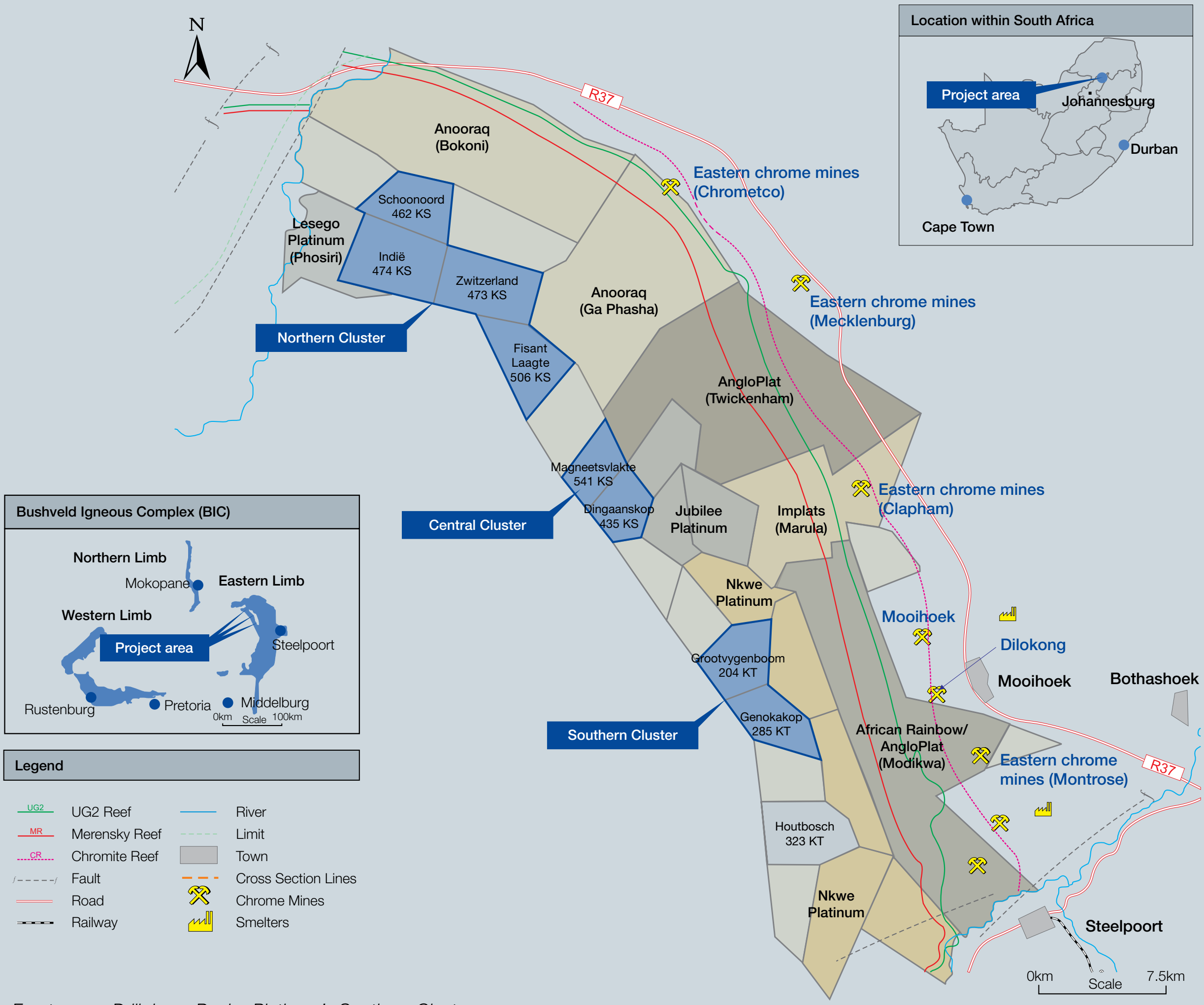
# INTEGRATED
# ANNUAL REPORT 2011

BAUBA PLATINUM

# GEOGRAPHICAL MAP

**BAUBA PLATINUM LIMITED (JSE: BAU)** is a platinum exploration company holding various mineral prospecting rights for platinum group metals mineralisation, collectively known as the Bauba Project, in the Eastern Bushveld Igneous Complex.




*Front cover: Drill rig on Bauba Platinum's Southern Cluster.*

# INTEGRATED REPORTING

This integrated annual report has been compiled in accordance with the integrated reporting principles contained in the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2009 (King III).

We recognise, in line with the principles of King III, that companies should report not only on financial performance, but also on their sustainability, by disclosing social, environmental and economic information material to the Company and its stakeholders. This report provides stakeholders with relevant financial and non-financial information to enable them to obtain a more balanced view of our business.

This is the first integrated report that we have produced and we acknowledge that guidelines on integrated reporting are still at an early stage of development. The board is committed to apply the reporting standards as required by King III and recognised best practice.

# COMPANY PROFILE

King Thulare Thulare, King of the Bapedi Nation, was on hand to blow the kudu horn, signalling the commencement of trade for Bauba Platinum at the Company's listing on the Main Board of the JSE Limited in September 2010.

Bauba Platinum was created through the reverse listing of a 60% interest in Bauba A Hlabirwa Mining Investments (Proprietary) Limited (the Bauba Project). The Company listed on the Main Board of the JSE Limited in September 2010.

Bauba's primary business objective is the exploration, evaluation and development of the Bauba Project, a high quality platinum group metals (PGM) prospect situated within a prime segment of the Eastern Limb of the Bushveld Igneous Complex, in the heart of the world's best-known platinum region, where a number of neighbouring companies are prospecting and successfully mining platinum group elements (PGEs) from the Merensky and UG2 reefs.

Bauba holds prospecting rights over eight properties extending across an area of approximately 14 200 ha. All the Bauba properties lie within the Leolo mountain range in the Limpopo Province, approximately 40 km northwest of the town of Steelpoort and 245 km northeast of Johannesburg. The properties have been grouped into three clusters, the Northern, Central and Southern Clusters.

In order to determine the nature and extent of the platinum mineralisation the Company has implemented a detailed investigative exploration programme, designed in conjunction with an independent Competent Person and comprising diamond drilling as well as geological and geophysical mapping and interpretation of the areas of interest.

The drilling programme will establish the extent of the resource with the intention of converting this into a fully compliant reserve statement to form the basis of a Bankable Feasibility Study.

Bauba is fully compliant with the requirements of the Mining Charter in terms of its equity component. The Bapedi Nation has a direct participation of 40% in the Bauba Project.

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# **BOARD OF** DIRECTORS

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# BOARD OF DIRECTORS (CONTINUED)

## 1. JONATHAN BEST

**Independent non-executive chairman**

Jonathan has over 40 years' experience with companies associated with the mining industry. He brings strong financial expertise and experience from his previous role as chief financial officer and executive director of AngloGold Ashanti Limited. He currently holds the following additional board positions: non-executive director of the unlisted AngloGold Ashanti Holdings plc and a member of the audit committee, non-executive independent director, member of the remuneration committee and chairman of the audit committee of Polymetal International plc, a Russian-based mining company listed on the London Stock Exchange, chairman and member of the remuneration and nomination committee of Sentula Mining Limited and non-executive independent director and member of the audit committee of Metair Investments Limited and Gulf Industrials Limited. He is an Associate of the Chartered Institute of Management Accountants and of the Chartered Institute of Secretaries and Administrators and has an MBA degree from the University of the Witwatersrand.

## 2. KENNETH DICKS

**Independent non-executive director**

Kenneth has 39 years' experience in the mining industry, mainly in the Anglo American group. He has served on the boards of mining companies such as Freegold and Western Deep Levels. Kenneth is a non-executive director at Harmony Gold Mining Company Limited. He is also a non-executive director of Gold One International. He has a mine managers certificate (metalliferous mining and fiery coal mines) and management development diploma.

## 3. SHOLTO DOLAMO

**Independent non-executive director**

Sholto is currently the Resources Analyst and Fund Manager of the Resources Unit Trust at Momentum Asset Management. He has had 10 years' experience within the mining and manufacturing industry. This includes six years as a research scientist/engineer for De Beers' research laboratory, where he was instrumental in developing a variety of new materials and technologies for applications both above and underground in rock drilling and cutting. Sholto was Head of Lonmin Platinum's Research and Development for the Precious Metals Refinery for three years. Prior to joining Momentum Asset Management he spent four and a half years at Stanlib, where he was a Precious Metals Analyst and also Portfolio Manager of the precious metals fund. He holds a BSc (Chemistry), BTech (Ceramics Science), MSc (Materials Engineering) and an MBA from GIBS.

## 4. KHOLEKA MZONDEKI

**Independent non-executive director**

Kholeka has over 20 years' experience in governance and financial management, holding roles of FD and CFO in various organisations including a Fortune 500 company. She has a Bachelor of Commerce degree and a Diploma in Investment Management. She qualified as a chartered accountant in the United Kingdom. Her experience includes, amongst others, being a risk manager at Eskom, Director and General Manager of Finance responsible for sub-Sahara Africa at 3M, CFO and General Manager of Corporate Services at Mintek and holds directorships in other listed companies and non-profit organisations such as the United Nations World Food programme. In 2008 she had the privilege of being a finalist in the Nedbank/BWA Business Woman of the Year.

## 5. DR MATHEWS PHOSA

**Non-executive director**

Dr Mathews Phosa, an attorney by profession, is a leading figure in South Africa's business and political world. Mathews opened the first black empowerment law practice in Nelspruit in 1981. He was elected as the first Premier of Mpumalanga Province in 1994. Following the elections in 1999, Mathews resigned his seat in parliament in favour of focusing his attention on a career in business. Mathews re-entered the political arena in 2007 when he was appointed Treasurer-General of the National Executive Committee of the ANC. He is chairperson of Special Olympics South Africa and holds numerous chairperson positions, among them non-executive chairman of EOH Limited, executive chairman of Vuka Forestry Holding (Proprietary) Limited and Eveni Investments & Consulting (Proprietary) Limited. He is also a director of Hans Merensky Holdings (Proprietary) Limited and executive director of Value Group.

## 6. DAMIAN SMITH

**Non-executive director**

Damian holds a BSc (Hons) Geology from the University of Liverpool; an MSc Exploration Geology from the Camborne School of Mines; and is a registered Professional Natural Scientist. He has 21 years' experience in mining and exploration for base metals, gold and PGMs but has had a particular focus on the Bushveld Complex geology for the last decade. Before becoming a geological consultant to various companies, Damian was the Group Geologist for Northam Platinum Limited. He has conducted exploration programmes on projects in South Africa and internationally, and has undertaken due diligence, evaluation and feasibility studies on a number of PGM projects. Damian has published extensively on economic geology.

## 7. THULARE THULARE

**Alternate non-executive director to Dr NM Phosa**

His Majesty King Thulare III is King of the Bapedi Nation. He joined the mining industry in 2007 and has gained five years' valuable experience in the industry. He is currently the executive chairman of the KT3 group of companies and has also served as a director of Bauba A Hlabirwa Mining Investments (Proprietary) Limited since 2008.

## 8. GRANT PITT

**Chief executive officer**

Grant is a mining engineer with 26 years' experience in the industry, at both operational and corporate level. He has extensive production management, corporate development, project evaluation and project management experience. Grant started his career at Harmony Gold Mining Company Limited as a mining engineer and progressed through various positions, including shaft manager and the manager responsible for new business. Before joining Mvelaphanda Resources, Grant worked as an independent consultant in the mining industry. In 2010, he joined Bauba Platinum as Executive Manager, working closely with the CEO and the board. He holds a BSc Eng (Mining) and a graduate diploma in engineering (mineral economics).

## 9. WILLEM MOOLMAN

**Financial director**

Willem completed accounting articles with KPMG and has over 20 years' financial management experience in a number of industries including mining. In recent years he focused on assisting companies with financial restructuring and turn around strategies. Professionally he is a Fellow of the Institute of Professional Accountants (Australia). He holds a BCompt Honours and MBL from Unisa.

# CHAIRMAN'S STATEMENT

## MESSAGE FROM THE NON-EXECUTIVE CHAIRMAN

I am pleased to say that following a turbulent start to the year we have made good progress in the latter half of the 2011 financial year. Following the reverse listing on the main board of the JSE Limited and the name change to Bauba Platinum Limited, the last six months of this past year has been a period of consolidation. **Jonathan Best**

We have created a platform on which to build our exploration, evaluation and ultimately the development of a significant potential target resource of platinum group metals (PGMs). This strategy of moving up the value curve is being directed by an experienced board of directors, as well as a focused and energetic management team.

The main focus this year has been the early-stage development of the PGM assets and preparing the plan for the eventual disposal of the remaining non-core assets. The exploration drilling programme is continuing and detail on this is provided in the chief executive officer's statement. We were able to release the drilling and assay results from the first set of boreholes drilled in the Southern Cluster. Both assay results exceeded the targeted resource estimate.

We have also completed a programme of geophysical surveys and data analysis, while geological modelling has led to an improved interpretation of its structural features. It is very pleasing that the interpretation of the structure as well as the depth of intersection of the reefs is consistent with that found on the neighbouring properties, many of which are existing, successful mining operations, or properties that are being developed into new mines.

## SUSTAINABILITY

While our primary objective remains continued value creation for shareholders, we will not pursue this at the expense of our safety, health or environmental obligations. Sustainable development is the foundation on which we formulate our business strategies and we will always strive to do what is right for all stakeholders. We will operate in a responsible and sustainable manner that fully considers any potential social or environmental impact, and creates long-lasting economic and social benefit for the communities that host our activities.

## SOUTH AFRICA

Mining remains a key sector in the South African economy, contributing significantly to economic activity, job creation and foreign exchange earnings. The industry has always been a critical component in the government's overriding quest to create employment in the country and indeed all South African businesses seek to create opportunities for the many unemployed in the country.

While there may be some proponents calling for the nationalisation of South Africa's mining industry which has raised concerns about South Africa as an investment destination, the ruling party have sent a signal that this is not government policy. We believe it is clearly in the interests of South Africa and its people that the mining industry continues to be globally competitive and attractive to domestic and international investors.

However, it is critical that all parties involved in the debate come together to engage in open and honest discussions on the urgent need to alleviate poverty in this country. While there is a commonality of purpose between the three main stakeholder groupings – business, government and labour – on this issue, there is a divergent understanding on how best to achieve this and it is up to all participants to enter into constructive dialogue that will ultimately lead to a clear, reasoned and achievable plan of action. What is personally encouraging is that government understands the need to support and work closely with the mining industry to ensure growth that will ultimately eventuate in our major imperative, that of job creation.

## PGM MARKET

The short-term future of the PGM market has become somewhat uncertain as market volatility continues. Over the next few years, the market is expecting a surplus of platinum, with some commentators predicting that the market could have an excess through to 2015. In terms of platinum, there remains a potential downside risk on demand due to depressed global market conditions and slow progress to more acceptable growth figures, as well as the automotive sector's substitution of the metal for palladium.

On the supply side producers continue to face rising cost pressures. However, the short- to medium-term nature of the PGM basket, although of interest and relevant to

*Drill core from the main zone of the BIC on the Central Cluster.*

some degree, is not essential to Bauba at this stage of its life-cycle. It is the longer-term outlook of the PGM basket that is important for Bauba.

Platinum demand is expected to exceed 8 million ounces a year, from the current levels of around 7 million ounces, and reaching close to 9 million ounces in around 2017. Supply, on the other hand, is expected to come under pressure with analysts expecting levels of about 8 million ounces. (source: Johnson Matthey and various analyst research reports).

## BOARD AND MANAGEMENT

The new board was constituted on 20 October 2010 following the successful conclusion of the transaction which saw Bauba acquire its 60% interest in the Bauba Project. On 7 February 2011 Pine Pienaar opted to pursue his own interests and resigned as a director and chief executive officer of the Company. On behalf of the board I would like to thank Pine for his guidance during the transaction which ultimately saw the Company list on the Main Board of the JSE Limited and through the early days of the development of a comprehensive exploration strategy.

As far as the board is concerned, an effective and focused management team remains a core priority and I was delighted that Grant could assume the role of acting chief executive officer and appointment to the board as an executive director. The board affirmed their confidence in Grant by confirming his appointment as CEO in July 2011.

