve months ended December 31, 2011 and 2010:

Table 2

Consolidated income statements (Expressed in thousands of U.S. dollars, except per share amounts - unaudited)	Three months ended		Twelve months ended		
	December 31,		December 31,		
	2011	2010	2011	2010	2009
<b>Revenue</b>	\$ 19,172	\$ 45,616	\$ 113,203	\$ 155,000	\$ 111,365
Cost of operations					
Production costs	25,627	30,390	114,614	109,901	82,839
Depletion and depreciation	4,571	5,882	20,451	22,507	17,154
Impairment	46,327	-	46,327	-	-
Mine operating (loss) earnings	(57,353)	9,344	(68,189)	22,592	11,372
Expenses					
General and administrative	3,274	4,698	11,847	12,117	10,528
Share-based payments	34	(316)	8,325	1,452	582
Operating (loss) profit	(60,661)	4,962	(88,361)	9,023	262
Other income (expense)					
Interest income	1,231	545	5,529	1,797	1,786
Finance costs	(352)	(452)	(1,549)	(1,807)	(1,691)
Foreign exchange (loss) gain	(7,336)	184	(2,551)	(160)	(758)
(Loss) profit before income taxes	(67,118)	5,239	(86,932)	8,853	(401)
Income tax (expense) recovery	(1,096)	(733)	(56)	924	1,623
<b>Net (loss) profit for the period</b>	\$ (68,214)	\$ 4,506	\$ (86,988)	\$ 9,777	\$ 1,222
Attributable to					
Non-controlling interest	(3,889)	(535)	(10,443)	(3,575)	(4,428)
<b>Equity shareholders of the Company</b>	<b>(64,325)</b>	<b>5,041</b>	<b>(76,545)</b>	<b>13,352</b>	<b>5,650</b>
<b>Net (loss) profit for the period</b>	\$ (68,214)	\$ 4,506	\$ (86,988)	\$ 9,777	\$ 1,222
(Loss) earnings per share					
Basic	\$ (0.07)	\$ 0.01	\$ (0.08)	\$ 0.02	\$ 0.01
Diluted	\$ (0.07)	\$ 0.01	\$ (0.08)	\$ 0.02	\$ 0.01
Weighted average number of common share outstanding					
Basic	908,405	685,633	908,199	683,177	680,577
Diluted	908,405	697,916	908,199	694,839	687,790
<b>Condensed consolidated statements of financial position</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>		
Total assets	\$ 914,813	\$ 1,126,975	\$ 706,850		
Total long-term liabilities	\$ 41,910	\$ 55,576	\$ 53,493		

### 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							
	2011				2010			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
<b>Key financial statistics</b>								
(dollar amounts stated in U.S. dollars)								
Sales - PGM ounces	19,854	26,955	20,528	25,387	32,752	37,798	30,820	30,531
Average delivered price per ounce (2)	\$931	\$1,088	\$1,113	\$1,136	\$1,058	\$953	\$1,015	\$959
Average basket price	\$1,104	\$1,290	\$1,319	\$1,344	\$1,250	\$1,128	\$1,200	\$1,130
Rand average delivered price per ounce	R 7,541	R 7,768	R 7,557	R 7,963	R 7,311	R 6,966	R 7,643	R 7,202
Rand average basket price	R 8,942	R 9,211	R 8,956	R 9,421	R 8,638	R 8,246	R 9,036	R 8,486
Cash costs per ounce of PGM (1)	\$1,291	\$1,059	\$1,515	\$1,154	\$928	\$713	\$882	\$841
Cash costs per ounce of PGM, net of chrome by-product credits (1)	\$1,072	\$854	\$1,196	\$880	\$653	\$625	\$646	\$711
Rand cash costs per ounce of PGM (1)	R 10,455	R 7,561	R 10,287	R 8,090	R 6,412	R 5,212	R 6,639	R 6,315
Rand cash costs per ounce of PGM, net of chrome by-product credits (1)	R 8,685	R 6,097	R 8,119	R 6,167	R 4,509	R 4,566	R 4,866	R 5,336
<b>Key production statistics</b>								
Run-of-mine (“ROM”) ore tonnes processed	194,532	261,280	201,986	245,500	327,872	357,219	290,028	290,854
Development meters	2,929	3,976	3,562	4,219	3,501	3,299	3,202	2,812
On-reef development meters	1,591	2,248	2,090	2,434	1,925	1,797	1,573	1,931
Stopping units (square meters)	31,767	40,594	31,828	44,674	53,044	50,892	50,573	51,760
Concentrator recovery from ROM ore	76%	78%	76%	79%	78%	81%	80%	78%
Chrome sold (tonnes)	56,890	64,608	60,661	63,578	89,123	50,148	76,677	75,846
<b>Metal in concentrate sold (ounces)</b>								
Platinum (Pt)	9,819	13,656	10,363	12,790	16,526	19,195	15,433	15,405
Palladium (Pd)	4,428	5,844	4,485	5,494	7,055	8,129	6,769	6,562
Rhodium (Rh)	1,696	2,294	1,740	2,162	2,786	3,216	2,661	2,607
Gold (Au)	77	98	74	97	117	131	108	105
Iridium (Ir)	778	967	728	919	1,183	1,323	1,077	1,106
Ruthenium (Ru)	3,056	4,096	3,138	3,925	5,085	5,804	4,772	4,746
Total PGM ounces	19,854	26,955	20,528	25,387	32,752	37,798	30,820	30,531

(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 December 31, 2011 compared to the quarter ended December 31, 2010

In Q4 2011, CRM recorded a Lost Time Injury Frequency Rate (“LTIFR”) of 2.61 compared to 3.88 in Q4 2010. There were four lost time injuries in Q4 2011 compared to seven lost time injuries in Q4 2010.

