ROYAL BAFOKENG PLATINUM
MORE THAN MINING

REVIEWED INTERIM RESULTS for the six months ended 30 June 2012

Key features

- Lost Time Injury Frequency Rate reduced by 39%, regrettably one employee was fatally injured in a fall of ground incident
- 10 504 (4E) ounces lost due to safety related stoppages (2011: 4 317 (4E) ounces)
- Production down by 9% to 128 847 ounces of PGMs (4E)
- 6% reduction in built-up head grade to 4.04 g/t
- Revenue declined by 14% to R1.3 billion
- Cash operating cost per tonne milled increased by 11% whilst per platinum ounce rose by 19%
- Earnings per share of 43 cents (2011: 105 cents)
- Capital expenditure of R521 million (2011: R592 million)
- Significant progress at the Stydrift I Project with Main shaft at 514 metres and Services shaft at 408 metres below collar
- Balance sheet ungeared with a healthy cash and near-cash position of R1.16 billion (2011: R1.29 billion)

Consolidated statement of comprehensive income

For the period ended R (million)	30 June 2012 Reviewed	30 June 2011 Reviewed	% Change
Revenue	1 305.3	1 510.4	(13.6%)
Cost of sales	(1 142.3)	(1 171.1)	2.5%
Cost of sales excluding depreciation and amortisation	(1 032.5)	(922.2)	(12.0%)
Depreciation and amortisation	(139.9)	(230.1)	39.2%
Increase/(decrease) in inventories	30.1	(18.8)	260.2%
Gross profit	163.0	339.3	(52.0%)
Other income	21.2	34.0	(37.6%)
Administration expenses	(63.1)	(57.5)	(9.8%)
Finance income	34.6	29.9	15.9%
Finance cost	(1.7)	(0.4)	(324.1%)
Profit before tax	154.0	345.3	(55.4%)
Income tax expense	(34.9)	(96.6)	63.8%
Income tax	(7.8)	(10.7)	26.9%
Deferred tax	(27.1)	(85.9)	68.4%
Total comprehensive income	119.1	248.7	(52.1%)
Attributable to owners of the Company	70.6	172.0	(59.0%)
Attributable to non-controlling interest	48.5	76.7	(36.7%)
Basic EPS (cents/share)	43	105	(59.0%)
Diluted EPS (cents/share)	43	105	(59.0%)
HEPS (cents/share)	43	105	(59.0%)

Consolidated statement of changes in equity

	Number of shares	Ordinary shares R (million)	Share premium R (million)	Share-based payment reserve R (million)	Retained earnings R (million)	Attributable to owners of the Company R (million)	Non-controlling interest R (million)	Total R (million)
Balance at 30 June 2010 (reviewed)	137 057 500	1.4	6 817.8	-	178.0	6 997.2	-	6 997.2
Transactions with shareholders								
Shares issued:								
Contingent consideration for the 17% interest in BRPM	10 000 000	0.1	(0.1)	-	-	-	-	-
Shares issued on listing of the Company	16 620 299	0.2	1 005.4	-	-	1 005.6	-	1 005.6
Capitalisation of listing transaction costs	-	-	(63.2)	-	-	(63.2)	-	(63.2)
IFRS 2 charge for the six months	-	-	-	18.8	-	18.8	-	18.8
Profit for the six months	-	-	-	-	2 985.4	2 985.4	1.9	2 987.3
Non-controlling interest on gaining control of BRPM	-	-	-	-	-	-	3 405.5	3 405.5
Purchase price adjustment	-	-	-	-	(1.5)	(1.5)	314.4	312.9
Balance at 31 December 2010 (restated)	163 677 799	1.7	7 759.9	18.8	3 161.9	10 942.3	3 721.8	14 664.1
IFRS 2 charge for the six months	-	-	-	30.6	-	30.6	-	30.6
Profit for the six months to 30 June 2011	-	-	-	-	172.0	172.0	76.7	248.7
Balance at 30 June 2011 (reviewed)	163 677 799	1.7	7 759.9	49.4	3 333.9	11 144.9	3 798.5	14 943.4
IFRS 2 charge for the six months	-	-	-	31.7	-	31.7	-	31.7
Profit for the six months to 31 December 2011	-	-	-	-	101.4	101.4	60.7	162.1
Balance at 31 December 2011 (audited)	163 677 799	1.7	7 759.9	81.1	3 435.3	11 278.0	3 859.2	15 137.2
IPO shares vested in May 2012	417 416	0.0	25.9	(25.9)	-	-	-	-
IFRS 2 charge for the six months	-	-	-	36.3	-	36.3	-	36.3
Profit for the six months to 30 June 2012	-	-	-	-	70.6	70.6	48.5	119.1
Balance at 30 June 2012 (reviewed)	164 095 215	1.7	7 785.8	91.5	3 505.9	11 384.9	3 907.7	15 292.6