At the end of February 2011, Mark Rosslee resigned from the board and in March 2011 we welcomed Dr Mathews Phosa back onto the board following a short respite. Subsequent to the year end, in July 2011, Willem Moolman was appointed financial director and King Thulare Thulare, King of the Bapedi Nation, was appointed alternative non-executive director to Dr Phosa. Also, in September 2011, Kholeka Mzondeki was appointed as an independent non-executive director.

I would like to welcome the new members to the directorate and acknowledge the contributions that they have already made to important board deliberations.

## LEGAL ISSUES

During the year we advised shareholders that some time after the Bauba listing certain suspensive conditions were allegedly not fulfilled within the stipulated period, as required. As a result, we subsequently entered into a memorandum of understanding with the vendors to reinstate the agreement subject to certain additional conditions, which were fulfilled, and the agreement was reinstated on materially the same terms and conditions as contained in the Circular to Shareholders dated 17 May 2010.

We have also alerted shareholders to the fact that Rustenburg Platinum Mines has requested a judicial review of the decision by the Department of Mineral Resources to include the Groot Vygenboom and Genokakop properties in the prospecting rights awarded to Bauba Platinum. Although there has as yet been no court ruling, the Company has sought legal opinion which believes that Bauba Platinum is in a strong position to retain these rights.

The board is confident that the Company's executive management team are executing a strategy to mitigate the impact of this risk to Bauba's portfolio of assets.

## CONCLUSION

The board and management have worked hand in hand to provide strategic leadership during what has been a demanding year. I must pay tribute to my colleagues with whom I serve on the board for their support during the year. We also extend our gratitude to our shareholders for their continued trust in the Company through what was a difficult period.

I believe this current year will be another year of challenge and demand but expect to see significant progress as we expand the drilling programme and move to declaring indicated resources and move the Company up the value curve.

Best

**Jonathan Best**
*Chairman*

# CHIEF EXECUTIVE OFFICER'S STATEMENT

## MESSAGE FROM THE CHIEF EXECUTIVE

I am pleased to report that Bauba Platinum has successfully navigated its first full year of operation and we are now well positioned to accelerate our key short- to medium-term objectives, which are to explore and define a platinum group metals (PGM) resource base on the areas over which we have prospecting rights. **Grant Pitt**

Bauba Platinum's loss for the year ended 30 June 2011 amounted to R55.7 million, which equates to 60 cents a share. A large portion of this was a non-cash expense of R25.9 million related to the reverse asset acquisition transaction. In total the expenses incurred by the Group were attributable to the transaction costs, operating costs related to exploration activities, and general and administrative expenses all aimed at further developing the Company's large exploration portfolio.

Bauba Platinum holds two prospecting rights over eight farms extending across an area of approximately 14 200 ha of the Eastern Limb of the Bushveld Igneous Complex. Our properties have been grouped into three clusters, namely the Northern, Central and Southern Clusters, with initial exploration focusing on the Southern and Central Clusters.

## EXPLORATION

The executive team, with the assistance of the board of directors, has given full effect to the development of the initial exploration drilling programme that will extend into a scoping study. The detailed investigative exploration programme, which began in April 2010, will determine the nature, extent and continuity of PGM mineralisation with a view to estimate an inferred resource. This exploration programme is being conducted according to a pre-determined sequence which began with the Southern Cluster, followed by the Central and then the Northern Clusters to determine the mineral resource base and the style of mineralisation.

I am pleased to report that the initial exploration drilling results on the Southern Cluster have been encouraging. The first four boreholes successfully intersected the Merensky Reef, three of which also intersected the UG2 reef. These intersections have confirmed the anticipated mineralisation. While these results have provided a solid base from which Bauba Platinum can, with confidence, accelerate the drilling programme and produce a SAMREC* compliant resource statement, significant work remains to be done. The results of the last two holes are in the process of being verified and the geological model is being updated. This will enable us to declare an inferred resource over a portion of the Southern Cluster, which we hope to achieve early in calendar 2012.

With regard to the Central Cluster, we are updating the structural model concurrently with the initial exploration drilling programme which provides for six holes to be drilled. The first two drill rigs have started drilling and favourable results will allow us to begin the geological modelling process.

On the Northern Cluster, the structural model is in the process of being updated. This, in addition to the publically available information from the surrounding projects, will assist in planning the borehole locations prior to the start of drilling early in 2012.

As we move ahead with the technical assessment of our prospect areas our strategy remains resolute: we aim to generate value from our existing portfolio of assets by progressing each through clearly defined and articulated milestones. These include defining our mineral resources and undertaking feasibility studies which, subject to the receipt of positive results, will lead to the commencement of a robust PGM mining operation in future years.

## CAPITAL RAISING

In July 2011, we announced that we had raised funding of R50 million by way of an issue of 27 777 778 ordinary shares for cash. The funds were provided by Trinity Asset Management which constituted 22.8% of the fully diluted issued share capital of Bauba Platinum. This effectively provided the funding to expedite our exploration drilling programme on the Southern and Central Clusters. The investment by Trinity Asset Management indicates the inherent value opportunity that is being offered by Bauba Platinum and it showed tremendous confidence in our assets and our development strategy.

* *South African code for the reporting of exploration results, mineral resources and mineral reserves (the SAMREC code).*

*Derrick being deployed on the Southern Cluster.*

## SUSTAINABILITY

The Bapedi Nation has a direct participation of 40% in the Bauba Project. Over the last year, Bauba Platinum's management team has worked closely with King Thulare Thulare, King of the Bapedi Nation, in an effort to maintain an open dialogue with the community and local authorities with regard to our exploration activities.

We fully understand that our current and future activities will impact the natural environment as well as the social and economic dimensions of the communities in which we operate. From inception, we have been identifying these impacts, and have developed and are implementing relevant interventions to mitigate any potential negative impact while ensuring that the community benefits both socially and economically from our activities.

Even at this early stage of Bauba Platinum's presence in these communities, we are looking at ways to make a real and meaningful contribution, and we hope to continue this to the benefit of all stakeholders in years to come. In the true spirit of empowerment, we will engage with the Bapedi Nation and work in collaboration to implement programmes and projects which will enhance sustainable development of the area.

Similarly, our continued engagement with government at both national and local level, particularly with the Department of Mineral Resources (DMR), has been constructive and we remain fully compliant in terms of the status of our prospecting rights.

## LEGAL

At the time of the listing and formation of Bauba Platinum, we brought to the attention of shareholders that Rustenburg Platinum Mines (RPM) has instituted judicial proceedings against the DMR in respect of the inclusion of the farms Genokakop and Groot Vygenboom in Bauba Platinum's prospecting right within the Southern Cluster and that Bauba Platinum has subsequently been cited as a respondent. The legal process is continuing and as the current holder of the prospecting right, which has been confirmed by legal opinion, we remain confident that this right will not be set aside by the Courts. Shareholders will be kept informed as we move ahead with this process.

## CONCLUSION

I am confident that Bauba Platinum will soon start attracting wider investor interest as we develop our assets further up the value curve. These assets are all located in an area of significant geological confidence with all three clusters neighbouring successful operating mining and exploration entities. We have the benefit of an exceptionally experienced board of directors and a focused management team that is adding value in terms of our strategy of continued development.

In conclusion, I must pay tribute and extend my thanks to the board as well as our small but very focused support team, including our exploration people on the ground, and our partners, who have all contributed to the Company's progress over the last year.

**Grant Pitt**
*Chief executive officer*

# EXPLORATION REPORT

*Drilling on the Central Cluster.*

## LOCATION, GEOGRAPHY AND ACCESS

The Bauba Platinum farms lie within the Leolo mountain range in Limpopo Province, approximately 40 km north-northwest of the town Steelpoort and 250 km northeast of Johannesburg. The area has a well-developed network of national (N4), regional (R555) and district tarred roads and railways. Bauba holds prospecting rights over eight farms extending over an area of approximately 14 200 ha of the Northeastern Limb of the Bushveld Igneous Complex. The farms have been grouped into three areas, namely the Northern, Central and Southern Clusters. The farms are adjacent to operating platinum mines and development projects on the Eastern Limb.

## REGIONAL AND LOCAL GEOLOGY

The Bauba Platinum prospects are located on the Eastern Limb of the Bushveld Complex as shown in Figure 1. The project areas are largely underlain by the Main Zone and to a lesser extent the Upper Zone mafic layers. The Main Zone is underlain by the Critical Zone, which hosts the world's largest economic platinum group elements (PGE) resources in the Merensky and UG2 Reefs.

Within the Bauba prospects the Merensky Reef exists between 1 600m and 2 500m below surface, overlying the UG2 Reef by some 350m to 400m. The Merensky Reef comprises the mineralised upper portion of the medium-grained, poikilitic Merensky pyroxenite whilst the UG2 Reef comprises the mineralised, medium-grained, UG2 chromitite seam.

## LEGAL TENURE AND AGREEMENTS

Bauba has two prospecting rights, namely, 248/2006PR and 256/2006PR held in the Limpopo Province of South Africa:

- 248/2006PR: over the farm: Magneetsvlakte 541 KS;
- 256/2006PR: over the farms: Dingaanskop 543 KS, Fisant Laagte 506 KS, Zwitzerland 473 KS, Indië 474 KS, Schoonoord 462 KS, Genokakop 285 KT and Groot Vygenboom 284 KT

Bauba has timeously submitted the renewal applications for both prospecting rights which were up for renewal in June 2011. These renewals are currently being processed by the DMR.

## EXPLORATION ACTIVITIES

Structural plans for the project areas were developed from combined geophysical, satellite and aerial photo imagery as well as publicly available information from neighbouring mines and projects. Drilling began on the Southern Cluster in 2010, where a total of four boreholes were completed. Drilling on the Central Cluster started during 2011 where the first two of six planned boreholes are currently in progress. A total of over 11 000m has been drilled to date. Borehole logging, sampling and assay analysis on the Southern Cluster boreholes has been completed and the results are in the process of being verified and the geological model is being updated. Once this process has been finalised the Company believes that it will be in a position to declare a SAMREC compliant inferred resource over part of the Southern Cluster properties.

The exploration planning for the next year will include the continued drilling of the planned holes in the Central Cluster, and the commencement of drilling on the Northern Cluster. Another drill rig, in addition to the two rigs currently in operation, is planned to be on site early in 2012.

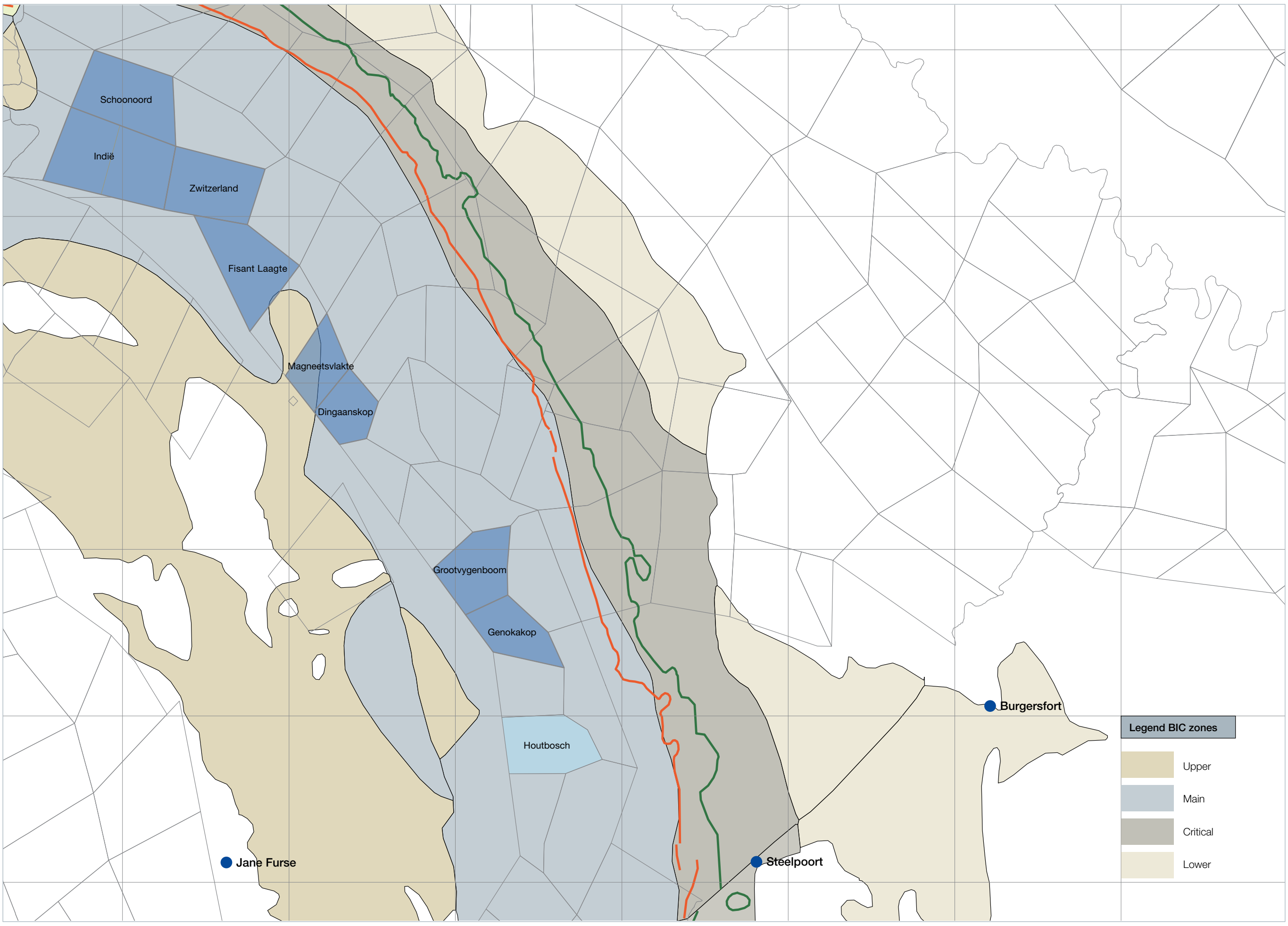


*Figure 1: Surface geology of the Eastern Limb of the Bushveld Igneous Complex showing the Bauba project areas.*

## RESOURCE ESTIMATES

No SAMREC compliant categorised resource has yet been estimated. The defined target resource is based on measured surface areas of the Bauba properties and the regional dips, channel thicknesses, grades and densities from adjacent properties. With regard to the Southern Cluster, the information obtained from the holes drilled to date approximates the regional data which were used to initially define the targets. Geological modelling is still in progress. 60% of the total target resource is attributable to Bauba Platinum, while the remaining 40% is held by the Bapedi Nation.

Table 1: Exploration Target Resource estimates per cluster

| | Merensky | | | UG2 | | | Gross total | | Bauba attributable | |
|---|---|---|---|---|---|---|---|---|---|---|
| Cluster | Tons Mt | Grade 4E(g/t) | 4E Moz | Tons Mt | Grade 4E(g/t) | 4E Moz | Tons Mt | 4E Moz | Tons Mt | 4E Moz |
| Northern Cluster | 326.34 | 4.29 | 44.98 | 315.90 | 5.55 | 56.34 | 642.24 | 101.33 | 385.34 | 60.80 |
| Central Cluster | 77.11 | 4.52 | 11.21 | 85.39 | 5.88 | 16.16 | 162.50 | 27.36 | 97.50 | 16.42 |
| Southern Cluster | 102.08 | 4.59 | 15.05 | 101.30 | 5.70 | 18.58 | 203.38 | 33.63 | 122.03 | 20.18 |
| **Total** | 505.53 | 4.38 | 71.24 | 502.59 | 5.64 | 91.08 | 1 008.12 | 162.32 | 604.87 | 97.40 |

Independently verified by Competent Person (Venmyn).

Table 2: Applying geological losses typical to the respective areas to the gross target resources yield discounted target resources

| | Merensky | | | UG2 | | | Gross total | | Bauba attributable | |
|---|---|---|---|---|---|---|---|---|---|---|
| Cluster | Geol loss % | Tons Mt | 4E Moz | Geol loss % | Tons Mt | 4E Moz | Tons Mt | 4E Moz | Tons Mt | 4E Moz |
| Northern Cluster | 19.00 | 264.34 | 36.44 | 23.00 | 243.24 | 43.38 | 507.58 | 79.82 | 304.55 | 47.89 |
| Central Cluster | 25.00 | 57.83 | 8.40 | 30.00 | 59.78 | 11.31 | 117.61 | 19.71 | 70.57 | 11.83 |
| Southern Cluster | 17.00 | 84.73 | 12.49 | 24.00 | 76.98 | 14.12 | 161.71 | 26.61 | 97.03 | 15.97 |
| **Total** | 19.44 | 406.90 | 57.33 | 24.30 | 380.00 | 68.81 | 786.90 | 126.14 | 472.15 | 75.69 |

Independently verified by Competent Person (Venmyn).