The Company generated revenue of \$19,172,000 in Q4 2011 of which \$14,834,000 is PGM revenue and \$4,338,000 is 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 \$931 per PGM ounce in Q4 2011, compared to \$1,058 in Q4 2010 and \$1,088 in the third quarter of 2011 (“Q3 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 \$2,977,000 in Q4 2011, compared to positive price adjustments of \$3,082,000 in Q4 2010.

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		Twelve months ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Revenue before provisional price adjustments	\$ 22,149	\$ 42,534	\$ 117,923	\$ 149,606
Provisional price adjustments				
Adjustments to revenue upon settlement of prior periods' sales	(1,719)	1,706	(3,462)	4,018
Mark-to-market adjustment on sales not yet settled at end of period	(1,258)	1,376	(1,258)	1,376
Revenue as reported in the income statement	\$ 19,172	\$ 45,616	\$ 113,203	\$ 155,000

PGM ounces sold decreased by 39% in Q4 2011 compared to Q4 2010 due to lower run-of-mine ore tonnes processed (194,532 tonnes in Q4 2011 compared to 327,872 tonnes in Q4 2010), and lower concentrator recovery (76% in Q4 2011 compared to 78% in Q4 2010), which were offset by an increase in grade (4.1 grams per tonne in Q4 2011 compared to 4.0 grams per tonne in Q4 2010).

Fourth quarter mining and production was negatively impacted by strike action by employees of CRM's main mining contractor, JIC Mining Services, in October. Production in Q4 was also negatively impacted as a result of the shut-down of operations following the fatality that occurred in a blasting accident at a new ore pass being developed at CRM's Zandfontein Section by an independent engineering company. The Section 54 Stop Work Order was issued by the Department of Mineral Resources ("DMR"), and the subsequent investigation into the accident resulted in a total shut-down of operations at CRM for 10 days. This tragic accident was a major blow to the Company's efforts toward health and safety which it has made a key priority at all of its operations. Concentrator recovery decreased as a result of the subsequent disruptions to the steady state operation of the processing plant.

Operating cash costs, a non-IFRS measure, are incurred in Rand. Total Rand operating cash costs decreased by 1% compared to Q4 2010, but Rand operating cash costs per ounce increased by 63% from R6,412 per ounce in Q4 2010 to R10,455 per ounce in Q4 2011 primarily due to a 39% decrease in ounces sold.

By comparison, U.S. dollar operating cash costs per ounce increased by 39% from \$928 per ounce in Q4 2010 to \$1,291 per ounce in Q4 2011 also primarily due to a 39% decrease in ounces sold. This was offset by a 1% decrease in total Rand operating cash costs combined with a 17% depreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R8.10:\$1.00 in Q4 2011 compared to R6.91:\$1.00 in Q4 2010.

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 56,890 tonnes of chrome in Q4 2011 (89,123 tonnes in Q4 2010). Net chrome revenue recognized was \$76 per tonne (\$101 per tonne in Q4 2010) for a total of \$4,338,000

(\$9,021,000 in Q4 2010). The 25% decrease in chrome revenue recognized per tonne compared to Q4 2010 was due to a softer market for chrome in Q4 2011 compared to Q4 2010 combined with the 17% depreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R8.10:\$1.00 in Q4 2011 compared to R6.91:\$1.00 in Q4 2010.

Q4 2011 chrome revenues of \$4,338,000 reduced operating cash costs from \$1,291 to \$1,072 per ounce net of by-product credits and from R10,455 to R8,685 per ounce net of by-product credits.

Quarter ended December 31, 2011 compared to the quarter ended September 30, 2011

Revenues decreased by 39% compared to Q3 2011 as a result of a 26% decrease in the ounces produced in the quarter, a 14% decrease in the average delivered price per ounce, a 22% (\$1,191,000) decrease in chrome revenues and a 68% increase (\$1,205,000) increase in negative price adjustments, which were offset by a 54% decrease (\$1,036,000) in chrome penalties. The decrease in ounces produced was due to a 26% decrease in run-of-mine ore processed (194,532 tonnes in Q4 2011 compared to 261,280 tonnes in Q3 2011) combined with a decrease in concentrator recovery from 78% in Q3 2011 to 76% in Q4 2011. The decrease in ounces produced and concentrator recovery are the result of strike action by employees of CRM's main mining contractor, JIC Mining Services, in October, and by a Section 54 shut-down of operations following the fatality at CRM in November. Both incidents resulted in stoppages of mining operations and concentrator recovery decreased as a result of the subsequent disruptions to the steady state operation of the processing plant.

Rand operating cash costs increased by 38% from R7,561 per ounce in Q3 2011 to R10,455 per ounce in Q4 2011 primarily as a result of a 26% decrease in ounces produced combined with a 2% increase in total Rand operating cash costs. Operating cash costs stated in U.S. dollars increased by 22% from \$1,059 per ounce in Q3 2011 to \$1,291 per ounce in Q4 2011 also due to the 26% decrease in ounces produced and a 2% increase in total Rand operating cash costs, which were offset by a 13% depreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R8.10:\$1.00 in Q4 2011 compared to R7.14:\$1.00 in Q3 2011.