Notes to the financial statements

1. Basis of preparation

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 and interpretations of those standards (as adopted by the International Accounting Standards Board) and applicable legislation (requirements of the South African Companies Act and the regulations of the JSE Limited).

The financial information is presented in South African Rands which is the Company's functional currency.

2. Accounting policies

The consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies used by the Group are consistent with those of the previous period, except for the adoption of various revised and new standards. The adoption of these standards had no material impact on the financial results for this review period.

3. Independent review by the auditors

The interim financial statements have been reviewed by PricewaterhouseCoopers Inc. whose unqualified review conclusion is available for inspection at the registered office of RBPlat.

4. Capital commitments

Capital commitments relate to the Styldrift I and BRPM Phase II and III projects.

For the period ended R (million)	Reviewed 30 June 2012	Reviewed 30 June 2011
Contracted commitments	722.2	995.2
Approved expenditure not yet contracted for	8 522.6	8 738.8
	9 244.8	9 734.0

The capital commitments reflect 100% of the BRPM project commitments. Effectively RBPlat must fund 67% thereof and Rustenburg Platinum Mines Ltd (RPM) the remaining 33%.

Should either party elect not to fund their share, their interest will be diluted according to the terms of the BRPM JV agreement.

5. Contingencies – guarantees

For the period ended R (million)	Reviewed 30 June 2012	Reviewed 30 June 2011
Environmental rehabilitation guarantees provided by Royal Bafokeng Management Services (Pty) Ltd (RBMS)	-	47.5
Eskom guarantee to secure power supply for Styldrift I Project	17.1	17.1
Eskom early termination guarantee for Styldrift I Project	17.5	-
Eskom connection charges guarantee for Styldrift I Project	40.0	-
Anglo American Platinum guarantee for environmental rehabilitation liability	75.3	-
Rental guarantee	0.4	0.4
	150.3	65.0

Consolidated statement of financial position

As at R (million)	30 June 2012 Reviewed	30 June 2011 Reviewed	% Change
ASSETS			
Non-current assets	17 476.3	16 845.1	3.7%
Property, plant and equipment	8 406.6	7 728.1	8.8%
Mineral rights	6 673.6	6 728.6	(0.8%)
Goodwill	2 275.1	2 275.1	0.0%
Environmental trust deposit	96.4	91.3	5.5%
Deferred tax asset	24.6	22.0	11.8%
Current assets	2 263.3	2 413.9	(6.2%)
Inventories – Consumables	24.0	20.8	15.3%
Inventories – Stockpile	37.9	12.2	210.5%
Trade and other receivables	1 033.3	1 086.3	(4.9%)
Held to maturity investments	272.5	257.8	5.7%
Current tax receivable	0.3	4.8	(93.8%)
Cash and cash equivalents	895.3	1 032.0	(13.2%)
Total assets	19 739.6	19 259.0	2.5%
EQUITY AND LIABILITIES			
Share capital	1.7	1.7	0.0%
Share premium	7 785.8	7 759.9	0.3%
Retained earnings	3 505.9	3 333.9	5.2%
Other reserves	91.5	49.4	85.2%
Non-controlling interest	3 907.7	3 798.5	2.9%
Total equity	15 292.6	14 943.4	2.3%
Non-current liabilities	4 131.9	4 068.6	1.6%
Deferred tax liability	4 071.5	3 994.0	1.9%
Long-term provisions	60.4	74.6	(19.1%)
Current liabilities	315.1	247.0	27.6%
Trade and other payables	313.6	246.5	27.8%
Current tax payable	1.5	-	100%
Related party loans	-	0.5	(100.0%)
Total equity and liabilities	19 739.6	19 259.0	2.5%