# CORPORATE GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT

## INTRODUCTION

Bauba Platinum recognises that the sustainability imperative is based on sound corporate governance, ethical business practices and transparent stakeholder engagement. Good corporate governance is more than mere compliance with governance rules; it extends to a qualitative consideration of the non-financial aspects of business performance. The board of directors and the management of Bauba Platinum are committed to the highest standards of corporate governance.

As the cornerstone of corporate governance in South Africa, the King Report on Corporate Governance for South Africa 2009 (King III) supports the integration of sustainability and financial reporting and places greater importance on leadership, sustainability and corporate citizenship. The board of directors is responsible for effective corporate governance and ensuring compliance with the applicable laws, codes, standards and best practices.

The Company acknowledges that corporate governance has evolved culminating in the governance and reporting principles set out in King III. The board has analysed the recommendations in the Code and is implementing the necessary changes to enhance its governance standards. See page 16 for areas and reasons for non-compliance.

## BOARD OF DIRECTORS

The Bauba Platinum board has a unitary structure and is developing a formal framework for delegation of authority to ensure a proper balance of power and authority amongst the directors.

The board is responsible for the appointment of the chief executive officer and there is a clear division of roles between the chairman and chief executive officer. The chairman oversees the effective functioning of the board. In his leadership role, he is involved in setting the strategic direction of the Company and has been tasked with ensuring effective corporate governance practices. The chief executive officer is answerable for the day-to-day affairs of the Company, which include implementing and monitoring the strategy of the Company in a responsible manner.

Executive directors are appointed by the board to oversee the daily functioning of the Company and are held accountable through regular reporting to the board. The non-executive directors provide the board with advice and experience that is independent of the executive. They play a critical role as board representatives on the various sub-committees.

The board operates in accordance with a board charter and is accountable for ensuring financial and legislative compliance. It is required to make decisions on matters of a material nature, including the Company's financial and operating results, major acquisitions and disposals, and large capital expenditure. It is also incumbent upon the directors to ensure that sustainable development is part of the business strategy and the appropriate risk management systems are in place.

The board meets at least four times a year, with additional meetings if required. The meetings follow a formal agenda to ensure that all substantive matters are addressed and information relevant to the meetings is supplied to board members in advance so that they can make informed and reasoned decisions. The directors have unrestricted access to information about Bauba Platinum and may seek independent professional advice on matters concerning the affairs of the Company if required.

The executive directors have contracts of employment with the Company which can be terminated with a notice period of not more than two months.

### Board composition

The board consists of two executive directors and six non-executive directors, four (67%) of whom are independent. The chairman of the board, Mr Jonathan Best, is independent.

Independent non-executive directors are directors who have not been employed by the Company for the preceding three years, and are in no way related to the Company or to any shareholder, supplier, customer or other director of the Company in a way that would lead to their integrity, impartiality or objectivity being compromised. They have and will continue to exert significant influence at meetings.

As a junior exploration company, the directors are of the opinion that the composition and structure of the Bauba Platinum board is appropriate. There are formal and transparent procedures in place to appoint directors to the board so as to ensure that the appropriate mix of skills and experience is maintained.

The non-executive directors do not have fixed terms of appointment. All the directors are subject, by rotation, to retirement and re-election by shareholders at least every three years, in accordance with the Company's Memorandum of Incorporation. Members who have recently been appointed to the board will be presented to shareholders for ratification at the Company's annual general meeting in January 2012. For a full list of the board members and their qualifications, see page 3.

# CORPORATE GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT (CONTINUED)

**Attendance at board meetings during the period ended 30 June 2011**

Ten board meetings were held during the year.

| Name | Attended |
|---|---|
| JG Best *(Chairman)* | 10 |
| Dr NM Phosa[1] | 1 |
| SM Dolamo | 10 |
| KV Dicks | 9 |
| DS Smith | 9 |
| PC Pienaar[2] | 5 |
| GJ Pitt[3] | 4 |
| MW Rosslee[4] | 4 |

[1] *Resigned 8 December 2010 and re-appointed 28 March 2011*
[2] *Resigned 7 February 2011*
[3] *Appointed 18 March 2011*
[4] *Resigned 24 February 2011*

## Board committees

Certain functions of the board have been delegated to committees which operate according to charters approved by the board. These committees in no way diminish the accountability of the board and their effectiveness remains a board responsibility. Members of the audit and risk committee will be elected each year by shareholders at the annual general meeting while members of the remuneration and nomination committee are elected by the board.

### Audit and risk committee

King III has extended the responsibility of the audit committee beyond financial reporting to include the oversight of the preparation of the integrated report. It is the responsibility of the board to ensure that the audit committee has the necessary skills to perform its broader governance duties.

The audit committee is made up of three independent non-executive directors. The current members of the audit and risk committee are Ms Kholeka Mzondeki (chairperson), Mr Kenneth Dicks and Mr Sholto Dolamo. Mr Jonathan Best stepped down from the audit and risk committee on the appointment of Ms Kholeka Mzondeki in order to comply with the requirements of King III.

The audit and risk committee is required to meet at least twice a year in accordance with King III. The chairman of the board, the chief executive officer, the financial director and the external auditors attend the audit and risk committee meetings by invitation.

Three audit and risk committee meetings were held during the year, two under the old board and one under the new board.

| Name | Attended |
|---|---|
| JG Best *(Chairman)*[1] | 1 |
| SM Dolamo[1] | 1 |
| KV Dicks[1] | 1 |
| AM Sher *(Chairman)*[2] | 2 |
| JJ Serfontein[2] | 2 |
| MK Diale[2] | 0 |

[1] *Appointed 17 September 2010*
[2] *Resigned 20 October 2010*

The committee has adopted formal terms of reference set out in a charter and approved by the board, which include all its statutory responsibilities to shareholders in terms of the revised Companies Act, 2008 (Act 71 of 2008) and the provisions of King III, in as far as the Company is able to comply.

The committee assists the board by advising on financial and sustainability reporting and maintaining oversight of the risk management process, internal financial controls, external audit matters and the regulatory compliance of the Company.

It is the responsibility of the audit and risk committee, amongst other things, to:

- Nominate a suitable firm for appointment as external auditors having determined that they have the necessary expertise and are independent of the Company;
- Determine the terms of engagement of the external auditors and the fee to be paid;
- Review the audit plan of the external auditors and monitor progress against the plan;
- Pre-approve all non-audit services provided by the external auditors, ensuring that they fall within the list of permitted services as determined by the audit committee. The fees paid during the year for non-audit services amounted to R2 000;
- Review the accounting policies of the Company as well as any proposed changes;
- Review the annual and interim financial reports and the annual financial statements as well as the sustainability performance of the Company in line with acceptable practice for a company of the size of Bauba Platinum;
- Review compliance with applicable legislative requirements of the appropriate regulatory authorities; and

# CORPORATE GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT (CONTINUED)

- Review the integrity of the integrated annual report by ensuring its content is reliable and recommending it to the board for approval.

The committee will ensure that the requisite risk management culture, policies, practices and systems are in place. The Company is in the process of updating the table of the material risks to which it is exposed as well as strategies to mitigate their impact. The risk table will be discussed and updated at every audit and risk committee meeting, and then presented to all directors at the board meeting.

Due to the size of the Company it is not feasible to employ a full-time internal auditor at this stage. However, the Company has resolved to employ the services of an outsourced service provider to carry out any adhoc internal audit as the need may arise. The committee reviews the detailed income statement and balance sheet at each meeting and interrogates management on any large variances or unusual amounts. The external auditors also take into account the fact that there is no internal audit function when designing their audit plan. The committee has deemed the system of internal controls to be sufficient to minimise the potential of significant risks but this is not a guarantee that the risks are eliminated.

The audit committee is required by King III to provide assurance to the board on information technology (IT) governance. Bauba Platinum only operates standard accounting and geological packages at this stage and IT support is outsourced to an independent service provider. However, the Company does have an internal control procedure in place, designed to manage the risk of failure of the IT system. An ongoing review process ensures that the Company is maintaining an adequate and effective IT system and that its information assets are properly safeguarded. The board is responsible for approving any significant IT expenditure and will be guided in this regard by the audit and risk committee as required.

The audit committee monitors the available cash resources of the Company having regard to the capital commitments of its exploration programme and its other cash requirements. The committee has concluded that the Company has sufficient cash resources for the foreseeable future and that the going concern basis of reporting is appropriate.

As required by JSE Listings Requirement 3.84(h), the audit committee has satisfied itself that the financial director has the appropriate experience and expertise to fill that position.

The audit committee considered and discussed this annual report with both the management of the Company and the external auditors. During this process the committee:

- evaluated significant judgements and reporting decisions;
- evaluated the completeness of the financial statements and sustainability discussions; and
- discussed the treatment of significant and unusual transactions.

The audit committee has reviewed the annual financial statements for the year ended 30 June 2011 and believes that they comply in all material respects with the statutory requirements of the various Acts governing reporting and disclosure. The committee has recommended to the board that the annual financial statements be adopted and approved.

**Remuneration and nomination committee**

The remuneration and nomination committee consists of three independent non-executive directors, Mr Kenneth Dicks (chairman), Mr Jonathan Best and Mr Sholto Dolamo.

The committee meets at least once a year, however, no meetings were held in the period under review due to changes to the board. The committee has met subsequent to year end to review the remuneration strategy.

The committee establishes the overall principles of remuneration and considers, reviews and approves the Company's remuneration strategy. It is important to ensure that the levels of reward are competitive and support the performance which is required to achieve the Company's business objectives.

The remuneration of the non-executive directors for the following 12 months will be presented to shareholders for approval at the annual general meeting in January 2012. The non-executive remuneration comprises of an annual retainer as well as a per meeting fee in line with the King III recommendations.

King III requires disclosure of the remuneration of each individual director as well as the three most highly paid employees. The remuneration paid to directors (including executive directors) in this reporting period is detailed on page 46.

Furthermore, the remuneration and nomination committee develops policy around the appointment of directors, investigates potential board members for necessary skills and competence and makes appropriate recommendations to the board.

***Remuneration policy***

All components of the reward strategy, including the basic salary and performance-related payments, are aligned to the strategic direction and business-specific value drivers of Bauba Platinum.

The key principles of the remuneration policy are to:

- attract and retain competent employees that enhance business performance;

# CORPORATE GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT (CONTINUED)

- reward, recognise and give appreciation for superior performance;
- direct employees' energies and activities towards the key business goals;
- link the Company and individual performance to reward; and
- apply an integrated and holistic approach to the reward strategy, encompassing a balanced mix of:
  - basic salary;
  - short-term incentive bonus rewarding both Company and individual performance; and
  - long-term incentive schemes or share-based incentives.

The reward strategy and each of its components are dynamic and are therefore reviewed regularly to ensure that Bauba Platinum's remuneration policy keeps pace with market practices, and its evolving organisational context and objectives.

**Remuneration mix:** The executive's total remuneration consists of a basic salary, defined as the employment cost to the Company, an annual performance-linked bonus, and a share-based incentive scheme. An appropriate balance is maintained between fixed and performance-related remuneration as well as elements linked to short-term performance and those related to longer-term growth in shareholder value.

**Basic salary:** This is the total guaranteed annual employment cost to the Company associated with the employment of an individual. It is structured, on the basis of an all-inclusive salary package; no separate medical aid and pension fund contributions are paid. A cost of living increase in the basic salary is considered by the remuneration committee on an annual basis and implemented from 1 July in the applicable year.

**Performance bonus:** This is a short-term incentive plan for which rewards are determined against the achievement of a set of annual Company and individual performance targets.

**Share-based incentives:** This is a scheme whereby the executives and selected employees of the Company are incentivised through the award of options, of which the offer price is determined as the 30-day VWAP on the offer date. The employees can exercise the said options in three equal tranches annually from the first to the third anniversary of the offer date, subject to them remaining in the employment of Bauba. The awards made under the scheme are cash settled on the exercise date. The award and allocation of options under the scheme is governed by the board of directors.

The remuneration levels are benchmarked against a comparator group of South African small and mid-cap JSE-listed entities, junior mining and exploration companies. The Company makes use of the services of an independent consultant to assist with the benchmarking exercise.

### Board expertise and training

With sustainable development as an integral part of the business strategy and the introduction of integrated reporting, it is essential for the board to have the necessary balance of skills and experience within its ranks to fulfil its mandate. The directors of Bauba Platinum have a wide range of financial, technical and commercial skills.

Newly appointed directors are provided with a basic introduction to various aspects of the Company, including an overview of current strategies, business challenges and important issues, and are required to attend a formal directors' training programme with a professional organisation if they have not previously served as a director of a listed company.

### Mechanisms for shareholder communication with the board

There are a number of formal mechanisms in place to ensure that shareholders have appropriate access to those responsible for safeguarding their investment in the Company. These include one-on-one meetings with major investors, presentations, road shows, announcements to the JSE Limited's electronic news service (SENS), publication in the media of interim and year end results, the Company's website, the annual report to shareholders and the annual general meetings where shareholders can use proxy forms to exercise their votes should they not be able to attend in person.

## COMPANY SECRETARY

The board is responsible for the appointment of the company secretary and Bauba Platinum uses an external registered service provider. The company secretary plays a pivotal role in guiding and assisting the board on the delivery of its mandate and is expected to be available to the chairman and individual board members at all times. The company secretary is responsible for ensuring compliance with all statutory requirements, including the JSE Listings Requirements, and is required to bring to the immediate attention of the board any changes to legislation which may impact on the Company, its directors, management and employees. The company secretary administers and records the business of the directorate and ensures that the board charter and the charters of the individual board committees are kept up to date.

## SHARE DEALING

The JSE Listings Requirements specifically prohibit directors and senior employees from dealing in the Company's shares during a closed period, which is usually preceding the announcement of the Company's financial results or during other sensitive periods.

# CORPORATE GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT (CONTINUED)

Directors have to obtain prior approval from the chairman of the board to trade and are required to report such dealings to the company secretary.

In terms of the JSE Listings Requirements, any share transactions involving directors are to be published on the Securities Exchange News Service (SENS) within 48 hours. A register of share dealings by directors is maintained by the company secretary and reviewed by the board.

## CONFLICT OF INTEREST

All directors, executives and defined employees are required to declare all conflicts of interest that may exist as a result of their association with any other company at every board meeting. As soon as an individual becomes aware of any conflict of interest, he or she is required to disclose such conflict immediately, recuse themselves from the discussions and is precluded from voting on conflicted matters.

## INTERNAL CONTROL AND RISK MANAGEMENT

The board is responsible for setting in place a comprehensive system of control to ensure that risks are identified and managed appropriately so as to minimise the impact on the ability of the Company to achieve its strategic business goals. It is the board's responsibility, with the considered guidance of the audit and risk committee, to review the effectiveness of these systems on a regular basis and to ensure their maturity as the business grows. Management is accountable to the board for implementing and monitoring the internal controls in respect of the day-to-day activities of the Company.

These controls are focused on protecting the Company's assets, legal and regulatory compliance, business sustainability, reliable reporting, ethical and responsible behaviour towards all stakeholders, and ensuring the efficiency and effectiveness of operations. It is also important for the board to understand the consequences of non-compliance in any particular area.

Some of the risks identified for the Company during the reporting period include:

- Finding commercially viable deposits;
- Raising the necessary finances to continue with exploration activities;
- Renewal of prospecting rights;
- Technical skills shortage in the mining industry which may impact on future development;
- Environmental management; and
- Managing community and shareholder expectations.

## EXTERNAL AUDIT

The audit and risk committee is responsible for the oversight of the external auditors. The external auditor will provide assurance to shareholders that the information provided to them is an accurate reflection of the Company's financial performance. See the auditor's assurance report on page 19.

The appointment of the external auditors is approved by shareholders at the annual general meeting. In its assessment, the audit committee will ensure that the external auditor's independence is not impaired in any way and that the highest level of professional ethics is observed by the external auditor. The audit and risk committee is satisfied that BDO South Africa Inc, the Company's appointed external auditor, is independent.