Twelve months ended December 31, 2011 compared to the twelve months ended December 31, 2010

In 12M 2011, the Company sold 92,724 PGM ounces, a decrease of 30% compared to 12M 2010, primarily as a result of a 29% decrease in run-of-mine ore processed in 2011 (1,265,973 tonnes processed in 12M 2010 compared to 903,298 tonnes processed in 12M 2011), combined with a decrease in the recovery rate (79% in 12M 2010 compared to 77% in 12M 2011) and a decrease in head grade (4.1 grams per tonne in 12M 2010 compared to 4.0 grams per tonne in 12M 2011). Mining and production for the year was negatively impacted by labour issues related to the illegal sit-in and unprotected strike and damage to underground infrastructure at CRM in May, followed by strike action by employees of CRM's main mining contractor, JIC Mining Services, in October, and a Section 54 shut-down of operations following the fatality at CRM in November.

The average delivered basket price per ounce increased from \$995 in 12M 2010 to \$1,073 in 12M 2011.

Operating cash costs increased 48% from \$835 per ounce in 12M 2010 to \$1,236 per ounce in 12M 2011 primarily due to a 30% decrease in ounces produced combined with a 3% increase in total Rand operating cash costs, which were offset by a 1% appreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R7.26:\$1.00 in 12M 2011 compared to R7.32:\$1.00 in 12M 2010.

Total Rand operating cash costs increased 3% between 12M 2010 and 12M 2011 mainly due to a 27% increase in power and electricity costs effective April 1, 2011, an increase in repairs and maintenance due

to damages caused during the interruption in May 2011 that led to a higher number of vehicle repairs in 2011 than in 2010, an increase in support costs as a result of changes to the support pattern, and repair and maintenance costs related to the rock winder, shaft and mills that were not required in 2010. The various interruptions to production described above resulted in decreases to mining supplies used and decreases to overall labour costs, despite the signing of a two-year wage settlement with the National Union of Mineworkers. The overall labour force at CRM decreased by approximately 3% compared to 2010.

### 3.2 CRM non-IFRS measures

The following table provides a reconciliation of EBITDA 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		Twelve months ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Mine operating (loss) earnings	\$ (57,353)	\$ 9,344	\$ (68,189)	\$ 22,592
Depletion and depreciation	4,571	5,882	20,451	22,507
Impairment	46,327	-	46,327	-
<b>EBITDA (1)</b>	<b>(6,455)</b>	<b>15,226</b>	<b>(1,411)</b>	<b>45,099</b>
Production costs as reported	25,627	30,390	114,614	109,901
Adjustments for miscellaneous costs (2)	(0)	4	(45)	290
Cash operating costs	25,627	30,394	114,569	110,191
Less by-product credits - chrome revenues and adjustments	(4,338)	(9,021)	(23,384)	(23,599)
Cash operating costs net of by-product credits	21,289	21,373	91,185	86,592
Ounces sold	19,854	32,752	92,724	131,901
<b>Cash cost per ounce sold</b>	<b>\$ 1,291</b>	<b>\$ 928</b>	<b>\$ 1,236</b>	<b>\$ 835</b>
<b>Cash cost per ounce sold net of by-product credits</b>	<b>\$ 1,072</b>	<b>\$ 653</b>	<b>\$ 983</b>	<b>\$ 656</b>

(1) EBITDA includes provisional price adjustments, chrome revenues and chrome penalties.

(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 ability of its operations to generate cash flow. 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 earnings before interest, depletion, depreciation, amortization, impairment and tax ("EBITDA") for CRM. This is a liquidity non-IFRS measure which the Company believes is used by certain investors to determine the Company's ability to generate cash flows for investing and other activities. 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 year ended December 31, 2011, the Company spent \$52,384,000 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.

Mine development projects are on track at the Zandfontein section with the new infrastructure for underground ore and waste handling systems on 3 and 4-Level having been successfully installed, and the ongoing development of the conveyor decline required to mine between 5 and 9-Levels making steady progress.

At the Maroelabult Section, decline development and conveyor installations are proceeding and the mine life of this section of CRM has been extended by two years to 2016.

Mine development at the shallow Crocette ore body recommenced on April 4, 2010 due to the higher trend in PGM prices at that time. However, with the volatility in the global markets, the Company re-evaluated and re-prioritized its development projects at the end of 2011 and elected to put the development of Crocette on hold. All development activities at Crocette ceased in early 2012. The Company expects that development work at Crocette can be re-started quickly if there is a significant increase in the ZAR basket price of PGMs.

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

Development of Mareesburg/Kennedy's Vale open-pit and concentrator project, which was reinitiated in Q4 2010, continued to advance in 2011. During the year ended December 31, 2011, expenditures of \$34,632,000 at this project consisted of site capture, installation of temporary works, mass earthworks and concrete work with initial areas of focus being the ore silos, grinding and flotation foundations for the 90,000 tonne-per-month (tpm) concentrator. Construction for the concentrator is on schedule, and long lead items such as mills and mining equipment have been purchased and delivered. Engineering and construction planning for the open-pit mine at Mareesburg is well advanced and tenders for contract mining will be released in early 2012.

Under the current development plan, a 90,000 tpm concentrator will be located on the Kennedy's Vale site and the planned rapid production build-up of ore from the Mareesburg open pit will allow the concentrator to start to ramp up quickly to full capacity immediately upon commissioning. The concentrator has been designed for expansion to 180,000 tpm to handle future ore from our other Eastern Limb properties.

Mareesburg will initially be an open-pit mining operation and consequently require little power. A power line currently provides 800 KVA across the Mareesburg property and this will be adequate to run administration and workshop/maintenance facilities with any further power requirements to be provided by on-site diesel power generators.