Consolidated cash flow statement

For the period ended R (million)	30 June 2012 Reviewed	30 June 2011 Reviewed	% Change
Cash generated by operations	302.3	390.2	(22.5%)
Interest received	27.0	21.6	25.0%
Tax paid	(9.8)	(10.7)	8.5%
Net cash flow generated by operating activities	319.5	401.1	(20.3%)
Proceeds from disposal of property, plant and equipment	-	0.1	(100.0%)
Acquisition of property, plant and equipment	(520.9)	(592.4)	12.1%
Increase in environmental trust deposit	(2.5)	(2.5)	0.6%
Net cash flow utilised by investing activities	(523.4)	(594.8)	12.0%
Settlement of intercompany balances	-	325.8	(100.0%)
Related party loans received	-	0.5	(100.0%)
Net cash flow generated by financing activities	-	326.3	(100.0%)
Net (decrease)/increase in cash and cash equivalents	(203.9)	132.6	(253.8%)
Cash and cash equivalents at beginning of period	1 099.2	899.4	22.2%
Cash and cash equivalents at end of period	895.3	1 032.0	(13.2%)

6. Financing facilities in place

RBPlat had cash and near cash investments on hand at 30 June 2012 of R1.16 billion. The Group has an intra-month funding working capital requirement which is met through a R250 million working capital facility of which R150.3 million had been utilised for guarantees at 30 June 2012. It also has an unutilised revolving credit facility ("RCF") of R500 million. The RCF terms were renegotiated in the first half of 2012 resulting in a reduction in the commitment fees and the interest rate and the extension of the RCF from 31 December 2013 to 31 December 2015.

7. Basic and headline earnings

The reconciliation between basic and headline earnings is shown below:

For the period ended	30 June 2012 Reviewed	30 June 2011 Reviewed
Basic earnings – profit attributable to owners of the Company (R million)	70.6	172.0
Adjustments net of tax:		
Profit on disposal of property, plant and equipment (R million)	-	(0.1)
Headline earnings (R million)	70.6	171.9
Weighted average number of ordinary shares in issue for basic and headline earnings per share	163 956 076	163 677 799
Basic earnings per share (cents/share)	43	105
Diluted earnings per share (cents/share)	43	105
Headline earnings per share (cents/share)	43	105
Diluted headline earnings per share (cents/share)	43	105

8. Sales

Concentrate sales – production from BRPM concentrator	1 272.9	1 419.8
UG2 toll concentrate sales	32.4	90.6
	1 305.3	1 510.4

9. Cost of sales

Labour	359.9	330.6
Utilities	78.9	63.0
Contractor costs	220.7	179.6
Materials and other mining costs	309.2	326.7
Elimination of intergroup charge	(20.6)	(19.4)
Movement in inventories	(30.1)	18.8
Depreciation	113.1	202.0
Amortisation	26.8	28.1
Share-based payment expense	21.9	18.1
Social and labour plan expense	57.4	10.6
State royalties	4.4	9.2
Other	0.7	3.8
	1 142.3	1 171.1

10. Related party transactions

For the period ended R (million)	30 June 2012 Reviewed	30 June 2011 Reviewed
Loan from RBMS	-	0.5
Amount owing by RPM for concentrate sales	926.9	1 016.4
Amount owing to RPM for contribution to BRPM	62.7	20.0
Transactions during the six months:		
Concentrate sales to RPM	1 305.3	1 510.4
Impala Platinum Limited royalty income	20.6	3.4
Transactions with Fraser Alexander	12.8	10.7
RBMS fees of administrative nature	-	0.8
Royal Marang Hotel	0.4	0.3
Geoserve Exploration Drilling Company	6.7	-
Zurich Insurance Company of South Africa	0.4	0.4
Trident South Africa (Pty) Ltd	2.6	0.2

11. Dividends

No dividends have been declared or proposed in the current period (2011: nil).

12. Segmental reporting

The Group is currently operating one mine with two decline shafts and the Styldrift I Project. The BRPM operation is treated as one operating segment. The Executive Committee of the Company is regarded as the Chief Operating Decision Maker.