## CODE OF ETHICS

The Bauba Platinum board has adopted a code of ethics based on the fundamental principles of integrity, transparency and accountability. The code of ethics describes the behaviour required of all Company representatives when engaging with stakeholders. Directors, executive management and all employees are required to sign the code of ethics and the board accepts full responsibility for ensuring, as far as reasonably possible, that the code is enforced.

## HUMAN RIGHTS

Basic human rights as enshrined in the country's Constitution and Bill of Rights are a key consideration in the way Bauba Platinum conducts its business activities and engages its stakeholders. Policies and procedures ensure that employees and stakeholders are treated with dignity and respect, irrespective of gender, background or race.

## APPROACH TO STAKEHOLDER ENGAGEMENT

While Bauba Platinum's primary responsibility is to its investors and the enhancement of shareholder value over time, this is only possible with fair and reasonable regard for other stakeholders who have an interest in or are affected by the Company's activities. Open and equitable engagement with these stakeholders provides an opportunity to identify risks, challenges and opportunities which are considered material for the Company and the communities in which it operates.

Bauba Platinum believes that community relations are important and as such it has community liaison officers who are available to engage with the community, its representatives and members on a regular basis.

# CORPORATE GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT (CONTINUED)

## STAKEHOLDER ENGAGEMENT MATRIX FOR YEAR ENDED 30 JUNE 2011

| Stakeholder | Summary of material issues | Method/s of engagement | Frequency of engagement | Key topics and concerns raised at engagement and response/s to these |
|---|---|---|---|---|
| **Shareholders and potential investors** | Financial results<br>Business sustainability<br>Major risks | Annual general meeting<br>Annual report<br>Interim/annual results announcement<br>Announcements on SENS (JSE)<br>Presentations<br>One-on-one meetings<br>Website<br>Media releases<br>Direct mail | Annual<br>Annual<br>Bi-annual<br>As required<br>As required<br>As required<br>As required<br>As required<br>As required | • Reinstatement agreement: finalisation and implementation of asset-for-share transaction – agreement in place<br>• Review application of prospecting rights over two properties which form part of the Bauba Project – the Company has taken legal advice and the matter is being dealt with in terms of a legal process |
| **Communities (also land owners)** | Access to prospecting areas<br>Rehabilitation<br>Community benefit | Community liaison officers<br>Engagement with community representatives/councils<br>Site visits | Ongoing<br>As required<br>As required | • Fair payment for access to prospecting areas<br>• Acceptable rehabilitation of land post drilling – the rehabilitation requirements are stipulated in the agreements with the drilling contractors and are overseen by the Company |
| **Bapedi Nation** | Active participation at corporate and project level | One-on-one meetings<br>Board and management meetings<br>Site visits<br>Training | Ongoing<br>As scheduled<br>As required<br>As required | • Empowerment of leaders to manage community expectations – development programme in place for leadership which includes site visits and regular briefings |
| **Government: Department of Mineral Resources (regional and national)** | Regulatory compliance<br>Compliance with work programme and expenditure<br>Environmental compliance | Regular progress reports<br>Site visits<br>Meetings<br>Informal communications<br>Website<br>Media | As required<br>As requested<br>As required<br>As required<br>Ongoing<br>Ongoing | • Review application of prospecting rights over two properties which form part of the Bauba Project – the Company has taken legal advice and the matter is being dealt with in terms of a legal process |
| **Major contractors, suppliers and business partners** | Agreements and contracts<br>Safety<br>Employment practices<br>Rehabilitation | Meetings<br>Site visits | As required to manage contracts | • Terms and conditions are agreed for large contracts and monitored for compliance |

# CORPORATE GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT (CONTINUED)

## EXCEPTIONS TO KING III

Bauba Platinum has conducted a self-assessment of compliance to the recommendations of King III and has followed the "apply or explain" principle. Where the company has not fully applied the recommendation, including where the recommendation is only partially applied or is under review, an explanation of the reason for partial or non-compliance is provided below.

### Boards and directors

New board members are provided with a basic introduction to the Company which includes an overview of current strategies, business challenges and important issues. Training is done on an ad-hoc basis as required, however there is no formal training programme in place. This is currently under review and will be linked to a formal process for the evaluation of the performance of the board, its directors and committees. No formal annual evaluation was performed on the board, its committees and individual directors during the year under review because of the large number of changes to the board and committees. This will be done from the new financial year. The Company is in the process of putting service contracts in place for the non-executive directors.

### Audit and risk committee

The Company does not currently have a formal assurance model; it is in the process of being developed. The audit and risk committee has a process in place to ensure that the requisite risk management culture, policies, practices and systems will be put in place. It identifies and reviews the mitigating strategies and monitors progress on the implementation thereof at the meetings.

### Internal audit

Bauba Platinum is a junior exploration company, does not generate any revenue and has nine employees with a simple cost structure. As a result, it does not justify a full-time internal audit function. The audit and risk committee has deemed the current system of internal controls to be sufficient to reduce risk potential to an acceptable level. The external auditors also take into account the fact that there is no internal auditor in place when designing their audit plan.

In addition, the Company has resolved to employ the services of an outsourced provider to conduct an adhoc internal audit as may be required.

### Remuneration

The remuneration of the non-executive directors will be presented to shareholders at the annual general meeting for approval for the following 12 months. The salaries of directors are disclosed in the financial statements but, because of the size of the Company, salaries of the three most highly paid executives are not disclosed.

# CORPORATE CITIZENSHIP

*Drill rig on the Southern Cluster.*

The economic value of a company is increasingly being viewed in the context of the way in which it interacts with its stakeholders as well as the long-term impact that the business has on its natural and social environments. To this end, the board and management of Bauba Platinum will strive to ensure that the Company acts responsibly towards its employees, the communities which host its activities and the environment within which it operates.

The spirit and transformation intent of the Minerals and Petroleum Resources Development Act (MPRDA) and its associated Broad-Based Black Economic Empowerment (BBBEE) Charter are fully embraced by the Company. The Bapedi Nation is a 40% shareholder at asset level. This means that Bauba Platinum meets the BBBEE requirements of the MPRDA.

## WORKPLACE

Although Bauba Platinum currently only employs nine full-time employees in the Group, its employment practices are founded on the fundamentals of employment equity which means ensuring that all existing and potential employees are provided with equal opportunities in terms of recruitment, promotion, transfer, employee benefits, training and conditions of service during their employment.

It is the responsibility of the Company to ensure a safe and healthy working environment for employees and contractors who act on its behalf. A safety and health policy, which is aligned to occupational health and mining legislation requirements, outlines the Company's goal of ensuring zero harm to employees, contractors and communities close to the prospecting areas.

When engaging contractors to undertake work on behalf of the Company, management will ensure that the same principles are applied to employment conditions and health and safety management.

An ongoing skills shortage remains a risk for the mining industry as a whole and it is imperative for mining companies to invest in the development of related skills. Bauba Platinum has a development programme in place to ensure that employees are adequately equipped to perform their duties and to progress their careers within the Company.

## ENVIRONMENT

All drilling sites are rehabilitated immediately after completion of an exploration programme. The drilling contractor is responsible for rehabilitating the site to standards agreed in the contract and Bauba Platinum management ensures that these standards have been met before a project is closed. Responsible land stewardship will enhance the Company's ability to access properties in order to execute its drilling programme in the future.

The Company's main environmental impacts are:

- The use of diesel to power the drill rig and generate electricity on site;
- The management of waste; and
- The disturbance of land by drilling activities.

## SOCIAL DEVELOPMENT

The Company invests in projects that will benefit the whole community as opposed to individuals and believes that it is important to provide the platform for open dialogue with host communities. A proper grasp of the community's needs and concerns will enable the Company to respond appropriately. The Company has engaged King Thulare Thulare as well as other representatives of the Bapedi Nation to understand how best it can invest in social development projects relative to its exploration activities.

# DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and separate annual financial statements of Bauba Platinum Limited, comprising the statements of financial position at 30 June 2011, the statements of comprehensive income, changes in equity and cash flows for the year ended 30 June 2011, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2008 (Act 71 of 2008). The annual financial statements were prepared by the financial director, Willem Moolman and audited by BDO Incorporated in compliance with the Companies Act, 2008 (Act 71 of 2008).

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the Group annual financial statements and separate annual financial statements of the Company are fairly presented in accordance with the applicable financial reporting framework.

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements and the separate annual financial statements of Bauba Platinum Limited, as identified in the first paragraph, were approved by the board of directors and are signed on its behalf by:

**Jonathan Best**
*Chairman*

**Grant Pitt**
*Chief executive officer*

**Willem Moolman**
*Financial director*

9 December 2011

# CERTIFICATION BY COMPANY SECRETARY

In our capacity as company secretary, we hereby confirm, in terms of section 88(2)(e) of the Companies Act, 2008 (Act 71 of 2008), that for the year ended 30 June 2011, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

**Merchantec Proprietary Limited**
*Company secretary*

9 December 2011

# INDEPENDENT AUDITOR'S REPORT

**To the members**

We have audited the Group annual financial statements and the annual financial statements of Bauba Platinum Limited, which comprise the statements of financial position at 30 June 2011, statements of comprehensive income, changes in equity and cash flows for the year then ended, the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the report of the directors as set out on pages 20 to 46.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual 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 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 the directors, as well as evaluating the overall presentation of the annual financial statements.

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

## OPINION

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Bauba Platinum Limited as at 30 June 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2008 (Act 71 of 2008).

BDO South Africa Inc.

**BDO South Africa Incorporated**
**FM Bruce-Brand**
*Registered Auditor*

Johannesburg
9 December 2011

# DIRECTORS' REPORT

for the year ended 30 June 2011

The directors have pleasure in submitting their report for the 2011 financial year.

## NATURE OF BUSINESS

Bauba Platinum Limited (the Company) is the Group's legal holding company. In the current financial year under review, the Group effectively transformed to a junior platinum exploration company after the successful acquisition of the Bauba Project on 29 July 2010. The Company also transferred its listing to the Main Board of the JSE Limited as part of the transaction.

During the previous financial year the Company placed all its non-platinum assets under care and maintenance with the specific purpose of disposing of these assets in an orderly fashion. To date these have not been sold, however, the Company is in discussions with various parties with respect to the sale of these assets. These assets have been ring-fenced against the Calulo loan in terms of the Calulo loan agreement (see note 17 on page 40).

## ACQUISITIONS

In the year under review, Bauba Platinum acquired 100% of Ndarama Mineral Resources (Proprietary) Limited (Ndarama) and 25.6% of Bauba A Hlabirwa Mining Investments (Proprietary) Limited (Hlabirwa), giving Bauba Platinum an effective ownership interest of 60% in the Bauba Project (the reverse asset acquisition) for an amount of R203 million by issuing 68 million shares. Hlabirwa holds the following prospecting rights in the Eastern Limb of the Bushveld Complex:

- 248/2006PR (390PR) over the farm Magneetsvlakte 541 KS; and
- 256/2006PR (330PR) over the farms: Dingaanskop 543 KS, Fisant Laagte 506 KS, Zwitzerland 473 KS, Indië 474 KS, Schoonoord 462 KS, Genokakop 285 KT and Groot Vygenboom 284 KT.

A review application is currently pending in the North Gauteng High Court of South Africa, Pretoria, brought by Rustenburg Platinum Mines Limited against a decision of the Department of Mineral Resources (DMR) to grant the prospecting rights in respect of the farms Genokakop 285 KT and Groot Vygenboom 284 KT. The Company has taken legal advice on the matter and is confident that the right will not be set aside by the Court.

Should the DMR withdraw the decision previously made with regard to these prospecting rights, Bauba has the right to claw back such shares as were issued in association with these two farms. See Circular to Shareholders dated 17 May 2010 for more details.

In addition, Bauba Platinum has been granted a prospecting right over Houtbosch 323 KT. This prospecting right is pending notarial execution and registration in the Mining Titles Registration Office. Upon this being achieved, in the name of Bauba Platinum, an additional 21 189 600 shares shall be issued to the vendors. This prospecting right is, however, subject to the same review application referred to above.

Renewal applications for all the above prospecting rights were submitted and accepted by the DMR and are being processed.

In settlement of the reverse asset acquisition, Bauba Platinum issued shares, which resulted in a change of control and a reverse listing of the new structure. For the purposes of consolidation at 29 July 2010 the value attributed to Bauba Platinum under the reverse asset acquisition was R47 715 325, part of which is a non-recurring asset acquisition and reverse listing expense. The consideration in the reverse asset acquisition is deemed to have been incurred by the legal subsidiary, Hlabirwa, in the form of equity instruments issued to the shareholders of the legal parent, Bauba Platinum.

## FINANCIAL RESULTS

Having successfully transformed into an exploration company, Bauba Platinum does not generate revenue from operating activities. The non-core assets were placed on care and maintenance during the previous financial year. The Group is therefore reliant on obtaining cash through traditional funding mechanisms.

The Company raised R27.7 million during the year under review and utilised R9 million for listing costs, R10 million for general and administration expenditures and R4 million on exploration related costs. The Company's base platform has been created during the past year and exploration activity is being accelerated with an anticipated inversion of the cost relationships.

## GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. As is common with many junior mining companies, the Group raises capital for exploration and other projects as and when required. There can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects may be adversely affected by factors outside the control of the Group.

The Company entered into a share subscription agreement on 29 June 2011 and the cash net of costs was received subsequent to the year end. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next twelve months.

# DIRECTORS' REPORT (CONTINUED)

for the year ended 30 June 2011

## SHARE CAPITAL

The authorised share capital of the Company was increased to 200 million shares in the current year.

In terms of the authority granted by the shareholders at the annual general meeting held on 19 October 2010, the unissued ordinary shares were placed at the disposal and under the control of the directors which authority expires at the next annual general meeting. The following shares were issued under the specific authority granted at the general meeting held on 7 June 2010:

- 6 005 062 at R3.10;
- 234 480 at R3.14;
- 133 592 at R3.21; and
- 3 555 556 at R2.25.

## EMPLOYEE SHARE INCENTIVES

The 2010 annual report referred to a share incentive scheme. The scheme was never registered with the relevant authorities and no shares were issued under the scheme. The board of directors decided not to implement the scheme as previously proposed but, instead, the share-based incentive scheme as detailed on page 13 was adopted.

## BORROWING POWERS

In terms of Article 79 of the Memorandum of Incorporation of Bauba Platinum, the Company has unlimited borrowing powers vested in the directors. A R3 million overdraft facility is currently in place with Nedbank Limited.

## SUBSEQUENT EVENTS

The Company successfully raised R50 million by way of issuing 27 777 778 shares for cash during July 2011 at an issue price of R1.80 per share. The cash, net of cost, was received in July 2011. This cash raised triggered a number of debt payment obligations due to the conditions precedent of the asset-for-share transaction and these obligations have now been settled.

## DIRECTORATE

During the year under review the Company underwent a complete reconstitution of its board to ensure that the board has the requisite skills in line with the change of strategy in becoming a company focused primarily on exploration for PGMs. With the changes reflected below we are confident that the current members have the necessary skills to fulfil the mandate of the board.

### The following directors were appointed during the year under review:

JG Best (independent non-executive chairman), KV Dicks (independent non-executive), SM Dolamo (independent non-executive), PC Pienaar (CEO) and DS Smith (non-executive) on 17 September 2010; GJ Pitt (executive) on 18 March 2011; and Dr NM Phosa (non-executive) on 28 March 2011.

### The following directors resigned during the year under review:

AM Sher, GP Sequeira, MK Diale and JJ Serfontein on 19 October 2010; PC Pienaar on 7 February 2011; and MW Rosslee on 24 February 2011.

### Subsequent to the year end the following directors were appointed:

GJ Pitt was appointed as chief executive officer and exective director; WA Moolman as financial director and executive director; and King Thulare Thulare as alternate director to Dr NM Phosa as of 1 July 2011. Ms KW Mzondeki was appointed as an independent non-executive director and chairperson of the audit committee as of 12 September 2011.

## DIRECTORS' REMUNERATION AND SHAREHOLDING

Details of the directors' remuneration are set out in note 26 to the annual financial statements and details of directors' shareholdings are set out under Shareholders' analysis on page 47.

## DIRECTORS' INTERESTS IN CONTRACTS

A contract was entered into with DS Smith for the provision of geological services. The value of this contract is not material. During the period under review the Company did not enter into any other contracts in which directors have an interest.

## COMPANY SECRETARY AND REGISTERED OFFICE

Merchantec Proprietary Limited
2nd Floor, North Block, Hyde Park Office Tower
Cnr 6th Road and Jan Smuts Avenue
Hyde Park 2196
PO Box 41480, Craighall 2024.