The Company has already secured 3MVA of power for the construction phase for the concentrator at the Kennedy's Vale site. With respect to permanent operating power for the concentrator and for the Spitzkop mine which is planned to be developed after the Mareesburg open-pit mine comes on stream, the Company has applied for 40 MVA of installed capacity, of which 20MVA would be required for the

initial 90,000 tpm plant. The Company has paid the necessary fees to initiate the acquisition of power and Eskom has commenced the engineering work.

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

General and administrative expenses (“G&A”) are costs associated with the Company’s corporate head office in Vancouver and the Johannesburg administrative office, and costs associated with care and maintenance at the Company’s Spitzkop and Maresburg projects. Corporate office costs include legal and accounting, regulatory, executive management fees, investor relations, travel and consulting fees.

G&A decreased by 30% from \$4,698,000 in Q4 2010 to \$3,274,000 in Q4 2011 due to a \$739,000 decrease in G&A at the Company’s head office combined with a \$751,000 decrease in G&A at the Company’s South African subsidiaries. The decrease in head office G&A was mainly due to a \$586,000 decrease in bonuses granted to executive officers and directors of the Company compared to Q4 2010. The decrease in G&A at the Company’s South African subsidiaries was due to employees commencing work on the Maresburg and Kennedy’s Vale concentrator development projects in the year ended December 31, 2011. This resulted in the employees’ salary expenses being capitalized to the projects. In 2010, these same expenses were charged to the income statement as these projects were on care and maintenance. The decrease in G&A was also due to the depreciation of the Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R8.10:\$1.00 in Q4 2011 compared to R6.91:\$1.00 in Q4 2010.

G&A increased 29% from \$2,546,000 in Q3 2011 to \$3,274,000 in Q4 2011 due to the \$959,000 increase in G&A at the Company’s head office which was offset by a \$279,000 decrease in G&A at the Company’s South African subsidiaries. The \$959,000 increase at head office was mainly due to the grant of \$884,000 in bonuses to executive officers and directors of the Company.

G&A decreased 2% from \$12,117,000 in 12M 2010 to \$11,847,000 in 12M 2011 primarily due to the decrease in bonuses granted to executive directors and officers of the Company in 2011 and a \$302,000 refund on insurance premiums on a cancellation of a long-term policy of one of the Company’s South African subsidiaries.

Interest income recorded during the three and twelve months ended December 31, 2011 was \$1,231,000 and \$5,529,000 compared with \$545,000 and \$1,797,000 during the same periods in 2010. The increase in interest income was mainly due to an increase in cash balances at head office as a result of the Company’s December 30, 2010 equity financing. Further details on the equity financing have been included within Section 4.

During the three and twelve months ended December 31, 2011, the Company recorded a net income tax expense of \$1,096,000 and \$56,000, respectively. The Company’s net income tax expense for the three months ended December 31, 2011 consists of current tax expense of \$4,580,000 and a deferred income tax recovery of \$3,484,000. The Company’s net income tax expense for the twelve months ended December 31, 2011 consists of current tax expense of \$4,957,000 and a deferred income tax recovery of \$4,901,000.

The current tax expense was comprised of tax on income earned for non-mining activities and tax on non-deductible interest as a result of the South African Revenue Service’s (“SARS”) ruling that one of the Company’s South African subsidiaries is thinly capitalized.

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 \$33,520,000 which arose primarily

as a result of the step-up to fair value of the net assets acquired on the Barplats and Gubevu business acquisitions during the years ended June 30, 2006, June 30, 2007, and December 31, 2008.

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#### **4. Liquidity and Capital Resources**

At December 31, 2011, the Company had working capital of \$240,236,000 (December 31, 2010 – \$362,691,000) and cash and cash equivalents and short-term investments of \$250,801,000 (December 31, 2010 – \$350,292,000) in highly liquid, fully guaranteed, bank sponsored instruments.

The Company's healthy working capital and cash position was achieved through the completion of an equity financing on December 30, 2010. The Company raised Cdn\$348 million through a public offering which consisted of 224,250,000 common shares, of which 195,361,476 common shares were issued at a price of Cdn\$1.55 and 28,888,524 common shares were issued at a price of £0.9568. Working capital, cash and cash equivalents and short-term investments decreased during 2011 as the Company did not generate positive cash flows from CRM operations but spent approximately \$52 million in development costs at CRM, approximately \$35 million in the construction of the Kennedy's Vale concentrator, and approximately \$12 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 December 31, 2011, 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. The borrowers are Barplats Mines Limited, Rhodium Reefs Limited, and Royal Anthem Investments 134 (Pty) Ltd., three of the Company's South African subsidiaries. The financing package consists of a U.S.\$70 million term facility and a U.S.\$30 million revolving loan facility. The scheduled tenor is for 5.5 years with an 18-month grace period for principal repayments. The initial interest is U.S. LIBOR plus 3.85% rising to U.S. LIBOR plus 4.15% for the last 2.5 years of the loan. The financing package does not require commodity, currency or interest rate hedging.

The facility is secured by:

- The shares of Barplats Mines Limited ("BML"), Spitzkop Platinum (Pty) Ltd. and Royal Anthem Investments 134 (Pty) Ltd. held by the Company;
- The physical assets, accounts receivable, insurance policies and certain properties of BML;
- The Maresburg and Spitzkop JV agreements; and,
- Certain bank accounts required to be set up for the facilities agreement.

As at December 31, 2011, the Company had not drawn down on the term facility or the revolving loan facility.