For the period ended R (million)	30 June 2012 Reviewed	30 June 2011 Reviewed
Concentrate sales	1 305.3	1 510.4
Cash cost of sales	(968.8)	(896.4)
Depreciation	(63.6)	(149.5)
Other operating income	21.2	3.9
Other operating expenditure	(49.9)	(55.4)
Net finance income	4.3	4.9
Segmental profit before tax	248.5	417.9
Additional depreciation on purchase price adjustment and amortisation	(76.4)	(80.6)
Consolidation adjustments	20.7	16.2
Overheads of corporate office and royalties	(67.5)	(61.7)
Other income and net finance income	28.7	53.5
Profit before tax per the statement of comprehensive income	154.0	345.3

Operating and financial statistics

Description	Unit	30 June 2012	30 June 2011	% Change
SAFETY				
LTIFR (/200,000 hrs)	rate	0.67	1.10	39%
SIFR (/200,000 hrs)	rate	0.32	0.43	25%
PRODUCTION				
Total tonnes milled	kt	1 139	1 172	(3%)
Merensky tonnes milled	kt	990	1 037	(5%)
UG2 tonnes milled	kt	149	135	10%
% UG2 of total tonnes milled	%	13.1%	11.5%	13%
4E built-up head grade	g/t	4.04	4.32	(6%)
Closing stockpile	kt	64	29	123%
IMA reserves	months	24.3	22.7	7%
Combined recovery (4E)	%	87.1	87.3	0%
Metals in concentrate produced				
4E	oz	128 847	142 147	(9%)
Platinum	oz	83 472	92 105	(9%)
Nickel	t	916	1 032	(11%)
Total operating labour	no.	6 744	6 398	(5%)
Stoping crew efficiency	m^2/crew	281	315	(11%)
Stoping efficiency – enrolled	m^2/crew	289	266	9%
Stoping efficiency – contractor	m^2/crew	279	328	(15%)
FINANCIAL				
Operating cash cost/tonne milled	R/t	851	765	(11%)
Operating cash cost/4E oz	R/4E oz	7 519	6 306	(19%)
Operating cash cost/Pt oz	R/Pt oz	11 606	9 732	(19%)
Total capital expenditure	R (million)	521	592	12%
Stay-in-business capital	R (million)	116	52	(122%)
Replacement capital	R (million)	156	169	9%
Expansion capital	R (million)	249	371	33%
Gross profit	%	12.5	22.5	(44%)
EBITDA	%	20.0	36.1	(45%)
Average basket price*	R/Pt oz	15 638	16 394	(5%)
Average R:US$	R/US$	7.94	6.90	15%

** Net proceeds from total concentrate sales (including revaluation of pipeline) divided by total platinum ounces produced.*

Commentary

Safety

Royal Bafokeng Platinum is pleased to have recorded a significant improvement in most safety performance measures during the first half of the year. The total number of injuries reduced by 40% from the same period in 2011, with the Lost Time Injury Frequency Rate and Serious Injury Frequency Rate reducing by 39% and 25% respectively over the same period. The total number of injury free days increased from 98 days in the first half of 2011 to 116 days during the period under review. The improvements are attributed to the continued drive on leadership, design, systems and behaviour in high risk areas. The Company has in addition initiated a key drive to further improve the safety culture at all levels in the organisation to support our philosophy of zero harm.

Notwithstanding the significant improvement in overall safety performance the Company regrettably recorded a fatal injury at its Bafokeng Rasimone Platinum Mine (BRPM) on 6 February 2012 during which Castigo Ndeve, a Blasting Assistant of a contracting company, Platcro Mining Services (Pty) Limited, lost his life during a fall of ground incident at North shaft level 6.

Operational performance

Safety related stoppages in the first six months of the year had a more adverse impact on production compared to the first half of 2011. Safety stoppages associated with the fatal injury and routine inspections by the Department of Mineral Resources resulted in a loss of 87 430 milled tonnes or 10 504 ounces (4E) in the first six months of 2012 compared to the loss of 35 327 tonnes or 4 317 ounces (4E) for the first half of 2011. This represents an increased loss of 6 187 ounces (4E) or 144% compared to the equivalent period in 2011 and highlights the importance of improved safety performance and statutory compliance.