### The Company's postal address is:

PO Box 1658
Witkoppen 2068
South Africa.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **Continuing operations** | | | | | |
| Revenue | 4 | **–** | – | **–** | – |
| Operating expenditure | 5 | **(3 872)** | (6 560) | **–** | – |
| General and administrative expenses | 5 | **(10 421)** | – | **(10 645)** | (8 369) |
| Reverse asset acquisition cost | 19 | **(25 913)** | – | **–** | – |
| Finance charges | 6 | **(157)** | (1) | **(175)** | (2 312) |
| Sale of capital assets | 5 | **–** | 10 550 | **–** | – |
| Interest income | 6 | **138** | 999 | **121** | 1 046 |
| Dividend income | 17.3 | **4 160** | – | **4 160** | 1 797 |
| **(Loss)/profit before taxation** | | **(36 065)** | 4 988 | **(6 539)** | (7 838) |
| Income tax expense | 7 | **(29)** | (615) | **–** | – |
| **(Loss)/profit for the year from continuing operations** | | **(36 094)** | 4 373 | **(6 539)** | (7 838) |
| **Operations held for sale** | | | | | |
| (Loss)/profit for the year from operations held for sale | 17.2 | **(2 699)** | – | **(81)** | 900 |
| Fair value loss for the year from assets held for sale | | **(16 917)** | – | **(175)** | (23 945) |
| **(Loss)/profit for the year from discontinued operations** | | **(19 616)** | – | **(256)** | (23 045) |
| **(Loss)/profit for the year** | | **(55 710)** | 4 373 | **(6 795)** | (30 883) |
| **Other comprehensive loss, net of tax** | | | | | |
| Impairment of financial assets held for sale | 17.1 | **(12 417)** | – | **(12 417)** | (4 000) |
| **Comprehensive (loss)/income for the year** | | **(68 126)** | 4 373 | **(19 212)** | (34 883) |
| **(Loss)/profit for the year** | | **(55 710)** | 4 373 | **–** | – |
| Attributable to: | | | | | |
| – Equity holders of the Company | | **(54 723)** | 4 373 | **–** | – |
| – Non-controlling interest | | **(987)** | – | **–** | – |
| **Comprehensive income for the year** | | **(68 126)** | 4 373 | **–** | – |
| Attributable to: | | | | | |
| – Equity holders of the Company | | **(67 139)** | 4 373 | **–** | – |
| – Non-controlling interest | | **(987)** | – | **–** | – |
| **Basic (loss)/profit per share (cents)** | 8 | **(59.9)** | 3.9 | **(7.3)** | (197.1) |
| **Diluted (loss)/profit per share (cents)** | 8 | **(59.9)** | 3.9 | **(7.3)** | (197.1) |
| **Headline (loss)/profit per share (cents)** | 8 | **(41.7)** | 3.9 | **(7.1)** | (44.3) |
| **Diluted headline (loss)/profit per share (cents)** | 8 | **(41.7)** | 3.9 | **(7.1)** | (44.3) |

Headline earnings per share have been calculated in accordance with the SAICA Circular 3/2009 entitled Headline Earnings which forms part of the Listings Requirements of the JSE Limited.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2011 R'000 | 2010 R'000 | 2011 R'000 | 2010 R'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | 7 941 | 1 080 | 212 892 | 2 862 |
| Mineral rights | 10 | 7 450 | – | – | – |
| Property, plant and equipment | 11 | 491 | 1 077 | 61 | 68 |
| Investments in subsidiaries | 13 | – | – | 203 011 | – |
| Loans to shareholders | 12 | – | 3 | – | – |
| Loans to subsidiaries | 14 | – | – | 9 819 | 2 794 |
| **Current assets** | | 4 803 | 3 138 | 4 694 | 854 |
| Trade and other receivables | 15 | 633 | 484 | 524 | 854 |
| Cash and cash equivalents | 16 | 4 170 | 2 654 | 4 170 | – |
| Assets classified as held for sale | 17 | 23 604 | – | 21 604 | 30 859 |
| **Total assets** | | 36 348 | 4 218 | 239 190 | 34 575 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | 284 | 4 218 | 205 127 | 2 694 |
| Share capital | 18 | 94 065 | – | 94 065 | 16 012 |
| Share premium | 18 | 255 653 | 2 500 | 255 653 | 112 062 |
| Reverse acquisition reserve | 19 | (282 988) | – | – | – |
| Retained (loss)/profit | | (65 714) | 1 718 | (144 591) | (125 380) |
| Non-controlling interest | | (732) | – | – | – |
| **Current liabilities** | | 12 460 | – | 12 459 | 9 381 |
| Trade and other payables | 20 | 12 460 | – | 12 459 | 9 381 |
| Liabilities classified as held for sale | 17.1 | 23 604 | – | 21 604 | 22 500 |
| **Total equity and liabilities** | | 36 348 | 4 218 | 239 190 | 34 575 |

# CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 30 June

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **Net cash flow from operating activities** | | **(10 898)** | (16 380) | **(7 263)** | (4 246) |
| **Adjustments for:** | | **(186)** | (1 283) | **(175)** | (2 312) |
| Interest paid | 6 | **(157)** | (1) | **(175)** | (2 312) |
| Tax paid | 7 | **(29)** | (1 282) | **–** | – |
| **Net cash (outflow)/inflow from investing activities** | | **(5 882)** | 10 356 | **(5 529)** | (3 674) |
| Cash utilised associated with operations held for sale | | **(3 125)** | – | **(2 753)** | (5 457) |
| Loans to subsidiaries | | **–** | – | **(7 025)** | – |
| Investments in associates | | **–** | – | **–** | (1 010) |
| Investments in mineral rights | 10 | **(7 450)** | – | **–** | – |
| Acquisition of property, plant and equipment | 11 | **(53)** | (1 193) | **(53)** | (50) |
| Proceeds from disposal of property, plant and equipment | | **448** | 10 550 | **21** | – |
| Interest received | 6 | **138** | 999 | **121** | 1 046 |
| Dividends received from associates held for sale | 17.3 | **4 160** | – | **4 160** | 1 797 |
| **Net cash (outflow)/inflow from financing activities** | | **18 481** | (3 654) | **17 737** | 13 108 |
| Proceeds from issue of shares | 18 | **27 771** | 2 500 | **27 771** | 10 054 |
| Cost associated with listing and issuing of shares | 18 | **(9 139)** | – | **(9 139)** | (350) |
| Payment for buy-back of shares | | **(1 863)** | – | **–** | – |
| Increase/(decrease) in other liabilities | | **–** | – | **–** | (521) |
| Increase/(decrease) in liabilities associated with operations held for sale | | **2 000** | – | **(896)** | 1 918 |
| Shareholders' loans repaid/(extended) | | **3** | (3) | **–** | – |
| Advances of short-term borrowings | | **–** | – | **–** | 2 007 |
| Dividends paid to shareholders of the Company | 9 | **(292)** | (6 151) | **–** | – |
| **Net increase/(decrease) in cash and cash equivalents** | | **1 516** | (10 962) | **4 170** | 2 876 |
| Cash and cash equivalents at beginning of year | | **2 654** | 13 616 | **–** | (2 876) |
| **Cash and cash equivalents at end of year** | 16 | **4 170** | 2 654 | **4 170** | – |
| **Net cash flow from operating activities** | | **(10 898)** | (16 380) | **(7 263)** | (4 246) |
| (Loss)/profit before tax | | **(55 710)** | 4 988 | **(6 795)** | (30 883) |
| **Adjustments for:** | | **41 675** | (11 404) | **(3 217)** | 25 629 |
| Proceeds from sale of capital assets | | **–** | (10 550) | **–** | – |
| Interest paid | 6 | **157** | 1 | **175** | 2 312 |
| Income from assets held for sale | | **–** | – | **600** | – |
| Depreciation and amortisation | 5 | **259** | 144 | **33** | 11 |
| Investment income recognised in profit before tax | | **(4 298)** | (999) | **(4 281)** | (1 046) |
| Loss associated with group held for sale | 17.2 | **2 699** | – | **81** | – |
| Fair value loss for the year from assets held for sale | | **16 917** | – | **–** | – |
| Impairment of investments and loans – subsidiaries held for sale | | **–** | – | **175** | 23 945 |
| Long-term receivable written off | | **–** | – | **–** | 407 |
| Reverse acquisition costs recognised | 19 | **25 913** | – | **–** | – |
| **Changes in working capital** | | **3 137** | (9 965) | **2 749** | 1 008 |
| Trade and other receivables | | **(425)** | (465) | **(330)** | (3 231) |
| Trade and other payables | | **3 563** | (9 500) | **3 078** | 4 239 |

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June

| | Share capital R'000 | Share premium R'000 | Retained income/ (loss) R'000 | Non-controlling interest R'000 | Reverse acquisition adjustment R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **Balance at 1 March 2009** | – | – | 3 496 | – | – | 3 496 |
| Profit for the 16 months | – | – | 4 373 | – | – | 4 373 |
| Issue of shares as capital raising | – | 2 500 | – | – | – | 2 500 |
| Payment of dividends | – | – | (6 151) | – | – | (6 151) |
| **Balance at 30 June 2010** | **–** | **2 500** | **1 718** | **–** | **–** | **4 218** |
| Comprehensive loss for the year | **–** | **–** | **(67 140)** | **(987)** | **–** | **(68 127)** |
| Issue of shares as capital raising | **94 065** | **255 653** | **–** | **–** | **–** | **349 718** |
| Reverse asset acquisition adjustment | **–** | **(2 500)** | **–** | **255** | **(282 988)** | **(285 233)** |
| Payment of dividends | **–** | **–** | **(292)** | **–** | **–** | **(292)** |
| **Balance at 30 June 2011** | **94 065** | **255 653** | **(65 714)** | **(732)** | **(282 988)** | **284** |
| **COMPANY** | | | | | | |
| **Balance at 1 June 2009** | 14 037 | 106 889 | (90 497) | – | – | 30 429 |
| Loss for the 12 months | – | – | (34 883) | – | – | (34 883) |
| Issue of shares as capital raising | 1 975 | 5 523 | – | – | – | 7 498 |
| Share issue costs | – | (350) | – | – | – | (350) |
| **Balance at 30 June 2010** | **16 012** | **112 062** | **(125 380)** | **–** | **–** | **2 694** |
| Comprehensive loss for the year | **–** | **–** | **(19 211)** | **–** | **–** | **(19 211)** |
| Issue of shares as capital raising | **78 053** | **152 729** | **–** | **–** | **–** | **230 783** |
| Share issue costs associated with capital raising | **–** | **(9 139)** | **–** | **–** | **–** | **(9 139)** |
| **Balance at 30 June 2011** | **94 065** | **255 653** | **(144 591)** | **–** | **–** | **205 127** |

# OPERATIONAL SEGMENT REPORTING

for the year ended 30 June

## OPERATING SEGMENTS

The Group has classified three segments, namely (1) Exploration, being activities associated with the Bauba Project and platinum exploration, (2) Assets held for sale, being all the non-core, non-platinum assets that are currently held for sale (refer note 17) and (3) Corporate expenses, being overhead and corporate expenses incurred.

The accounting policies of the reportable segments are described in notes 2 and 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on the segment results as included in the internal management reports that are reviewed by the Group's CEO on a regular basis. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

| | Assets held for sale R'000 | Corporate R'000 | Exploration R'000 | Total R'000 |
|---|---|---|---|---|
| **2011** | | | | |
| Interest received | **–** | **138** | **–** | **138** |
| External finance expense | **–** | **(157)** | **–** | **(157)** |
| Results from operating activities | **(2 699)** | **(10 422)** | **(3 872)** | **(16 993)** |
| Total segment assets | **23 604** | **4 755** | **7 988** | **34 348** |
| Total segment liabilities | **(23 604)** | **(12 459)** | **–** | **(34 063)** |
| Depreciation and amortisation | **–** | **(33)** | **(226)** | **(259)** |
| **2010** | | | | |
| External revenue | – | – | 10 550 | 10 550 |
| Interest received | – | – | 999 | 999 |
| External finance expense | – | – | (1) | (1) |
| Results from operating activities | – | – | 4 373 | 4 373 |
| Total segment assets | – | – | (615) | (615) |
| Total segment liabilities | – | – | 4 219 | 4 219 |
| Depreciation and amortisation | – | – | (144) | (144) |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 1. REPORTING ENTITY

Bauba Platinum Limited (the Company) is a company domiciled in the Republic of South Africa. The Company's registered address is Second Floor, North Block, Hyde Park Office Tower, Cnr 6th Road and Jan Smuts Avenue, Hyde Park 2196. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interest in associates.

## 2. BASIS OF PREPARATION

### 2.1. Statement of compliance

The financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board, the Companies Act, 2008 (Act 71 of 2008) as amended, and the Listings Requirements of the JSE Limited.

The Group and Company annual financial statements were authorised for issue by the board of directors on 9 December 2011.

### 2.2. Basis of measurement

The Group's financial statements are prepared on the historical cost basis except for the revaluation of certain financial instruments which are measured at fair value, as appropriate, and incorporate the following principal accounting policies which have been consistently applied. All revenue and costs are recognised under the accrual basis of accounting, except for cash flow information.

### 2.3. Functional and presentation currency

The consolidated financial statements are presented in South African Rand, which is the presentation currency and functional currency of all the operations within the Group.

All amounts in the financial statements, reports and supporting schedules are stated to the nearest thousand (R'000) except where otherwise indicated.

### 2.4. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The use of estimates and judgements is further disclosed in 3.19.

## 3. SIGNIFICANT ACCOUNTING POLICIES

On 29 July 2010, Bauba Platinum Limited (Bauba Platinum) acquired a majority holding of the issued ordinary shares in Ndarama Mineral Resources (Proprietary) Limited (Ndarama) and Bauba A Hlabirwa Mining Investments (Proprietary) Limited (Hlabirwa). This transaction is accounted for as a reverse asset acquisition in terms of IFRS 2 Share-based payment. The effect of the accounting treatment, as a result of the reverse asset acquisition, is that even though the consolidated financial statements are issued under the name of Bauba Platinum, it represents a continuation of Ndarama and Hlabirwa, except for its capital structure.

As a result, the comparative information presented for the Group represents that of Hlabirwa, the ultimate holder of the platinum prospecting rights. Reverse asset acquisition accounting applies only to the consolidated financial statements. The parent entity financial statements will continue to represent Bauba Platinum as a stand-alone entity for the 2011 and 2010 financial years.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements and have been consistently applied by the Group.

### 3.1. Basis of consolidation

#### 3.1.1. Subsidiaries

Where the Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. The results and cash flows of subsidiaries are included from the date that control commences until the date that control ceases. Inter Group transactions and balances between Group companies are eliminated in full. The accounting policies of the subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

With the acquisition of a non-controlling interest, the transactions are accounted for with the owners in their capacity and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interest are based on a proportionate amount of the net assets of the subsidiary.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.1. Basis of consolidation (continued)

#### 3.1.1. Subsidiaries (continued)

In the financial statements of the Company, investments in subsidiaries are measured at cost less accumulated impairment losses.

#### 3.1.2. Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are accounted for using the equity method and are initially recognised in the consolidated statement of financial position at cost. The Company's share of post-acquisition profits and losses is recognised in the consolidated income statement, from the date significant influence commences until the date significant influence ceases, except that losses in excess of the Company's investment in the associate are not recognised unless there is an obligation to make good those losses. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. The carrying amount of the investment in an associate is subject to impairment assessment at each reporting date.

In the financial statements of the Company, the investment in an associate is measured at cost, less accumulated impairment losses.

#### 3.1.3. Jointly controlled operations

Joint ventures are contractual agreements whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. These joint ventures may take the form of jointly controlled operations such as exploration and mining activities or companies.

Joint ventures are accounted for by means of the proportionate consolidation method whereby the Group's share of the assets, liabilities, income, expenses and cash flows of joint ventures are included on a line-by-line basis in the consolidated financial statements.

The results of joint ventures are included for the period during which the Group exercises joint control over the joint venture. If a joint venture uses accounting policies other than those adopted in these consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Where the Group transacts with its jointly controlled operations, unrealised profits and losses are eliminated to the extent of the Group interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets.

