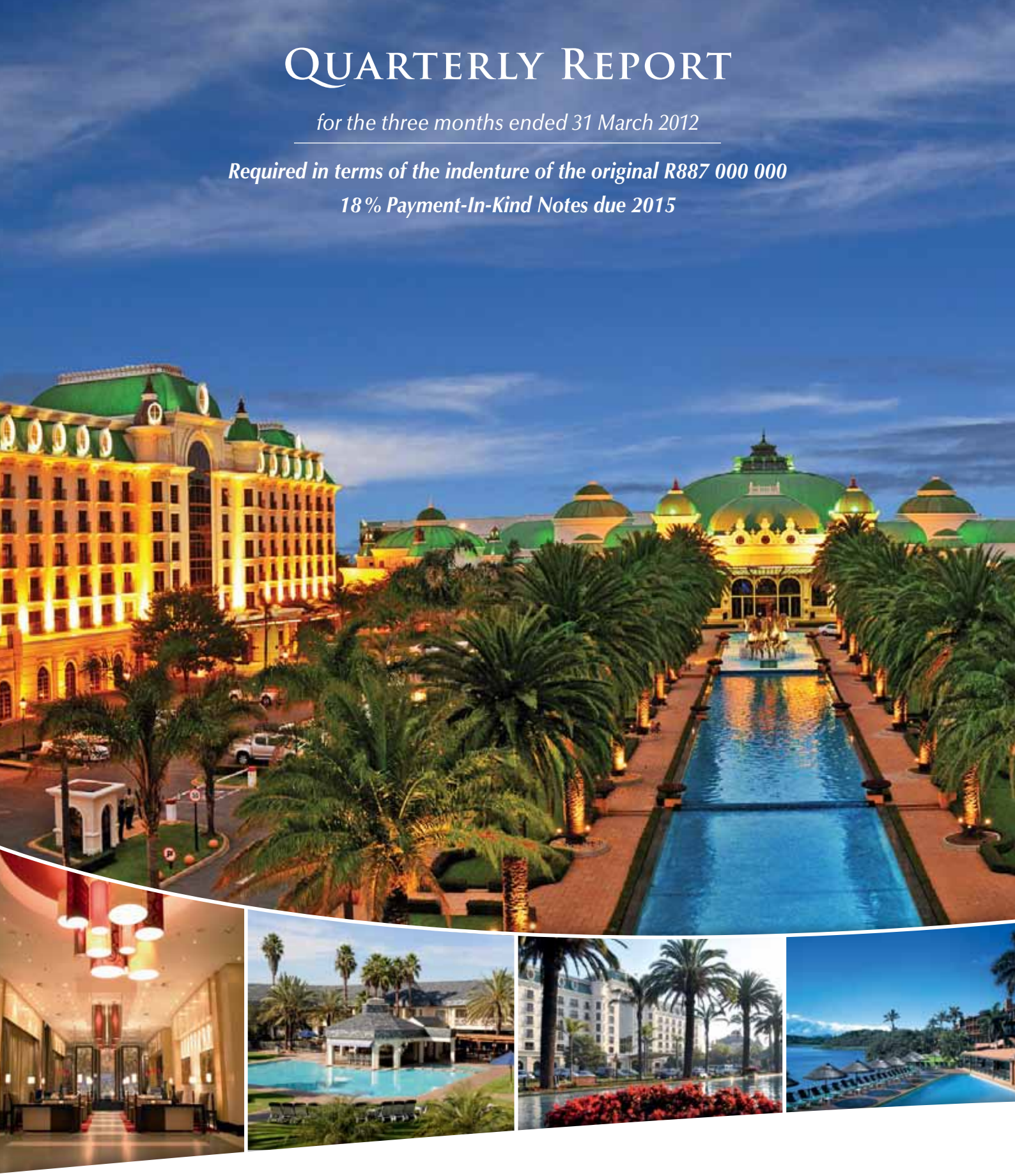
Quarterly Report

for the three months ended 31 March 2012

Required in terms of the indenture of the original R887 000 000 18 % Payment-In-Kind Notes due 2015



PEERMONT

HOTELS CASINOS RESORTS

PEERMONT GLOBAL HOLDINGS II PROPRIETARY LIMITED

Registration number 2006/006232/07 • SEDOL: B1WQKJ1 • ISIN Rule 144A: XS0297395286 • ISIN Reg S: XS0296663429 • www.peermont.com

DATE: 30 MAY 2012

TABLE OF CONTENTS

	Page
Introduction	3
Reporting	3
Condensed unaudited company statement of financial position of Peermont Global Holdings II Proprietary Limited as at 31 March 2012	Annexure A
Quarterly report for Peermont Global Proprietary Limited 7$^{3}/_{4}$% Senior Secured Notes due 2014 for the three months ended 31 March 2012	Annexure B

INTRODUCTION

On 23 April 2007, Peermont Global Holdings II Proprietary Limited ("PGH II"), issued R887 000 000 18% Payment-In-Kind ("PIK") notes due 2015 ("the PIK Notes"). The PIK Notes were issued under an indenture ("the PIK Notes indenture"), dated as of 18 April 2007, by PGH II, a company incorporated under the laws of the Republic of South Africa.