To offset the impact of safety stoppages, 59 931 tonnes of low grade (2.0 g/t 4E) surface stockpile ore was treated through the BRPM concentrator. This resulted in tonnes delivered to concentrators remaining relatively stable at 1 189 531 tonnes compared to 1 166 895 tonnes in the first half of 2011.The low grade surface stockpile ore, coupled with, amongst others, temporary lower UG2 grades at South shaft due to off reef mining, and relatively high re-development rates to increase immediately stopeable reserves, had a negative impact on the 4E built-up head grade causing it to reduce by 6% from 4.32 g/t to 4.04 g/t during the period under review. Due to the lower UG2 grades, toll processing of UG2 through the Anglo American Platinum Waterval concentrator was temporarily suspended resulting in a decline in UG2 toll concentrating from 99 269 tonnes in the first half of 2011 to 41 796 tonnes for the period under review. This resulted in an ore stockpile of 64 058 tonnes at BRPM being carried over into the second half of 2012.

The BRPM concentrator recovery remained in line with targets at around 87.5%. A 3% reduction in total tonnes milled due to the lower volumes toll treated at Waterval and the 6% lower built-up head grade resulted in a net 9% decline in 4E ounces and platinum ounces. Total production for the first half of the year ended at 128 847 ounces (4E) and 83 472 ounces of platinum respectively.

The labour productivity of enrolled teams increased by 9% to 289m^2 per team compared with a 15% reduction in the productivity of contractor teams from 328m^2 to 279m^2. The enrolled teams are steadily on their way to achieving the stated target of 380m^2 per team as contained in the three-year wage agreement which became effective from 1 July 2011.

The strategy at BRPM remains to expand into the shallow UG2 reef on levels where Merensky is depleted and increase the immediately stopeable reserves. The full concentrator upgrade to increase plant throughput and UG2 co-processing capacity has however been deferred with the focus shifted to explore lower cost solutions which will yield most of the benefits.

Immediately stopeable reserves (IMS)

Increasing IMS to improve operational flexibility remains a strategic focus area at BRPM and a number of initiatives have been implemented to achieve this objective. Working cost development increased by 32% from 11.6km in the first six months of 2011 to 15.3km in the half year under review, and additional dedicated teams were created to perform the ledging and equipping required to establish stopeable panels. The net result was an increase of 494 metres or 13% in IMS face length from 3 669 metres to 4 163 metres during the first half of the year. Whilst we are pleased about the increase, the rate of improvement requires acceleration to meet our target of 5 200 metres of IMS face length.

Operating costs

Total cash operating costs increased by 8.1% from R896 million in the first half of 2011 to R969 million in the first six months of 2012. Above inflation costs for labour (CPIX + 3.5%) and power (CPIX + 12.4%) and increased development rates were the main drivers. Cash operating costs per tonne milled increased by 11.3% from R765 to R851 per tonne due to lower volumes. The lower 4E built-up head grade and consequent 4E ounces in concentrate had a further detrimental impact on the cash operating cost per platinum ounce, which ended 19.3% higher at R11 606/Pt oz for the first half of 2012 compared to R9 732/Pt oz in the equivalent period during 2011.

Capital expenditure

Capital expenditure reduced by R71 million or 12% from R592 million in the first six months of 2011 to R521 million in the first six months of 2012. This is largely attributed to a reduction in expenditure at Styldrift I (R124 million) as a result of large construction activities during the past six months being limited to shaft sinking and the almost completed Phase II replacement project (R44 million). The lower expenditure on these two key projects was partially offset by increased expenditure in stay-in-business capital (R64 million) and Phase III (R31 million) in line with increased Phase III project activities.

Stay-in-business (SIB) capital expenditure at BRPM increased from R52 million during the first half of 2011 to R116 million for the first half of 2012 due to several once off high cost projects. These include the chairlift project at North and South shafts (R28 million), the IT migration project (R19 million) and the tailings line replacement for the BRPM concentrator (R12 million). These projects collectively represent 46% of the expected SIB expenditure for 2012.

The forecast capital expenditure for the 2012 financial year is R1.3 billion, including Styldrift but excluding deferred capital projects. This compares to R1.2 billion capital expenditure incurred in the 2011 financial year.