### 3.2. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities are recognised in profit or loss as incurred.

### 3.3. Intangible assets

#### 3.3.1. Exploration for and the evaluation of mineral resources

Exploration assets include expenditure incurred after the legal licence to explore a specific area for mineral resources has been obtained. Pre-licence costs are recognised as an expense in profit or loss as incurred.

Exploration and evaluation costs are capitalised as exploration assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. Exploration assets include costs of acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Administration and other general overhead costs, which are not directly attributable to the specific exploration assets, are expensed as incurred. When a licence is relinquished or a project is abandoned, the capitalised expenditure is recognised in profit or loss immediately.

Exploration assets are measured at cost less impairment losses.

### 3.4. Property, plant and equipment

#### 3.4.1. Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2011

losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

### 3.4.2. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

### 3.4.3. Depreciation

Depreciation is recognised in profit or loss on a systematic basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most clearly reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Residual value is the amount that the entity could recover for the asset at the reporting date if the asset was already of the age and in the condition that it will be in when the entity expects to dispose of it. The estimated residual value is based on similar assets that have reached the end of their useful lives at the date that the estimate has been made. If the residual value of an asset increases to an amount equal to or in excess of the asset's carrying value, then the asset's depreciation charge will be zero. Depreciation will resume when the asset's residual value falls below the asset's carrying value.

The estimated useful lives for the current and comparative periods are as follows:

- Motor vehicles five (5) years
- Furniture, fittings and equipment three (3) years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if appropriate.

## 3.5. Impairment of non-financial assets

The carrying amount of the Group's assets, other than inventories, is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value-in-use and its fair value less the cost to sell. 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.

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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 amortisation, if no impairment had been recognised.

Impairment charges are disclosed separately on the consolidated income statement, except to the extent that they reverse gains previously recognised in the consolidated statement of changes in equity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.6. Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are assets classified as held for sale. Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment, once classified as held for sale or distribution, are not amortised or depreciated.

### 3.7. Inventories

Finished goods are assets held for sale in the diamond quartzite operations which operations have been discontinued. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale.

### 3.8. Provisions

Provisions are recognised when the Group has a present obligation, whether legal or constructive, for liabilities of uncertain timing or amount that have arisen as a result of past events and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability. In accordance with the applicable legal requirements, a provision for rehabilitation of land and the related expense is recognised when the damage occurs, it is probable that a restoration expense will be incurred and a reasonable estimate of the costs can be made.

### 3.9. Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position, when the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 3.9.1. Financial assets

The Group classifies its financial assets into one of the categories presented below, depending on the purpose for which the asset was acquired. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

***Loans and receivables***

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the instruments, and are subsequently carried at amortised cost using the effective interest method, less impairment losses.

Impairment losses are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a loss being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable discounted at the original effective interest rate. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For trade receivables, which are reported net, such losses are recorded in a separate account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the allowance account. From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate.

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities immediately available, and bank overdrafts. Bank overdrafts held at the same financial institution are set off against favourable bank balances reflected in current assets. It is the Group's policy not to allow overdraft facilities at subsidiary companies. Such facilities are provided to the subsidiaries by the central treasury.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2011

These balances are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost.

All short-term cash investments are invested with a major financial institution in order to manage credit risk.

### 3.9.2. Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into and the purpose for which the asset was acquired and include the following:

***Bank borrowings***

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest while the liability is outstanding.

***Trade payables and other short-term monetary financial liabilities***

Trade payables and other short-term monetary financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Where a financial liability is extinguished by the issue of an equity instrument, the equity instrument is measured at fair value and the difference between the equity instrument and the financial liability is recognised in profit and loss.

## 3.10. Taxation

Income tax comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets and liabilities that affect neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable entity; or
- Different Group entities which intend either:
  - to settle current tax assets and liabilities on a net basis; or
  - to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

## 3.11. Share capital

The Group's ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a deduction from total equity as a treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12. Revenue

The invoiced values of goods sold and services rendered, excluding value added tax, discounts and other non-operating income, in respect of manufacturing, trading and contracts, are recognised at the date when the significant risks and rewards of ownership are transferred to the buyer.

### 3.13. Finance income and finance expense

Finance income comprises interest income received on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.14. Dividends

Dividends to equity holders are only recognised as a liability when declared and are included in the statement of changes in equity. Secondary tax on companies in respect of dividends is recognised as a liability and is included in the tax expense in profit or loss.

### 3.15. Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a finance lease), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are analysed between capital and interest.

### 3.16. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly current and deferred tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and other intangible assets.

### 3.17. Employee benefits

#### 3.17.1. Defined contribution plans

The Company does not at present contribute to any plans on behalf of its employees.

#### 3.17.2. Short-term employee benefits

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which the Group has a present obligation to pay as a result of the employee's services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current remuneration rates.

#### 3.17.3. Long-term employee benefits

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, an expense is raised irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2011

share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The fair value of the amount payable to employees in respect of the long-term incentive plans which are settled in cash is recognised as an expense with an increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

## 3.18. Contingent assets and liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

## 3.19. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 3.19.1. Useful lives of intangible assets and property, plant and equipment

As described in 3.4 above, the estimated useful lives of property, plant and equipment are reassessed at the end of each annual reporting period. The Group depreciates/amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. The actual lives of these assets can vary depending on a variety of factors, including technological innovation and maintenance programmes. Changes in estimates can result in significant variations in the carrying value and amounts charged to profit or loss in specific periods.

### 3.19.2. Rehabilitation provision

Long-term environmental obligations are based on the Group's environmental plans, in compliance with current environmental and regulatory requirements. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Annual increases in the provisions relating to the change in the net present value of the provision and inflationary increases are included in administration expenses in the income statement.

The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

### 3.19.3. Inventories

The Group reviews the net realisable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends.

### 3.19.4. Income taxes

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax expense in the period in which such determination is made.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.20. Adoption of new and revised statements

#### 3.20.1. Standards that are effective for annual and interim periods ending on 30 June 2011

The following statements and interpretations applicable to Bauba Platinum became effective in the current period and have been applied where relevant:

- IAS 1 Presentation of financial statements;
- IAS 7 Statement of cash flows;
- IAS 17 Leases;
- IAS 27 Consolidated and separate financial statements;
- IAS 32 Financial instruments: presentation – classification of rights issues;
- IAS 36 Impairment of assets;
- IAS 38 Intangible assets;
- IAS 39 Financial instruments – eligible hedged items;
- IFRS 2 Share-based payments – group cash-settled share-based payment transactions;
- IFRS 3 Business combinations;
- IFRS 5 Non-current assets held for sale and discontinued operations;
- IFRS 7 Financial instruments disclosure;
- IFRS 8 Operating segments; and
- IFRIC 19 Extinguishing liabilities with equity instruments

Adoption of new and revised standards did not have a significant impact on the measurement and presentation of items included in the financial statements.

#### 3.20.2. Standards that are effective for interim periods relating to annual periods beginning on or after 1 January 2011

The following interpretations and standards were in issue but not yet effective to the business and may have an impact on future financial statements:

- IAS 1 Presentation of financial statements (amendments);
- IAS 24 Related party disclosures (amendments);
- IAS 34 Interim financial reporting (amendments);
- IFRS 3 Business combinations (amendments);
- IFRS 7 Financial instruments: disclosures (amendments);
- IFRIC 13 Customer loyalty programmes (amendments); and
- IFRIC 14 Limit on a defined benefit asset, minimum funding requirements and their interaction.

Adoption of these new and revised standards is unlikely to have a significant impact on the measurement and presentation of items included in the financial statements.

#### 3.20.3. Standards not yet effective

The following interpretations and standards were in issue but not yet effective to the business and may have an impact on future financial statements:

- IAS 1 Presentation of financial statements (amendments);
- IAS 12 Income tax (amendments);
- IAS 19 Employee benefits (amendments);
- IAS 27 Consolidated and separate financial statements (amendments);
- IAS 28 Investments in associates and joint ventures (amendments);
- IFRS 7 Financial instruments disclosure (amendments);
- IFRS 9 Financial instruments (revised – replaces part of IAS 39);
- IFRS 10 Consolidated financial statements (replaces IAS 27);
- IFRS 11 Joint arrangements (replaces IAS 31);
- IFRS 12 Disclosure of interests in other entities (new);
- IFRS 13 Fair value measure (replaces existing guidelines); and
- IFRIC 20 Stripping costs in the production phase of a surface mine.

The directors anticipate that all of the above interpretations, to the extent relevant, will be adopted in the Group's consolidated financial statements for the year in which they become effective and that the adoption of those interpretations will have no material impact on the financial statements of the Group in the initial application.

## 4. REVENUE

No revenue was generated from continued operations during the year under review.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **5. RESULTS FROM OPERATING ACTIVITIES** | | | | |
| After considering the following: | | | | |
| **Income** | | | | |
| Proceeds from sale of mining capital assets | **–** | 10 550 | **–** | – |
| **Expenses** | | | | |
| Auditor's remuneration | **176** | 33 | **162** | 263 |
| – Auditor fees | **174** | 33 | **162** | 257 |
| – Tax services | **2** | – | **–** | 6 |
| Contributions to socio-economic development | **28** | – | **–** | – |
| Depreciation | | | | |
| – Motor vehicles | **226** | 139 | **–** | – |
| – Furniture and equipment | **33** | 5 | **33** | 11 |
| Personnel expenses | | | | |
| – Salaries and wages | **6 549** | 2 096 | **5 090** | 3 736 |
| – Medical aid contribution | **26** | – | **26** | – |
| Property rental | **555** | – | **525** | 162 |
| Operating lease – office equipment | **51** | 6 | **51** | 6 |
| **Future minimum lease payments** | | | | |
| – Up to one year | **266** | 194 | **266** | 194 |
| – One to five years | **240** | 506 | **240** | 506 |

The lease agreements are entered into on market-related terms and conditions and are subject to annual market-related escalation in the lease rent. Property lease agreements are subject to a lease extention option. There are no obligations beyond five years.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **6. FINANCE CHARGES** | | | | |
| **Finance charges** | | | | |
| Finance income | **138** | 999 | **121** | 1 046 |
| – Financial institutions | **138** | 999 | **121** | 1 046 |
| **Finance expense** | **157** | 1 | **175** | 2 312 |
| – Other financial liabilities | **133** | – | **133** | 83 |
| – Financial institutions | **18** | 1 | **42** | 294 |
| – Long-term loans | **–** | – | **–** | 1 918 |
| – Suppliers | **6** | – | **–** | 17 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **7. TAXATION** | | | | |
| **Current** | **29** | 1 282 | **–** | – |
| Normal tax | **–** | 667 | **–** | – |
| Secondary tax on companies | **29** | 615 | **–** | – |
| During the current financial year a liability for secondary tax on companies became due and was paid in Hlabirwa due to dividends that were declared and paid to the shareholders prior to the conclusion of the asset-for-share transaction. | | | | |
| No provision has been made for normal taxation by the Group as the Group had no taxable income for the year. A deferred tax asset is not recognised as at 30 June 2011 as it is uncertain when a future taxable profit will be generated to utilise the tax loss. The calculated tax loss is R31 680 000 (2010: R10 780 000). | | | | |
| **8. HEADLINE EARNINGS PER SHARE** | | | | |
| **Basic loss per share (cents)** | **(59.9)** | 3.9 | **(7.3)** | (197.1) |
| Continued operations | **(38.8)** | 3.9 | **(7.0)** | (50.0) |
| Discontinued operations | **(21.1)** | – | **(0.3)** | (147.1) |
| **Diluted loss per share (cents)** | **(59.9)** | 3.9 | **(7.3)** | (197.1) |
| Continued operations | **(38.8)** | 3.9 | **(7.0)** | (50.0) |
| Discontinued operations | **(21.1)** | – | **(0.3)** | (147.1) |
| **Headline loss per share (cents)** | **(41.7)** | 3.9 | **(7.1)** | (44.3) |
| Continued operations | **(38.8)** | 3.9 | **(7.0)** | (50.0) |
| Discontinued operations | **(2.9)** | – | **(0.1)** | 5.7 |
| **Diluted headline loss per share (cents)** | **(41.7)** | 3.9 | **(7.1)** | (44.3) |
| Continued operations | **(38.8)** | 3.9 | **(7.0)** | (50.0) |
| Discontinued operations | **(2.9)** | – | **(0.1)** | 5.7 |
| Weighted average shares in issue ('000) | **93 044** | 113 541 | **93 044** | 15 666 |
| Diluted weighted average shares in issue ('000) | **93 044** | 113 541 | **93 044** | 15 666 |
| Number of share in issue at end of period ('000) | **94 065** | 113 541 | **94 065** | 16 012 |
| **Adjustment to arrive at headline earnings:** | | | | |
| Net loss for the year | **(55 710)** | 4 373 | **–** | – |
| Impairment of financial assets held for sale | **16 917** | – | **–** | – |
| Headline loss/(earnings) | **(38 973)** | 4 373 | **–** | – |

## 9. DIVIDEND

The board of directors of Bauba Platinum has not declared a dividend for the years ended 30 June 2011 or 30 June 2010. During the current financial year the board of directors of Hlabirwa declared and paid a dividend of R2 336 per ordinary share to the shareholders prior to the conclusion of the asset-for-share transaction amounting to a total dividend of R292 104 being paid.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **10. MINERAL RIGHTS** | | | | |
| Mineral rights | **7 450** | – | **–** | – |

During the year under review Bauba Platinum acquired an effective 60% holding in Hlabirwa who holds prospecting rights over the following farms: Magneetsvlakte 541 KS; Dingaanskop 543 KS, Fisant Laagte 506 KS, Zwitzerland 473 KS, Indië 474 KS, Schoonoord 462 KS, Genokakop 285 KT and Groot Vygenboom 284 KT. The prospecting rights held over Genokakop 285 KT and Groot Vygenboom 284 KT are subject to a review application brought by Rustenburg Platinum Mines Limited which to date has not been concluded. (Refer note 21.)

These assets are currently not available for use and are therefore not amortised.

| | Motor vehicles R'000 | Furniture and equipment R'000 | Total R'000 |
|---|---|---|---|
| **11. PROPERTY, PLANT AND EQUIPMENT** | | | |
| **GROUP** | | | |
| **Cost** | | | |
| At 30 June 2010 | **1 193** | **115** | **1 308** |
| Additions | **–** | **53** | **53** |
| Disposals | **(496)** | **(67)** | **(563)** |
| **At 30 June 2011** | **697** | **101** | **798** |
| **Accumulated depreciation and impairment losses** | | | |
| At 30 June 2010 | **139** | **24** | **164** |
| Depreciation | **207** | **33** | **259** |
| Disposals | **(79)** | **(23)** | **(120)** |
| Impairment of assets | **–** | **4** | **4** |
| **At 30 June 2011** | **267** | **40** | **307** |
| **Carrying value at 30 June 2011** | **430** | **61** | **491** |
| **Cost** | | | |
| At 30 June 2009 | – | 30 | 30 |
| Additions | 1 193 | – | 1 193 |
| Disposals | – | – | – |
| **At 30 June 2010** | 1 193 | 30 | 1 224 |
| **Accumulated depreciation and impairment losses** | | | |
| At 30 June 2009 | – | 2 | 2 |
| Depreciation | 139 | 5 | 144 |
| Disposals | – | – | – |
| Impairment of assets | – | – | – |
| **At 30 June 2010** | 139 | 7 | 146 |
| **Carrying value at 30 June 2010** | 1 054 | 23 | 1 077 |

Due to the IFRS principles of reverse asset acquisition that were applied, the Group comparative values for the period 1 July 2009 to 30 June 2010 reflect those of the accounting acquirer Bauba A Hlabirwa Mining Investments (Proprietary) Limited.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | Furniture and equipment R'000 | Total R'000 |
|---|---|---|
| **11. PROPERTY, PLANT AND EQUIPMENT** (continued) | | |
| **COMPANY** | | |
| **Cost** | | |
| At 30 June 2010 | 85 | 85 |
| Additions | 53 | 53 |
| Disposals | (37) | (37) |
| **At 30 June 2011** | 101 | 101 |
| **Accumulated depreciation and impairment losses** | | |
| At 30 June 2010 | 17 | 17 |
| Depreciation | 33 | 33 |
| Disposals | (15) | (15) |
| Impairment of assets | 4 | 4 |
| **At 30 June 2011** | 40 | 40 |
| **Carrying value at 30 June 2011** | 61 | 61 |
| **Cost** | | |
| At 30 June 2009 | 34 | 34 |
| Additions | 51 | 51 |
| Disposals | – | – |
| **At 30 June 2010** | 85 | 85 |
| **Accumulated depreciation and impairment losses** | | |
| At 30 June 2009 | 11 | 11 |
| Depreciation | 6 | 6 |
| Disposals | – | – |
| Impairment of assets | – | – |
| **At 30 June 2010** | 17 | 17 |
| **Carrying value at 30 June 2010** | 68 | 68 |

None of the items of property, plant and equipment have been pledged as security and there are no contractual commitments to acquire any property, plant and equipment.