#### **4.1 Outlook**

The PGM industry has experienced significant global economic uncertainty and market volatility since 2008. From the beginning of 2009 through September 2011, PGM prices in U.S. dollar terms have generally trended upward. However, prices were significantly negated by the strength of the Rand against the U.S. dollar. As a result, the U.S. dollar realized basket prices that the Company received have improved since the December 2008 lows, but these prices, in Rand terms, were still significantly below those recorded in June 2008 when basket prices were at their peak. PGM prices have re-entered a period

of volatility since September 2011, and the Company anticipates that PGM prices will remain volatile and the Rand will remain strong against the U.S. dollar in the short term, which impacts the income and cash flows generated by the Company as it has U.S. dollar-based revenues and a Rand-based operating cost structure. As a result, the Company continues to seek ways to improve its operating efficiency and thereby minimize its operating costs, without compromising safety, health and environmental standards. The recovery of PGM prices in 2009 and 2010 allowed the Company to resume mine development at the Crocette section at CRM in April 2010 and commence the development of its Eastern Limb projects in early 2011, including the development of an open-pit mine at Mareesburg and the construction of a 90,000 tpm concentrator located on the Kennedy's Vale site. However, in light of the recent volatility of the eurozone financial markets and PGM prices, the Company has had to re-evaluate and re-prioritize its development projects given its existing financial, human and technical resources. As a result, the development of Crocette was put on hold in early 2012.

The Company believes that it will have sufficient funds in the form of cash, short-term investments and undrawn credit facilities available to complete the development of the Mareesburg open-pit and Kennedy's Vale concentrator projects, and for general corporate purposes.

To bring Crocette and the rest of the Eastern Limb projects, which includes Spitzkop and Kennedy's Vale, into production, additional funding will be required and may include 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 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 a significant drop in production at CRM in 2011 compared to 2010, the unstable labour conditions in the South African PGM industry, and the volatility in the eurozone financial markets which has affected the 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. Based on current and expected PGM prices, exchange rates and cost structures, management's best estimates of the future production profile of CRM and its Eastern Limb projects, and a weighted average cost of capital of between 8.50% and 9.00%, management has determined that the value of CRM has been impaired by \$46,327,000, of which \$33,281,000 pertained to tangible assets owned, \$11,796,000 pertained to intangible mineral properties being depleted, and \$1,250,000 pertained to the refining contract. The Company also concluded that the Company's Eastern Limb projects have not been impaired. The impairment charges on CRM and the refining contract have been recorded in Q4 2011. 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 December 31, 2011, the Company did not grant any stock options. Total share-based payment expense with regards to stock options for the quarter was \$1,000, which takes into account the vesting of options and the reversal of share-based payment expense previously recognized for unvested options that were forfeited in the period. During Q4 2011, no options were exercised and 460,000 options were forfeited at a weighted average exercise price of Cdn\$2.01.

During the year ended December 31, 2011, the Company granted 9,875,000 stock options at an exercise price of Cdn\$1.55. Total share-based payment expense with regards to stock options for the year was \$8,193,000, which takes into account the vesting of options and the reversal of share-based payment expense previously recognized for unvested options that were forfeited in the period. In 2011, 7,255,000 options were forfeited at a weighted averaged exercise price of Cdn\$1.71 and 741,333 options were exercised at a weighted average exercise price of Cdn\$0.32.

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 ("the 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 which resulted in a share-based payment expense of \$33,000 and \$132,000 in the three and twelve months ended December 31, 2011, respectively, and a share-based payment liability of \$48,000.

As at March 5, 2012, the Company had:

- 928,187,840 common shares outstanding; and
- 59,855,503 stock options outstanding, which are exercisable at prices ranging from Cdn\$0.32 to Cdn\$3.38 and which expire between 2012 and 2018.

#### 4.4 Contractual Obligations, Commitments and Contingencies

The Company's major contractual obligations and commitments at December 31, 2011 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	\$ 40,567	\$ -	\$ -	\$ 40,567
Capital expenditure and purchase commitments contracted at December 31, 2011 but not recognized on the consolidated statement of financial position	17,862	17,862	-	-
Finance lease obligations	1,675	1,675	-	-
	\$ 60,104	\$ 19,537	\$ -	\$ 40,567

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. The Company believes the proposed action has no merit and intends to continue to vigorously defend the action.

#### 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		Twelve months ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Trading transactions				
Management and consulting fees	\$ 1,278	\$ 1,539	\$ 2,524	\$ 2,557
Reimbursements of expenses	92	102	237	193
<b>Total trading transactions</b>	<b>\$ 1,370</b>	<b>\$ 1,641</b>	<b>\$ 2,761</b>	<b>\$ 2,750</b>
Compensation of key management personnel				
Salaries and directors' fees	\$ 1,519	\$ 2,059	\$ 3,547	\$ 3,758
Share-based payments	-	-	7,996	1,627
<b>Total compensation of key management personnel</b>	<b>\$ 1,519</b>	<b>\$ 2,059</b>	<b>\$ 11,543</b>	<b>\$ 5,385</b>

Management and consulting fees decreased during the three months and twelve months ended December 31, 2011 compared to the same periods in 2010 mainly due to a \$586,000 decrease in bonuses paid to executive officers and directors of the Company in 2011, offset by increases in annual fees granted to certain officers and directors combined with an appreciation of the Canadian dollar relative to the U.S. dollar. The average U.S. dollar-Canadian dollar exchange rate was U.S.\$1.0114:Cdn\$1.00 in 2011 compared to U.S.\$0.9707:Cdn\$1.00 in 2010.

Salaries and directors' fees decreased during the three and twelve months ended December 31, 2011 compared to the same periods in 2010 as a result of decreases in bonuses paid to executive officers and directors of the Company in 2011, offset by increases in annual fees granted to certain officers and directors combined with an appreciation of the Canadian dollar relative to the U.S. dollar. Share-based payments increased from \$1,627,000 in 2010 to \$7,996,000 in 2011 mainly due to the issuance of more stock options in Q1 2011 compared to Q1 2010.