Project review

BRPM Phase II and III replacement projects

BRPM Phase II replacement project progressed to schedule and below budget during the last six months. Extension of the North shaft decline from 6 level to 10 level was concluded in 2011 and the last level at South shaft, 10 level, handed over to the mine for development production on schedule in the second quarter of 2012. Capital expenditure for the first half of 2012 amounted to R63.2 million. Overall project completion and close out is scheduled for September this year with estimated cost at completion of R2.3 billion compared to budget of R2.4 billion.

Phase III is the extension of North shaft from 11 level down to 15 level. At the end of June, project progress had advanced to 31% completion against a planned completion of 28% with development 453 metres ahead of schedule. The first level, 11 level, was handed over to production in the second quarter and the project is on track to conclude ahead of schedule in 2017. The project remains below budget, but due to the early stage in the life cycle of the project, the estimated cost at completion remains unchanged at R1.3 billion. Capital expenditure of R90.1 million was incurred in the first six months of this year.

Styldrift I Project

Initial constraints with shaft sinking rates reported in 2011 were successfully addressed with significant improvements in performance during the first six months of 2012. By the end of June the Main shaft had progressed to a depth of 514 metres and the Service shaft to 408 metres below collar. A total of 551.5 metres was sunk at the two shafts during the half year under review. The forecast date for reaching the first major sinking milestone, Merensky reef intersection at 594 metre level is August 2012, one month ahead of the date reported at the end of 2011.

Capital expenditure for the first half was R244 million, with the 2012 year forecast expenditure being R675 million. At the end of the half year under review the total committed project value to date was R2.1 billion with total project expenditure of R1.5 billion. To date a cost saving of R323 million has been realised with key contributing areas comprising civil, electrical and reimbursable professional services.

The design optimisation study of the Styldrift I Project has been completed and is currently under review. Key components of the study include:

- Reduced bord widths from 13 metres to 8 metres. This resulted in a stiff pillar design with 8x8 metre pillars compared to the original yielding pillar design.
- Truck transport of ore in footwall waste drives was replaced with on reef strike conveyors.
- The shaft depth increased by 18 metres to alleviate the geotechnical risk associated with the UG1 strata zone intersecting the life of mine excavations.
- Detail mine designs were concluded for station and level layouts as well as critical infrastructure including underground workshops as well as material and rock handling infrastructure.
- Hydro powered drilling is intended to replace the initially proposed electric drilling.
- Detail labour planning has been completed based on the new mining layouts and configuration.

A key consequence of the optimised design is the ramp up profile which extends from the two years initially planned to three years. Steady state output of 230 000 tonnes per month is expected in 2018 compared to the original planned date of 2017. The extraction rate has in addition reduced due to the changed bord and pillar configuration and reduces the ore reserves from 68 million to 60 million tonnes. The forecast steady state operating cost at Styldrift based on the optimised design is R687 per tonne in June 2012 real terms. Assessment of the impact on overall capital expenditure will be concluded in the second half of the year but is not expected to increase the project budget of R11.8 billion.

The good from mining

Community projects

There has been significant progress made in the area of community development. A number of projects which were started in late 2011 and early 2012 were completed during the period under review, including a one hectare hydroponic community garden, refurbishment of a satellite police station and community service centre, provision of Kgotla Offices for the village leadership and improving health facilities at a local clinic and building sports facilities at five local schools as a first phase of our whole school development programme. In addition, a one kilometre road has been constructed in one of the communities.

More investment is required in the surrounding communities given the depth and breadth of needs. We will continue to engage with the relevant authorities to identify sustainable initiatives that will provide a foundation for long-term empowerment, whilst balancing the commercial needs of the business under the prevailing market conditions. We estimate that the total expenditure on community development for the year will be R60 million.

Environmental stewardship

With regards to environmental stewardship, we were able to achieve a number of milestones. Firstly, we completed an energy audit which identified savings opportunities in relation to our electricity consumption of up to 10% of our annual electricity consumption. RBPlat is currently formulating an implementation strategy in this regard. Secondly, an associated benefit of reducing our electricity consumption is the concomitant reduction in our greenhouse gas emissions (97% of our emissions are due to electricity purchased from Eskom). Thirdly, we completed a climate risk vulnerability assessment and are investigating adaptation strategies to manage potential climate related risks to the business.