## 12. LOANS TO SHAREHOLDERS

During the current financial year the outstanding loan to the shareholders of Hlabirwa of R2 938 as at 30 June 2010 was repaid by the shareholders of Hlabirwa prior to the conclusion of the asset-for-share transaction. No loans were granted to any shareholder of Bauba Platinum during the year under review.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | COMPANY |
|---|---|
| | **2011 R'000** |
| **13. INVESTMENTS IN SUBSIDIARIES** | |
| Absolute Group Management (Proprietary) Limited | **–** |
| Ndarama Mineral Resources (Proprietary) Limited | **116 393** |
| Bauba A Hlabirwa Mining Investments (Proprietary) Limited | **86 618** |
| | **203 011** |

During the year under review Bauba Platinum acquired an effective shareholding of 60% in Hlabirwa through the issuing of 68 124 600 shares at R2.98 per share. This transaction is accounted for as a reverse asset acquisition due to the fair value of the prospecting rights (note 10) that are held in Hlabirwa.

In the legal structure Bauba Platinum holds the following investments:
Directly and indirectly:

- Absolute Group Management (Proprietary) Limited – 100% (2010: 100%);
- Ndarama Mineral Resources (Proprietary) Limited – 100% (2010: 0%); and
- Bauba A Hlabirwa Mining Investments (Proprietary) Limited – effective holding 60% (2010: 0%).

The remaining 40% interest in Hlabirwa is held in favour of and for the benefit of the Bapedi Royal Family (3%) and the Bapedi Nation (37%).

Refer note 17 for investments in non-core assets held for sale.

| | COMPANY | |
|---|---|---|
| | **2011 R'000** | 2011 R'000 |
| **14. LOANS TO SUBSIDIARIES** | | |
| Bauba A Hlabirwa Mining Investments (Proprietary) Limited | **9 819** | 2 794 |

Loans to subsidiaries, other than those subsidiaries held for sale, are unsecured with no fixed repayment terms and bear no interest. Refer note 17 for details regarding loans to subsidiaries held for sale.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Carrying amount | | Carrying amount | |
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **15. TRADE AND OTHER RECEIVABLES** | | | | |
| VAT | **451** | 484 | **362** | 395 |
| Prepayments | **111** | – | **111** | – |
| Deposits and other | **71** | – | **51** | 459 |
| | **633** | 484 | **524** | 854 |
| **16. CASH AND CASH EQUIVALENTS** | | | | |
| Bank balances | **199** | 2 654 | **199** | – |
| Call deposits | **3 971** | – | **3 971** | – |
| | **4 170** | 2 654 | **4 170** | – |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

## 17. DISPOSAL GROUP HELD FOR SALE

### 17.1. Assets and liabilities classified as held for sale

The following investments are held for sale:

**Directly:**

- Lenopodi (Proprietary) Limited – 100% (2010: 100%);
- Dikopane NN Mining (Proprietary) Limited – 37.5% (2010: 37.5%); and
- Qinisele Resources (Proprietary) Limited – 25.1% (2010: 25.1%).

**Indirectly held through Lenopodi (Proprietary) Limited:**

- Canyon Springs Investments 116 (Proprietary) Limited – 100% (2010: 100%);
- Niemoller Marmer (Proprietary) Limited – 100% (2010: 100%);
- Lubtalk Investments (Proprietary) Limited – 90% (2010: 90%); and
- Diamond Quartzite Processing (Proprietary) Limited – 90% (2010: 90%).

The companies above hold mining rights in minerals and stone other than PGMs, and investment consulting operations that are not regarded as core to the current business strategy of Bauba Platinum. As described in the Circular to Shareholders on 17 May 2010 these investments will be disposed of on a best endeavours basis in due course and are not material to the Group.

A long-term loan that was made available by Calulo Resources (Proprietary) Limited to establish these non-core assets prior to the asset-for-share transaction date, has been ring-fenced against these non-core assets in terms of the Bauba Platinum acquisition agreement. The long-term loan will be reduced through the net revenues and cash flows arising from these assets as well as from the net proceeds arising from the disposal of these assets subject to the repayment of the overdraft and specific loans outstanding at the transaction date and operational costs incurred to maintain the non-core assets subsequent to the transaction date. The agreement makes provision should the assets not be sold at the end of the loan period 30 April 2012, the ownership of the non-core assets may revert to Calulo Resources (Proprietary) Limited in full and final settlement of the outstanding loan amount at that date. The loan bears interest at prime.

The directors are of the opinion that the loan will not be extended, notwithstanding, they are committed to continue selling the assets on a best endeavours basis. An offer was received for the shares held as an investment in financial asset. Given the nature of the business and the current economic environment, the financial asset was impaired to reflect this offer.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **17. DISPOSAL GROUP HELD FOR SALE** (continued) | | | | |
| **17.1. Assets and liabilities classified as held for sale** (continued) | | | | |
| **Non-current assets** | **23 159** | – | **21 604** | 30 859 |
| Mineral rights | **19 337** | – | **–** | – |
| Property, plant and equipment | **238** | – | **–** | – |
| Investments in financial assets | **3 583** | – | **3 583** | 16 000 |
| Investments in associates | **1** | – | **1** | 1 509 |
| Loans to subsidiaries | **–** | – | **18 020** | 13 350 |
| **Current assets** | **445** | – | **–** | – |
| Inventory | **38** | – | **–** | – |
| Trade and other receivables | **91** | – | **–** | – |
| Cash and cash equivalents | **316** | – | **–** | – |
| **Total assets classified as held for sale** | **23 604** | – | **21 604** | 30 859 |
| **Loan classified as held for sale** | **21 604** | – | **21 604** | 19 444 |
| **Non-current liabilities** | **433** | – | **–** | – |
| Rehabilitation liabilities | **433** | – | **–** | – |
| **Current liabilities** | **1 567** | – | **–** | 3 056 |
| Trade and other payables | **1 567** | – | **–** | – |
| Bank overdraft | **–** | – | **–** | 3 056 |
| **Total liabilities classified as held for sale** | **23 604** | – | **21 604** | 22 500 |
| **17.2. Results of discontinued operations** | | | | |
| Revenue | **410** | – | **–** | 900 |
| Cost of sales | **(883)** | – | **–** | – |
| **Gross loss** | **(473)** | – | **–** | – |
| Net income | **–** | – | **2 007** | – |
| Net finance costs | **(1 054)** | – | **(1 761)** | – |
| Expenses | **(1 172)** | – | **(165)** | – |
| **Net loss/profit** | **(2 699)** | – | **81** | 900 |
| **17.3. Investment income** | | | | |
| Dividend income from financial asset held for sale | **4 160** | – | **4 160** | 1 797 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **18. SHARE CAPITAL AND PREMIUM** | | | | |
| **Authorised share capital** | | | | |
| 200 000 000 (2010: 25 000 000) ordinary shares of R1 each | **200 000** | 1 | **200 000** | 25 000 |
| **Issued share capital** | | | | |
| Balance at the beginning of the year | **16 012** | – | **16 012** | 14 037 |
| Shares issued for cash | **9 928** | – | **9 928** | 1 891 |
| Assets for shares transactions | **68 125** | – | **68 125** | 83 |
| **Balance at the end of the year** | **94 065** | – | **94 065** | 16 012 |
| **Share premium** | | | | |
| Balance at the beginning of the year | **112 062** | – | **112 062** | 106 889 |
| Shares issued for cash | **17 843** | 2 500 | **17 843** | 4 757 |
| Assets for shares transactions | **134 887** | – | **134 887** | 417 |
| Costs associated with asset-for-share transaction | **(6 728)** | – | **(6 728)** | – |
| Costs associated with capital raise | **(2 410)** | – | **(2 410)** | – |
| **Balance at the end of the year** | **255 653** | 2 500 | **255 653** | 112 062 |

## 19. REVERSE ACQUISITION RESERVE

During the year under review Bauba Platinum concluded an asset-for-share transaction on the effective date 29 July 2010. This transaction is accounted for as a reverse asset acquisition in terms of IFRS 2 Share-based payment. The effect of the accounting treatment, as a result of the reverse asset acquisition, is that even though the consolidated financial statements are issued under the name of Bauba Platinum, it represents a continuation of Ndarama and Hlabirwa, except for its capital structure.

The accounting treatment requires that the share capital structure of Ndarama and Hlabirwa is replaced by that of Bauba Platinum as at the transaction date taking into consideration the value of the purchase price and the fair value of the assets bought. The following values were taken into consideration at the transaction date (R'000):

| | **R'000** |
|---|---|
| At transaction date the values were: | |
| Fair value of Hlabirwa and Ndarama – 68 124 600 at R2.98 | 203 011 |
| Share capital of Bauba Platinum | 128 074 |
| **Net deemed value of Bauba Platinum** | 331 085 |
| Share capital of Hlabirwa and Ndarama | (637) |
| Non-controlling interest | 255 |
| Purchase price of Bauba Platinum – 16 011 854 shares at R2.98 (issued shares at acquisition date) | (47 715) |
| **Reverse assets acquisition reserve** | 282 988 |
| Fair value of Bauba Platinum | 21 803 |
| Purchase price of Bauba Platinum – 16 011 854 shares at R2.98 | (47 715) |
| **Reverse assets acquisition cost** | (25 913) |

# NOTES TO THE
# ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **20. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **9 174** | – | **9 173** | 6 589 |
| Other payables | **3 286** | – | **3 286** | 2 792 |
| | **12 460** | – | **12 459** | 9 381 |

## 21. CONTINGENT LIABILITIES

The Group is involved in litigation matters with regard to a review application brought against mineral rights held by the Group (refer note 10) and a claim for compensation due to a resignation for good cause by one of its previous employees. The directors are of the opinion that the latter matter will be settled without a material effect on the financial position of the Group.

To the best of our knowledge and belief there are no other contingent liabilities to third parties and/or contingent assets not set out or referred to in this report which may materially affect the financial position of the Group.

## 22. FINANCIAL INSTRUMENTS

### 22.1. Risk management activities

In the normal course of its operations, the Group is exposed to interest rate and liquidity risk. This note describes the Group's objectives, policies and processes for managing those risks and methods used to measure them. In order to manage these risks, the Group has developed a comprehensive risk management process to facilitate control and monitoring. The board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Company's treasury function provides services to the subsidiaries, coordinates access to domestic financial markets and monitors and manages the financial risks relating to the operations of the Group. Operational and business risks are reviewed and addressed on a monthly basis. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### 22.2. Credit risk

The Group does not have any credit risk as it has no debtors pertaining to the selling of goods and services. The Company is the holding company of the Group and fulfils a centralised treasury function. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Carrying amount | | Carrying amount | |
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| Deposits and other | **71** | – | **51** | – |
| | **71** | – | **51** | – |

There was no impairment loss recognised in trade and other receivables.

### 22.3. Foreign exchange risk

The Group does not operate internationally at present and is therefore not directly exposed to foreign exchange risk.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **22. FINANCIAL INSTRUMENTS** (continued) | | | | |
| **22.4. Interest rate risk** | | | | |
| At the reporting date the interest rate profile of the Group's interest bearing financial instruments was: | | | | |
| Financial assets | **4 169** | 2 654 | **4 169** | – |

The Group has an overdraft facility of R3 million with Nedbank Limited. In the ordinary course of business the Group raises cash through the issuing of shares for cash and utilises the overdraft facility which exposes the Group to the changes in the interest rate. No entity in the Group is permitted to borrow long-term from external sources. The surplus cash is centrally managed to maximise returns while ensuring that the capital is safeguarded by investing only with top financial institutions.

A sensitivity analysis is performed by assuming that the assets and liabilities outstanding at year end have been outstanding for the whole year and that the interest rate has increased or decreased by 200 basis points. The effect will be that loss for the year ended 30 June 2011 would increase/decrease by R83 000.

### 22.5. Liquidity risk management

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group manages liquidity by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. This table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay:

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | **Weighted average effective interest rate** | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| Trade and other payables | | **12 459** | – | **12 459** | 9 381 |
| Due in 1 – 3 months | 0% | **12 459** | – | **12 459** | 9 381 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

### 22.6. Fair value of financial instruments

Three different levels for fair valuation have been defined:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

All financial assets and liabilities are measured at amortised cost.

The directors are of the opinion that the carrying value of the financial assets and liabilities as reflected on the face of the consolidated statement of financial position is the fair value of these financial assets and liabilities due to their short-term nature.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

## 22. FINANCIAL INSTRUMENTS (continued)

### 22.7. Capital management

The Group manages its capital structure to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of debt and equity, comprising issued share capital, reserves and retained earnings as disclosed.

## 23. RELATED PARTIES

### Transactions and balances

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. For subsidiaries that form part of the disposal group held for sale, refer note 17. Details of transactions between the Group and other related parties are disclosed below.

During the year the Group and its related parties, in the normal course of business, entered into a number of transactions mostly relating to funding type transactions.

| | Fees/ Interest R'000 | Income R'000 | Amounts owed to R'000 |
|---|---|---|---|
| Qinisele Resources (Proprietary) Limited | 6 737 | 4 160 | 6 728 |

* *Refer note 17.1 with regard to terms of the amount owing to Calulo Resources (Proprietary) Limited.*

Amounts due to Qinisele Resources (Proprietary) Limited will be due and payable once the total of R60 million capital had been raised. The concluding tranche of the capital raise was signed on 29 June 2011 and the cash net of cost was received subsequent to the financial year end and the amounts due were settled.

## 24. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. As is common with many junior mining companies, the Group raises capital for exploration and other projects as and when required. There can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects may be adversely affected by factors outside of the control of the Group.

## 25. SUBSEQUENT EVENTS

The Company entered into a share subscription agreement to the value of R50 million on 29 June 2011 and the cash net of costs was received subsequent to the year end.

The directors are not aware of any subsequent events other than those disclosed above that occurred between the date of authorisation of the annual financial statements and the year end that require any adjustments or additional disclosure to the annual financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **26. DIRECTORS' REMUNERATION** | | | | | |
| **Executive directors** | | | | | |
| GJ Pitt* | Appointed 18 Mar 2011 | **1 058** | – | **1 058** | – |
| PC Pienaar | Resigned 7 Feb 2011 | **1 609** | – | **1 609** | – |
| MW Rosslee | Resigned 24 Feb 2011 | **1 879** | 2 417 | **1 879** | 2 417 |
| GP Sequeira | Resigned 19 Oct 2010 | **–** | 32 | **–** | 32 |
| **Non-executive directors** | | | | | |
| JG Best** *(Chairman)* | Appointed 17 Sep 2010 | **1 087** | – | **1 087** | – |
| KV Dicks | Appointed 17 Sep 2010 | **160** | – | **160** | – |
| SM Dolamo | Appointed 17 Sep 2010 | **165** | – | **165** | – |
| Dr NM Phosa | Appointed 22 Mar 2011 | **28** | – | **28** | – |
| DS Smith | Appointed 17 Sep 2010 | **133** | – | **133** | – |
| MK Diale | Resigned 19 Oct 2010 | **–** | 48 | **–** | 48 |
| AM Sher | Resigned 19 Oct 2010 | **48** | 72 | **48** | 72 |
| JJ Serfontein | Resigned 19 Oct 2010 | **32** | 32 | **32** | 32 |

* *Includes remuneration as a senior employee for the period 1 September 2010 to 17 March 2011.*

** *Includes a special once off amount of R882 000 for services rendered to the Company over and above the norm associated with his role as chairman. These services were rendered to succesfully navigate the Company through the turbulent period.*

The remuneration of the executive directors is determined by the remuneration committee having regard to the performance of individuals and market trends. During the period under review the Company's main focus was on consolidation post the reverse listing and no incentive related financial awards were made. None of the executive directors received post employment benefits, other long-term incentives, termination or share-based benefits during this period.

Executive directors have employment contracts, which are subject to the standard conditions of employment, and do not receive directors' fees.