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

## 6. Critical Accounting Policies and Estimates

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes to be reasonable under the circumstances, and require judgement on matters which are inherently uncertain. A summary of the Company's significant accounting policies is set forth in Note 4 of the consolidated financial statements for the year ended December 31, 2011.

Management reviews its estimates and assumptions on an ongoing basis using the most current information available and considers the following to be key accounting policies and estimates:

### 6.1 Property, plant and equipment

Property, plant and equipment are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to

operations. Capitalized costs are depreciated and depleted using either the unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives.

All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the units-of-production method following commencement of production.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The Company reviews and evaluates its mining interests for impairment or reversal of impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. In accordance with IFRS, these evaluations consist of comparing each asset's carrying value with the estimated discounted future net cash flows. Impairment is considered to exist if the total estimated future discounted cash flows are less than the carrying amount of the assets. The resulting impairment loss is measured and recorded based on the difference between future discounted cash flows and book value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. Other estimates incorporated in the impairment evaluations include processing and mining costs, mining tonnage, ore grades and recoveries, which are all subject to uncertainty.

In accordance with IFRS if, subsequent to impairment, an asset's discounted future net cash flows exceeds its book value, the impairment previously recognized can be reversed. However, the asset's book value cannot exceed what its amortized book value would have been had the impairment not been recognized.

At December 31, 2011, the Company assessed the carrying values of its mineral properties and concluded that CRM required an impairment of \$46,327,000, of which \$33,281,000 pertained to tangible assets owned, \$11,796,000 pertained to intangible mineral properties being depleted, and \$1,250,000 pertained to the refining contract. The Company's Eastern Limb properties did not require impairment or reversal of impairment. 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.

## ***6.2 Revenue recognition***

Revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the PGMs and chrome transfers to the customer. For PGMs, the difference between the present value and the future value of the current market price is recognized as interest income over the term of settlement. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the metal prices on those dates. The actual amounts will be reflected in revenue upon final settlement, which are three and five months after the date of shipment. These adjustments reflect changes in metal prices and changes in qualities arising from final assay calculations.

As a result of fluctuations in PGM prices, the Company recorded negative provisional price adjustments

of \$2,977,000 and \$4,720,000 in the three and twelve months ended December 31, 2011, respectively, compared to positive price adjustments of \$3,082,000 and \$5,394,000 in the three and twelve months ended December 31, 2010, respectively.

### ***6.3 Share-based payment***

Share-based payment expense is calculated using the Black-Scholes option pricing model and is recognized over the period that the employees earn the options, with a corresponding credit to equity-settled employee benefits reserve. If and when the stock options are ultimately exercised, the applicable amounts of equity-settled employee benefits reserve are transferred to share capital. In the event that unvested stock options are forfeited, any share-based payment expense previously recognized with regards to these options is reversed in the period of forfeiture.

During the year ended December 31, 2011, the Company's weighted average assumptions for the calculation included a risk-free interest rate of 2.69%, expected life of the options of 5 years, no dividends, and an annualized volatility of the Company's shares of 73%. The resulting weighted average option valuation was Cdn\$0.82 per share. Share-based payment expense of \$8,325,000 was recognized during the year ended December 31, 2011 (December 31, 2010 - \$1,452,000), of which \$8,193,000 was due to the Company's share option plan and \$132,000 was due to the Company's key skills retention plan.

### ***6.4 Provision for environmental rehabilitation***

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an asset retirement obligation is recognized in the period incurred. If the cost estimates arise from the decommissioning of plant and other site preparation work, the net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. If the cost estimates arise from restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production, the net present value is charged to profit and loss for the period. The liability is accreted over time through periodic charges to operations and it is reduced by actual costs of reclamation.

The Company's estimates of reclamation costs are based on the Company's interpretation of current regulatory requirements and these estimates could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. A change in estimated discount rates is reviewed annually or as new information becomes available. Expenditures relating to ongoing environmental programs are charged against operations as incurred or capitalized and amortized depending on their relationship to future earnings.

At December 31, 2011, the expected present value of future rehabilitation costs at CRM and Spitzkop was \$8,390,000 using a discount rate of 8.47%. The undiscounted value was approximately \$40,567,000. The Company has not recorded any future rehabilitation costs for its Maresburg project as these costs are currently determined to be immaterial.

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## **7. Adoption of Accounting Standards and Accounting Pronouncements under IFRS**

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

Effective January 1, 2011, the Company adopted new and revised International Financial Reporting Standards ("IFRSs") that were issued by the International Accounting Standards Board ("IASB"). The

application of these new and revised IFRSs 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) *Amendment to IAS 32 Financial Instruments: Presentation*

Rights, options or warrants to acquire a fixed number of the Company's equity instruments for a fixed amount of any currency will be allowed to be classified as equity instruments so long as the Company offers the rights, options or warrants pro rata to all of the Company's existing owners of the same class of the Company's non-derivative equity instruments.

(b) *Amendments to IFRS 3 Business Combinations*

Clarification that the contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 that is outstanding at the adoption date continues to be accounted for in accordance with IFRS 3.

Limiting the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation.

Expansion of the guidance with regards to the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards.

(c) *Amendments to IAS 27 Consolidated and Separate Financial Statements*

Clarification that the amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates*, and IAS 31 *Interests in Joint Ventures* resulting from IAS 27 should be applied prospectively, except for amendments resulting from renumbering.