Water resources remain a significant risk to our business and we are addressing this risk by investing in a water retreatment plant at a cost of R42 million to treat 4Ml/day (two thirds of our allocated potable water from Magalies Water) which will be reused within our operations. The project is currently under an environmental impact assessment process and we anticipate that the plant will be completed during the second half of 2013.

Financial review

Net revenue decreased by 14% due to lower volumes produced (9%) and a lower basket price of R15 638 per platinum ounce (5%) in the first half of 2012 compared to that of 2011. Revenue from production through the BRPM concentrator decreased by 10.3% from R1 419.8 million to R1 272.9 million for the first half of 2012 due to a 6% reduction in ounces produced and a 5% reduction in the rand basket price. Revenue from toll concentrating of UG2 decreased by 64.2% from R90.6 million for the first six months of 2011 to R32.4 million for the period under review as a result of a 63% reduction in toll concentrating ounces and the reduction in the rand basket price.

Gross profit margin declined by 44% from 22.5% to 12.5% for the first six months of 2012. This was due to the 14% decrease in net revenue and an 11% increase in cash operating cost per tonne milled. Depreciation charges reduced by 44% from R202 million to R113.1 million mainly due to the inclusion of the UG2 ounce base in the calculation of depreciation on a units of production basis during the period under review.

Earnings before interest, tax, depreciation and amortisation (EBITDA) as a percentage of revenue decreased to 20% from 36.1% in the first half of 2011 mainly as a result of reduced sales volumes, a reduced rand basket price and an increase in cash operating costs at the operation.

Other income reduced by R12.8 million from R34 million in the first half of 2011 to R21.2 million for the period under review. The R34 million in the first half of 2011 included net income of R28.9 million being the settlement of intercompany balances with RPM. The reduction in other income was offset by an increase of R17.2 million in the Impala Platinum Limited royalties received to R20.6 million for the first six months of 2012.

Finance income increased by R4.7 million to R34.6 million and relates to interest earned on cash on hand including dividends received on the Nedbank preference share investment. Administration expenditure increased by 9.8% to R63.1 million compared to the same period last year.

The current income tax charge reduced to R7.8 million from R10.7 million mainly due to the reduction in other income. Deferred tax decreased from the prior year mainly due to lower BRPM JV profits. In future, it is expected that an effective tax rate below 28% will be realised due to exempt dividend income and RPM's tax on non-mining income being carried by RPM and therefore not reflected in the Group's results.

Capital expenditure of R521 million was funded partly from cash flows generated by operating activities of R319.5 million and the remainder from cash contributions by the BRPM JV partners.

At 30 June 2012 the RBPlat Group's balance sheet remained ungeared with cash and near cash investments of R1.16 billion. The R500 million Nedbank RCF remains undrawn. The RCF was renegotiated during the first half of 2012 resulting in a reduction in commitment fees and interest rate as well as an extension of the RCF from 31 December 2013 to 31 December 2015.

Market review

The first half of 2012 has been characterised by softening platinum-group metal (PGM) prices as a result of weaker demand for PGMs particularly from Europe, supply disruptions due to industrial action, as well as safety related stoppages and high cost pressures.

Automotive demand[1]

Europe, which accounts for about 47% of automotive platinum demand, is forecast to contract by 0.3% in 2012 and grow by just 0.7% in 2013 according to the International Monetary Fund. Consequently, total platinum demand projections have been reduced by around 400 000 ounces to 7.6 million ounces for 2012 from estimates made at the start of the year, with automotive demand at 3.2 million ounces. Nonetheless, platinum loadings on catalytic converters are beginning to increase ahead of the much stricter Euro 6 emissions legislation due to commence towards the end of 2014, which along with a recovery in vehicle production will boost demand for platinum. Automotive palladium demand for 2012 is forecast at 6.9 million ounces out of total estimated palladium demand of 9.5 million ounces for 2012, the highest it has been in the last five years even though there has been a slowing growth in the United States as well as in China. Reduction of rhodium loadings by car manufacturers over the last few years, owing to prices breaching $10 000/oz in 2008, has become irreversible, consequently automotive demand for rhodium remains depressed at 800 000 ounces for 2012, which equates to just over 80% of total demand for rhodium.