# SHAREHOLDERS' ANALYSIS

for the year ended 30 June

| | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|
| **RANGE** | | | | |
| 1 – 1 000 | 835 | 58.15 | 329 082 | 0.35 |
| 1 001 – 10 000 | 458 | 31.89 | 1 709 551 | 1.82 |
| 10 001 – 100 000 | 109 | 7.59 | 3 552 482 | 3.78 |
| 100 001 – 1 000 000 | 26 | 1.81 | 11 123 208 | 11.83 |
| 1 000 001 and more | 8 | 0.56 | 77 350 821 | 82.23 |
| | **1 436** | **100.00** | **94 065 144** | **100.00** |
| **MAJOR SHAREHOLDERS DIRECTLY OWNING 5% OR MORE OF SHARES IN ISSUE** | | | | |
| Highland Trading Investments Limited | – | – | 47 760 976 | 50.77 |
| Math-Pin Trust | – | – | 7 098 160 | 7.55 |
| Hlabirwa Mining Investments (Proprietary) Limited | – | – | 6 358 306 | 6.76 |
| Calulo Resources (Proprietary) Limited | – | – | 4 896 811 | 5.21 |
| **SHAREHOLDER SPREAD** | | | | |
| **Public** | 1 433 | 99.72 | 84 258 531 | 89.58 |
| **Non-public** | 4 | 0.28 | 9 806 613 | 10.42 |
| Associates | 1 | 0.07 | 888 889 | 0.94 |
| Directors | 3 | 0.21 | 8 917 724 | 9.48 |

| | Directly held | Indirectly held | Total | % of shares |
|---|---|---|---|---|
| **DIRECTORS' SHAREHOLDING** | | | | |
| **2011** | | | | |
| PC Pienaar (resigned 7 February 2011) | **–** | **890 075** | **890 075** | **0.94** |
| GJ Pitt | **929 489** | **–** | **929 489** | **0.99** |
| Dr NM Phosa | **–** | **7 098 160** | **7 098 160** | **7.55** |
| **Total number of shares** | **929 489** | **7 988 235** | **8 917 724** | **9.48** |
| **2010** | | | | |
| MK Diale | – | 930 394 | 930 394 | 5.80 |
| GP Sequeira | – | 232 599 | 232 599 | 1.50 |
| AM Sher | 16 667 | – | 16 667 | 0.10 |
| JJ Serfontein | 20 000 | 244 841 | 264 841 | 1.70 |
| **Total number of shares** | 36 667 | 1 407 834 | 1 444 501 | 9.10 |

Subsequent to the financial year end and as a result of the redistribution of shares between the vendors, Dr NM Phosa's indirect shareholding increased by 165 517 to a total of 7 263 677 shares and PC Pienaar's shareholding reduced to 200 shares.

# NOTICE OF
# ANNUAL GENERAL MEETING

**Bauba Platinum Limited**
Incorporated in the Republic of South Africa
(Registration number 1986/004649/06)
Share code: BAU ISIN: ZAE000145686
("Bauba" or "the Company" or "the Group")

**If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant (CSDP), broker, banker, attorney, accountant or other professional adviser immediately.**

Notice is hereby given that the annual general meeting (annual general meeting) of shareholders of Bauba will be held at 10:00 on Monday, 23 January 2012 at the City Lodge, Longpoint Office Park, corner of Witkoppen and Montecasino Boulevard, Fourways, Johannesburg, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The board of directors of the Company (the board) has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 20 January 2012. Accordingly, the last day to trade Bauba shares in order to be recorded in the Register to be entitled to vote will be Friday, 13 January 2012.

## NORMAL BUSINESS

1. To receive, consider and adopt the annual financial statements of the Company and the Group for the financial year ended 30 June 2011, including the reports of the auditors, directors and the audit and risk committee.
2. To re-elect, Mr JG Best who, in terms of article 94 of the Company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.
3. To re-elect, Mr KV Dicks who, in terms of article 94 of the Company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.
4. To re-elect, Mr SM Dolamo who, in terms of article 94 of the Company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.
5. To confirm the appointment of Mr DS Smith as a director of the Company, in terms of article 90 of the Company's Memorandum of Incorporation.
6. To confirm the appointment of Dr NM Phosa as a director of the Company, in terms of article 90 of the Company's Memorandum of Incorporation.
7. To confirm the appointment of Ms KW Mzondeki as a director of the Company, in terms of article 90 of the Company's Memorandum of Incorporation.
8. To confirm the appointment of Mr GJ Pitt as a director of the Company, in terms of article 90 of the Company's Memorandum of Incorporation.
9. To confirm the appointment of Mr WA Moolman as a director of the Company, in terms of article 90 of the Company's Memorandum of Incorporation.

An abbreviated *curriculum vitae* in respect of each director offering himself/herself for re-election appears on page 3 of the annual report to which this notice is attached.

10. To appoint, Ms KW Mzondeki as a member and chairperson of the Company's audit and risk committee.
11. To appoint, Mr KV Dicks as a member of the Company's audit and risk committee.
12. To appoint, Mr SM Dolamo as a member of the Company's audit and risk committee.

# NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

An abbreviated *curriculum vitae* in respect of each member of the audit and risk committee appears on page 3 of the annual report to which this notice is attached.

13. To confirm the appointment of BDO South Africa Inc. as independent auditors of the Company with Mr Fred Bruce-Brand, being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

## 14. SPECIAL RESOLUTION NUMBER 1

### Non-executive directors' remuneration

"**Resolved that**, in terms of the provisions of section 66(9) of the Companies Act, 2008 (Act 71 of 2008), the annual remuneration payable to the non-executive directors of Bauba Platinum Limited (the Company) for their services as directors of the Company for the financial year ending 30 June 2012, be and is hereby approved as follows:

| Type of fee | Annual retainer fee R | Per meeting attendance fee R | Per hour fee* R |
|---|---|---|---|
| **Board** | | | |
| Chairperson | 60 000 | 22 125 | 3 000 |
| Member | 48 000 | 17 700 | 2 250 |
| **Audit and risk committee** | | | |
| Chairperson | 40 000 | 17 500 | |
| Member | 32 000 | 14 000 | |
| **Other committees** | | | |
| Chairperson | 26 250 | 10 000 | |
| Member | 21 000 | 8 000 | |

* *The hourly fee is applicable for ad hoc special board meetings and services rendered over and above the normal duties as directors of the Company.*

### Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to approve the remuneration of the non-executive directors of the Company for their services as directors for the ensuing financial year.

## 15. SPECIAL RESOLUTION NUMBER 2

### General approval to acquire shares

"**Resolved that** by way of a general approval Bauba Platinum Limited (the Company) and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited (the JSE), as amended from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- The acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- This general authority shall only be valid until the earlier of the Company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- In determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- At any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- The acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- The Company may only effect the repurchase once a resolution has been passed by the board of directors of the Company (the board) confirming that the board has authorised the repurchase, that the Company has passed the solvency

# NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

and liquidity test (test) and that since the test was done there have been no material changes to the financial position of the Group;
- The Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- An announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted (initial number), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

### Reason for and effect of special resolution number 2

The reason for and effect of this special resolution number 2 is to obtain an authority for, and to authorise, the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

a. Other disclosure in terms of Section 11.26 of the JSE Listings Requirements
The JSE Listings Requirements require the following disclosures, which are contained in the annual report of which this notice forms part:
   - directors and management – page 3;
   - major shareholders of the Company – page 47;
   - directors' interests in securities – page 47;
   - share capital of the Company – page 42; and
   - litigation statement – page 43.

b. Material change
The Company received the R50 million in cash less costs based on the share subscription agreement that was entered into on 29 June 2010.

c. Directors' responsibility statement
The directors, whose names are given on page 3 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

d. Adequacy of working capital
At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:
   - The Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
   - The consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
   - The issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
   - The working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

   The Company may not enter the market to proceed with the repurchase until its Sponsor, Merchantec Proprietary Limited, has discharged all of its responsibilities in terms of the JSE Listings Requirements insofar as they apply to working capital statements for the purposes of undertaking an acquisition of its issued ordinary shares.

## 16. SPECIAL RESOLUTION NUMBER 3

### Financial assistance for subscription of securities

"**Resolved that**, as a special resolution, in terms of section 44 of the Companies Act, 2008 (Act 71 of 2008) (Companies Act), the shareholders of Bauba Platinum Limited (the Company) hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, financial assistance by way of

# NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

a loan, guarantee, the provision of security or otherwise, as contemplated in section 44 of the Companies Act, to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, provided that;

(a) the board of directors of the Company (the board), from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and
(b) the board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the board meets all those requirements of section 44 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

### Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the board the authority to authorise the Company to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any option or securities issued or to be issued by the Company or a related or inter-related company.

## 17. SPECIAL RESOLUTION NUMBER 4

### Loans or other financial assistance to related or inter-related company or corporation

"**Resolved that**, as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) (Companies Act), the shareholders of Bauba Platinum Limited (the Company) hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 4, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation provided that:

(a) the board of directors of the Company (the board), from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and
(b) the board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 4 unless the board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

### Reason for and effect of special resolution number 4

The reason for and effect of special resolution number 4 is to grant the board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation.

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 4:

(a) by the time that this notice of annual general meeting is delivered to shareholders of the Company, the board will have adopted a resolution (Section 45 Board Resolution) authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 4 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a related or inter-related company or corporation;
(b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and
(c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

# NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

18. **ORDINARY RESOLUTION NUMBER 1**

**Approval of remuneration policy**

"**Resolved that** the remuneration policy of the directors of Bauba Platinum Limited (the Company), as set out on page 12 of the annual report to which this notice is attached, be and is hereby approved as a non-binding advisory vote of shareholders of the Company in terms of the King III Report on Corporate Governance."

19. **ORDINARY RESOLUTION NUMBER 2**

**Control of authorised but unissued ordinary shares**

"**Resolved that** the authorised but unissued ordinary shares in the capital of Bauba Platinum Limited (the Company) be and are hereby placed under the control and authority of the directors of the Company (directors) and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and the Listings Requirements of JSE Limited, as amended from time to time."

20. **ORDINARY RESOLUTION NUMBER 3**

**Approval to issue ordinary shares, and to sell treasury shares, for cash**

"**Resolved that** the directors of Bauba Platinum Limited (the Company) and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited (the JSE Listings Requirements) from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/ convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/ convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- this general authority will be valid until the earlier of the Company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the Company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Listings Requirements, ordinary resolution number 3 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

# NOTICE OF
# ANNUAL GENERAL MEETING (CONTINUED)

21. **ORDINARY RESOLUTION NUMBER 4**

**Signature of documents**

"**Resolved that** each director of Bauba Platinum Limited (the Company) be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions."

## OTHER BUSINESS

To transact such other business as may be transacted at the annual general meeting of the Company.

## VOTING AND PROXIES

Special resolutions to be adopted at this annual general meeting require approval from 75% of the shares represented in person or by proxy at the meeting. Ordinary resolutions to be adopted require approval from a simple majority, which is more than 50% of the shares represented in person or by proxy at the meeting.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services Proprietary Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the meeting.

Kindly note that meeting participants, which includes proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

By order of the board

Merchantec

**Merchantec Proprietary Limited**
*Company secretary*

9 December 2011
Johannesburg

# COMPANY INFORMATION

## NATURE OF BUSINESS
Exploration and mining of mineral rights

## REGISTRATION NUMBER
1986/004649/06

## DIRECTORS
**Non-executive**
Mr JG Best*
Mr KV Dicks*
Mr SM Dolamo*
Ms KW Mzondeki*
Dr NM Phosa
Mr DS Smith
King TV Thulare *(Alternate)*

**Executive**
Mr GJ Pitt
Mr WA Moolman

* *Independent*

## COMPANY SECRETARY
Merchantec Proprietary Limited

## REGISTERED ADDRESS
Merchantec Capital
2nd Floor, North Block
Hyde Park Office Tower
Cnr 6th Road and Jan Smuts Avenue
Hyde Park, 2196

| | |
|---|---|
| Telephone | +27 (0) 11 548 7240 |
| Fax | +27 (0) 11 465 0145 |
| E-mail | info@bauba.co.za |
| web | www.bauba.co.za |

## BUSINESS ADDRESS
Second Floor
Longpoint Office Park
Cnr Witkoppen and Monte Casino Boulevard
Magaliessig, Johannesburg, Gauteng
Republic of South Africa

## POSTAL ADDRESS
PO Box 1658
Witkoppen, 2068

## BANKERS
Nedbank Limited

## TRANSFER SECRETARIES
Computershare Investor Services (Proprietary) Limited

## SPONSOR
Merchantec Proprietary Limited

## AUDITORS
BDO South Africa Incorporated

## ATTORNEYS
Eversheds
Cliffe Dekker Hofmeyr

## COUNTRY OF INCORPORATION
Republic of South Africa

# FORM OF PROXY

**Bauba Platinum Limited**
Incorporated in the Republic of South Africa
(Registration number 1986/004649/06)
Share code: BAU ISIN: ZAE000145686
("Bauba" or "the Company" or "the Group")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form (certificated ordinary shareholders); or
- have dematerialised their ordinary shares (dematerialised ordinary shareholders) and are registered with "own name" registration,

at the Annual General Meeting of shareholders of the Company to be held at City Lodge, Longpoint Office Park, corner of Witkoppen and Montecasino Boulevard, Magaliessig, Johannesburg, at 10:00 on 23 January 2012 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder ____________________

Name of registered shareholder ____________________

Address ____________________

Telephone work (        ) ____________________ Telephone home (        ) ____________________

being the holder/custodian of ____________________ ordinary shares in the Company, hereby appoint (see note):

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. chairperson of the meeting, as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the Company convened for the purpose of considering and, if deemed fit, passing, with or without modification.

   The special and ordinary resolutions to be proposed thereat (resolutions) and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

# FORM OF PROXY (CONTINUED)

## VOTING INSTRUCTIONS

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

| | NUMBER OF ORDINARY SHARES | | |
|---|---|---|---|
| | **For** | **Against** | **Abstain** |
| 1. To receive, consider and adopt the annual financial statements of the Company and Group for the financial year ended 30 June 2011 | | | |
| 2. To approve the re-election as director of Mr JG Best who retires by rotation | | | |
| 3. To approve the re-election as director of Mr KV Dicks who retires by rotation | | | |
| 4. To approve the re-election as director of Mr SM Dolamo who retires by rotation | | | |
| 5. To approve the appointment as director of Mr DS Smith | | | |
| 6. To approve the appointment as director of Dr NM Phosa | | | |
| 7. To approve the appointment as director of Ms KW Mzondeki | | | |
| 8. To approve the appointment as director of Mr GJ Pitt | | | |
| 9. To approve the appointment as director of Mr WA Moolman | | | |
| 10. To approve the appointment of Ms KW Mzondeki as member and chairperson of the audit and risk committee | | | |
| 11. To approve the appointment of Mr KV Dicks as member of the audit and risk committee | | | |
| 12. To approve the appointment of Mr SM Dolamo as member of the audit and risk committee | | | |
| 13. To confirm the appointment of BDO South Africa Inc. as auditors of the Company together with Mr Fred Bruce-Brand for the ensuing financial year | | | |
| 14. Special resolution number 1: Approval of the non-executive directors' remuneration | | | |
| 15. Special resolution number 2: General approval to acquire shares | | | |
| 16. Special resolution number 3: Financial assistance for subscription of securities | | | |
| 17. Special resolution number 4: Loans or other financial assistance to related or inter-related company or corporation | | | |
| 18. Ordinary resolution number 1: Approval of the remuneration policy | | | |
| 19. Ordinary resolution number 2: Control of authorised but unissued ordinary shares | | | |
| 20. Ordinary resolution number 3: Approval to issue ordinary shares, and to sell treasury shares, for cash | | | |
| 21. Ordinary resolution number 4: Signature of documents | | | |

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the Company.

Signed at ______________________ on ______________________ 2012

Signature ______________________

Assisted by (if applicable) ______________________

# NOTES TO THE FORM OF PROXY

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty eight hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the chairperson of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the annual general meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
    - Any one holder may sign the form of proxy;
    - The vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. **Forms of proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:**
    Hand deliveries to:
    Computershare Investor Services (Proprietary) Limited
    70 Marshall Street, Johannesburg 2001

    Postal deliveries to:
    Computershare Investor Services (Proprietary) Limited
    PO Box 61051, Marshalltown 2107

    to be received by no later than 12:00 on 19 January 2012 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified on SENS).
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

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