(d) *Amendments to IFRS 7 Financial Instruments: Disclosures*

Amendment to disclosure requirements, specifically, ensuring qualitative disclosures are made in close proximity to quantitative disclosures in order to better enable financial statement users to evaluate an entity's exposure to risks arising from financial instruments.

(e) *Amendments to IAS 1 Presentation of Financial Statements*

Clarification that the breakdown of changes in equity resulting from transactions recognized in other comprehensive income is required to be presented in the statement of changes in equity or in the notes to the financial statements.

(f) *Amendments to IAS 24 Related Party Disclosures*

Amendment of the definition for related parties.

(g) *Amendments to IAS 34 Interim Financial Reporting*

Addition of further examples of events or transactions that require disclosure and removal of references to materiality when discussing other minimum disclosures.

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

### **(a) Effective for annual periods beginning on or after July 1, 2011**

#### **(i) 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.

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

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

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

#### **(ii) 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.

#### **(iii) 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.

#### **(iv) 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.

#### **(v) 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.

#### **(iv) 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.

(vi) *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*.

(vii) *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, 2015*

(i) *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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## **8. Risk Factors**

The business of exploring for minerals and the mining and processing of those minerals involve a high degree of risk. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. These risks include risks associated with the mining industry, the financial markets, metals prices and foreign operations.

### ***8.1 Risks associated with the mining industry***

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a mineral deposit include its size, grade and proximity to infrastructure. In addition, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations could have a profound impact on the economic viability of a mineral deposit.

The mining operations and the exploration and development programmes of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including, but not limited to, geological, geotechnical and seismic factors, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land-slides, availability of suitable or adequate machinery and labour, industrial and mechanical accidents, environmental hazards (including discharge of metals, pollutants or hazardous chemicals), and political and social instability. In the past two years, the Company has experienced power shortages and labour disruptions.

It is not always possible to obtain insurance against all risks described above and the Company may decide not to insure against certain risks as a result of high premiums or for other commercial reasons. The Company does not maintain insurance against political or environmental risks, but may be required to do so in the future. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

The Company is not able to determine the impact of potential changes in environmental laws and regulations on its financial position due to the uncertainty surrounding the form such changes may take. As mining regulators continue to update and clarify their requirements for closure plans and environmental protection laws and administrative policies are changed, additional reclamation obligations and further security for mine reclamation costs may be required. It is not known whether such changes would have a material effect on the operations of the Company.

### ***8.2 Risks associated with the current global economic uncertainty***

PGM and metals prices in general and shares of mining companies have been particularly volatile in the past year as a result of the global economic uncertainty, declining confidence in financial markets, failures of financial institutions and concerns over the availability of credit. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms that are favourable to the Company. If market volatility and uncertainty continue or worsen, the Company's operations could be adversely impacted and the value of the Company's common shares could be adversely affected, making accessibility to public financing even more difficult.

### ***8.3 Risks associated with foreign currencies***

The Company currently uses the South African Rand and the Canadian dollar as its functional currencies, and the U.S. dollar as its reporting currency. Operations at the Company's CRM are predominately conducted in Rand, with costs paid in Rand and revenues received in Rand, even though PGM prices are based in U.S. dollars. The Company does not hedge or sell forward any of its PGM production and is therefore exposed to exchange rate fluctuations. A deterioration of the U.S. dollar against the Rand could increase the cost of PGM production and exploration and development costs and therefore may have a material adverse effect on the earnings of CRM. During 2010, the average U.S. dollar to Rand exchange rate weakened by 13% compared to 2009, causing the 2010 U.S. dollar operating costs per ounce to increase in the absence of other cost factors. The average U.S. dollar to Rand exchange rate in 2011 was not significantly different than that of 2010, but there were wide fluctuations in the exchange rates during those two years.

Fluctuations in the exchange rate between the Canadian dollar and the Rand may also have a significant impact on the Company's results of operations and financial condition. The Company's assets and liabilities will be subject to the same exchange rate fluctuations that could also have a significant effect on the results of the Company.

The Company cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

### ***8.4 Risks associated with metal prices***

Metal prices, particularly platinum prices, have a direct impact on the Company's earnings and the commercial viability of the Company's other mineral properties. Platinum is both a precious metal and an industrial metal. The most important industrial consumption of platinum is in automobile catalytic

converters. Demand recovered in 2010 as a result of the recovery of the auto sector and acquisition by physically-backed exchange traded funds (ETFs), but has recently become unstable again due to the current volatility of the eurozone financial markets. Supplies have been negatively affected by the depletion of existing resources and the lack of new mining projects, and by intermittent production stoppages experienced by many of the South African PGM miners as a result of various factors such as labour unrest and mine safety issues. Some of the other key factors that may influence platinum prices are policies in the most important producing countries, namely South Africa and the Russian Federation, the amount of stockpiled platinum, economic conditions in the main consuming countries, international economic and political trends, fluctuations in the U.S. dollar and other currencies, interest rates, and inflation. A decline in the market price of PGMs mined by the Company may render ore reserves containing relatively low grades of mineralization uneconomic and may in certain circumstances lead to a restatement of reserves.

Prices for platinum and most of the other PGMs reached all-time highs in the first half of 2008, and as a result, the Company achieved record margins for its PGM sales during the first two quarters of that year. While PGM prices have generally increased steadily since the beginning of 2009, the weakening of the U.S. dollar over the same period has had an offsetting effect against the increasing PGM prices as the Company receives its revenues in Rand and incurs its operating expenses in Rand. There is no assurance that PGM prices will return to the 2008 highs in the future.