Jewellery demand[1]

Despite slowing Gross Domestic Product growth in China, Chinese jewellery demand for 2012 is forecast to be boosted by the sales of bridal platinum jewellery. 2012 is the year of the Dragon, an auspicious year for marriage in China. Gross global demand for platinum jewellery is forecast at 2.6 million ounces whilst that of palladium is forecast at 340 000 ounces for 2012.

Investment demand[1]

The month of June saw palladium exchange traded funds (ETFs) investors returning metal to the market, resulting in palladium ETF holdings remaining 22% below the high level of 2.35 milllion ounces seen in February last year. Platinum ETF holdings have gained slightly this year to about 1.3 million ounces in June.

PGM prices[1]

The platinum price, having peaked at over $1 700/oz in February, is currently in the region of $1 400/oz, almost back to the low levels endured at the start of the year and 18% below the $1 720/oz average of 2011. The palladium price has dropped 11% to just over $560/oz in the year to date and is 23% below the average of $733/oz in 2011. However, rhodium has been hit hardest at $1 200/oz, which is 14% lower than that at the start of the year and 40% below the average for 2011 of $2 022/oz. The South African industry PGM basket price averaged R10 340/oz (4E) last year, but is currently R900 lower at R9 440/oz (4E).

[1]*Source: SFA (Oxford), July 2012*

Strategy to address prevailing global market conditions

In line with the Company announcement on 21 June 2012, the following projects have been deferred for the remainder of the 2012 and 2013 financial years:

- Exploration drilling at BRPM and Styldrift II (R71.7 million): Exploration drilling deferred relates to drilling required for Styldrift II's bankable feasibility study and longer term BRPM Phase III production. Neither project is adversely affected by the deferment of exploration drilling as adequate information is available to meet business requirements for the next two years.
- Construction of the chairlift at BRPM South shaft (R90.7 million): Merensky mining at South shaft has progressed to Phase II (levels 6 to 10) with no remaining Merensky left beyond level 10. South shaft is therefore already mining very similar to the final configuration it will encounter on the Merensky. Production will steadily migrate to shallower UG2 reef horizons which renders the installation of a chairlift system less critical than North shaft which extends to Phase III.
- BRPM concentrator upgrade (R300 million): The planned upgrade of the existing BRPM concentrator to increase throughput capacity from 200 000 tonnes per month to 230 000 tonnes per month and to process ore comprising up to 30% UG2 has been deferred. A lower cost alternative to achieve as much of the benefit as possible is being investigated.

Outlook

Safety remains a primary focus and a safer working environment will reduce the number of safety related stoppages which adversely impact on production. BRPM ended the first half of the year under review with a 64 058 tonne ore stockpile which together with the increase in IMS face length should pave the way for an improved second half of 2012.

Achieving production targets has been a challenge for South African mines and this first half has seen some downward revisions to the production volumes. The weak PGM price environment has necessitated the suspension of unprofitable mines in South Africa, particularly UG2 mines, and the deferment of capital expenditure. The net result is a projected near balance platinum market for 2012 and 2013 where supply cuts are largely keeping up with weakening demand. The palladium market remains in structural deficit which has been met by stock releases in recent years. Even with the contraction in global growth, a market shortfall of around 500 000 ounces is forecast for 2012.

Current weak rhodium prices render much of the UG2 reef mining in South Africa sub-economic. Furthermore, with significant above-ground stocks remaining and limited prospects for firmer market fundamentals in the near term, prices could fall even lower. Therefore, the possibility of further cuts to supply cannot be ruled out.

RBPlat expects a stronger operational performance during the second half of the year due to seasonal variations, improving safety performance and systematic improvements in immediately stopeable reserves. Our forecast output for the full year of 2012 is 270 koz (4E) and 175 koz of platinum.

In line with our stated ongoing strategy to achieve operational excellence and also in response to difficult industry operating conditions, RBPlat has accelerated its process of cost review, which includes labour rationalisation, in consultation with staff and representative unions.

Steve Phiri
Chief Executive Officer

Kgomotso Moroka
Chairman

20 August 2012

Royal Bafokeng Platinum Limited (Incorporated in the Republic of South Africa) Share code: RBP ISIN: ZAE000149936 Registration number: 2008/015696/06 "RBPlat" or "the Company" or "the Group"