The marketability of metals is also affected by numerous other factors beyond the control of the Company, including but not limited to government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted.

#### ***8.5 Risks associated with foreign operations***

The Company's investments in South Africa carry certain risks associated with different political and economic environments. Since 1994, South Africa has undergone major changes to effect majority rule and mineral title. Accordingly, all laws may be considered relatively new, resulting in risks such as possible misinterpretation of new laws, unilateral modification of mining or exploration rights, operating restrictions, increased taxes, environmental regulation, mine safety and other risks arising out of a new sovereignty over mining, any or all of which could have an adverse impact upon the Company. The Company's operations may also be affected in varying degrees by political and economic instability, terrorism, crime, extreme fluctuations in currency exchange rates, and inflation.

The Government of South Africa has promulgated the Mineral and Petroleum Resources Royalty Act, 2008. This act allows for a revenue-based royalty on South African mining companies which came into effect on March 1, 2010. The royalty rate for unrefined minerals is based on a formula that references EBIT margins and is estimated to be approximately 1% of gross mining revenues.

#### ***8.6 Risks associated with granting of exploration, mining and other licenses***

The Government of South Africa exercises control over such matters as exploration and mining licensing, permitting, exporting and taxation, which may adversely impact on the Company's ability to carry out exploration, development and mining activities. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Company's exploration and mining activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be granted for a defined period of time, or may not be granted, or may be withdrawn or made subject to limitations. There can be no assurance

that such authorizations will be renewed following expiry or granted (as the case may be) or as to the terms of such grants or renewals. There is also no assurance that the issue of a reconnaissance, prospecting or exploration licence will ensure the subsequent issue of a mining licence. All ‘Old Order’ mineral rights in South Africa are subject to conversion into ‘New Order’ mineral rights. New Order Mining Rights for the Spitzkop and Mareesburg Projects were issued by the Department of Mineral Resources (“DMR”) in October 2009 and September 2010, respectively.

CRM currently holds a total of 7 New Order Prospecting Rights and 5 New Order Mining Rights. The Kennedy’s Vale Project and CRM now hold a combined total of 10 New Order Prospecting Rights.

### **8.7 Risks associated with the development of the Mareesburg Project**

The Company’s decision to carry out the development of the Mareesburg Project was based on internal scoping studies and cash flow models. The Company did not commission an independent economic analysis in respect of its decision to proceed with this development. If the Company’s internal scoping studies or cash flow models prove to be inaccurate or incomplete, the expected returns from the Mareesburg Project could be lower or even negative, and the Company’s financial condition and results of operations could be materially adversely affected. There can be no assurance that the Company’s projects will be fully developed in accordance with the Company’s current plans or completed on time or on budget.

## **9. Financial instruments**

### **9.1 Management of capital risk**

The Company’s objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. The Company is not subject to externally imposed capital requirements.

### **9.2 Categories of financial instruments**

*Table 8*

(Expressed in thousands of U.S. dollars)		
	<b>December 31,</b>	
	<b>2011</b>	2010
<b>Financial assets</b>		
Cash and cash equivalents	<b>\$ 151,838</b>	\$ 107,846
Loans and receivables (1)	<b>23,580</b>	33,787
Available for sale financial assets (2)	<b>106,958</b>	246,269
	<b>\$ 282,376</b>	\$ 387,902
<b>Financial liabilities</b>		
Other financial liabilities (3)	<b>40,459</b>	27,009
	<b>\$ 40,459</b>	\$ 27,009

(1) Loans and receivables consist of trade receivables.

(2) Available for sale financial assets consist of short-term investments and other assets.

(3) Other financial liabilities consist of accounts payable and accrued liabilities.

The fair values of cash and cash equivalents, short-term investments, trade receivables and accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

### ***9.3 Financial risk management***

The Company's financial instruments are exposed to certain financial risks, including currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

#### *(a) Currency risk*

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company's revenues are based on U.S. dollar PGM prices, but the Company receives revenues in South African Rand. A significant change in the currency exchange rates between the South African Rand relative to the U.S. dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

#### *(b) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its short-term investments. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments is limited because these investments, although available for sale, are generally not sold before maturity. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk.

#### *(c) Price risk*

The Company is exposed to price risk with respect to fluctuations in the prices of platinum group metals. These fluctuations directly affect revenues and trade receivables. As at December 31, 2011, the Company's financial assets subject to metal price risk consist of trade receivables of \$11,550,000 (December 31, 2010 - \$30,142,000). Historically, the Company has not entered into any derivative financial instruments to manage exposures to price fluctuations. No such derivative financial instruments existed at December 31, 2011 and 2010.

#### *(d) Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables. The carrying value of the financial assets represents the maximum credit exposure.

The Company currently sells substantially all of its PGM concentrate production to one customer under an off-take contract. At December 31, 2011, the Company had receivable balances associated with this one customer of \$11,550,000 (December 31, 2010 - \$30,142,000). The loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The Company has not experienced any bad debts with this customer.

The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at December 31, 2011.

(e) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. The Company staggers the maturity dates of its investments over different time periods and dates to minimize exposure to interest rate changes. This strategy remains unchanged from 2010.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. Table 6 summarizes the Company's significant commitments and corresponding maturities.

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## **10. 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 years ended December 31, 2011 and 2010, 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 December 31, 2011 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 December 31, 2011.

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 year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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## **11. 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. 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, fluctuations in the currency markets such as Canadian dollar, South African Rand and U.S. dollar, fluctuations in the prices of PGM and other commodities, 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 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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March 5, 2012

Ian Rozier