The PIK Notes are PGH II's senior unsecured obligations and rank equal in right of payment with all of PGH II's existing and future unsecured indebtedness and effectively junior to all of PGH II's secured indebtedness, including its senior guarantee of the 7¾% Senior Secured Notes due 2014 ("the notes"), issued by PGH II's direct wholly owned subsidiary, Peermont Global Proprietary Limited ("Peermont" or the "issuer"). The guarantee is secured by all of the ordinary shares of Peermont.

In prior years, PGH II purchased for cash a cumulative R200,1 million in aggregate principal amount of its outstanding 18% PIK Notes, at a price of R134,5 million or 67,2% of face value. All purchased notes were cancelled.

As a result of the above PIK Notes buy-backs, Peermont reduced its deeply subordinated shareholder loan from PGH II by repaying an amount of R145,7 million to PGH ll, utilising one of the available restricted payment baskets. In addition, a portion of the deeply subordinated shareholders loan owed by Peermont was waived, reducing Peermont's obligations by a further R56,9 million.

PGH II is a holding company and all of our operations are conducted through our subsidiaries. We have no material assets other than the capital stock of Peermont and receivables in respect of certain deeply subordinated shareholder loans made to Peermont with the proceeds of the PIK Notes, and a deeply subordinated shareholder loan advanced to us by our direct parent company.

A copy of the offering memorandum dated 18 April 2007, prepared in connection with the offering of the PIK Notes is available from us upon request. This quarterly report is being provided to holders of the PIK Notes pursuant to section 4.19 of the PIK Notes indenture.

The PIK Notes bear interest at a rate of 18,0% per annum. Interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October of each year. The PIK Notes will mature on 30 April 2015. PGH II may redeem the PIK Notes, in whole or in part, at any time on or after 30 October 2011 at 101,5%, or after 30 October 2012 at 100,0%.

The PIK Notes are listed on the Irish Stock Exchange and traded on its Global Exchange Market.

The PIK Notes have not been and will not be registered under the US Securities Act of 1933, as amended ("the Securities Act"), or any US state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable US state securities laws. Accordingly, the PIK Notes were offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and pursuant to offers and sales occurring outside the United States within the meaning of Regulation S under the Securities Act. The PIK Notes indenture is not required to be, nor will it be, qualified under the US Trust Indenture Act of 1939, as amended.

Deeply subordinated shareholder loans

Deeply subordinated shareholder loan from PGH I to PGH II

In 2007, PGH I advanced the proceeds of its PIK Equity Loan to the company. This loan was and remains deeply subordinated in favour of the creditors of PGH II. In terms of the deeply subordinated shareholder loan agreement, the loan does not require any amortisation or other payment of interest or principal, nor may the loan holders declare any event of default, place PGH II into liquidation or take any enforcement action prior to the settlement of all senior debt claims and/or claims by the creditors of PGH II.

Deeply subordinated shareholder loans from PGH II to Peermont

PGH II advanced the proceeds of the deeply subordinated PIK Equity Loan received by it from PGH I, as well as the proceeds of the issue of the PIK Notes in 2007 to its 100% subsidiary, Peermont, in the form of deeply subordinated shareholder loans. In terms of the PGH II deeply subordinated shareholder loans agreement, the loans do not require any amortisation or other payment of interest or principal before 27 April 2037, nor may the loan holders declare any event of default or take any enforcement action prior to that date.

REPORTING

The PIK Notes indenture requires that the report issued by the issuer of the notes, Peermont, together with the unconsolidated statement of financial position of PGH II, be distributed to holders of the PIK Notes. The unconsolidated unaudited statement of financial position of PGH II is included as Annexure A and the entire Peermont quarterly report is included as Annexure B.

Peermont Global Holdings II Proprietary Limited

CONDENSED UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION

at 31 March 2012

	2012 R'm	2011 R'm
Assets		
Total non-current assets	**2 934,7**	2 910,9
Investment in subsidiary, less impairments	**—**	—
Amounts due by subsidiary, less impairments	**2 934,7**	2 910,9
Total current assets	*	0,4
Trade and other receivables	*	*
Current taxation asset	**—**	0,4
Total assets	**2 934,7**	2 911,3
Equity and liabilities		
Equity		
Capital and reserves	**(1 299,3)**	(627,8)
Total non-current liabilities	**4 215,3**	3 524,5
Interest-bearing long-term borrowings	**4 207,5**	3 516,9
PIK Notes liability	**1 639,8**	1 359,7
Deeply subordinated shareholder loan	**2 567,7**	2 157,2
Deferred taxation liability	**7,8**	7,6
Total current liabilities	**18,7**	14,6
Amounts due to subsidiary	**16,4**	14,6
Current taxation liability	**2,3**	—
Trade and other payables	*	*
Total equity and liabilities	**2 934,7**	2 911,3

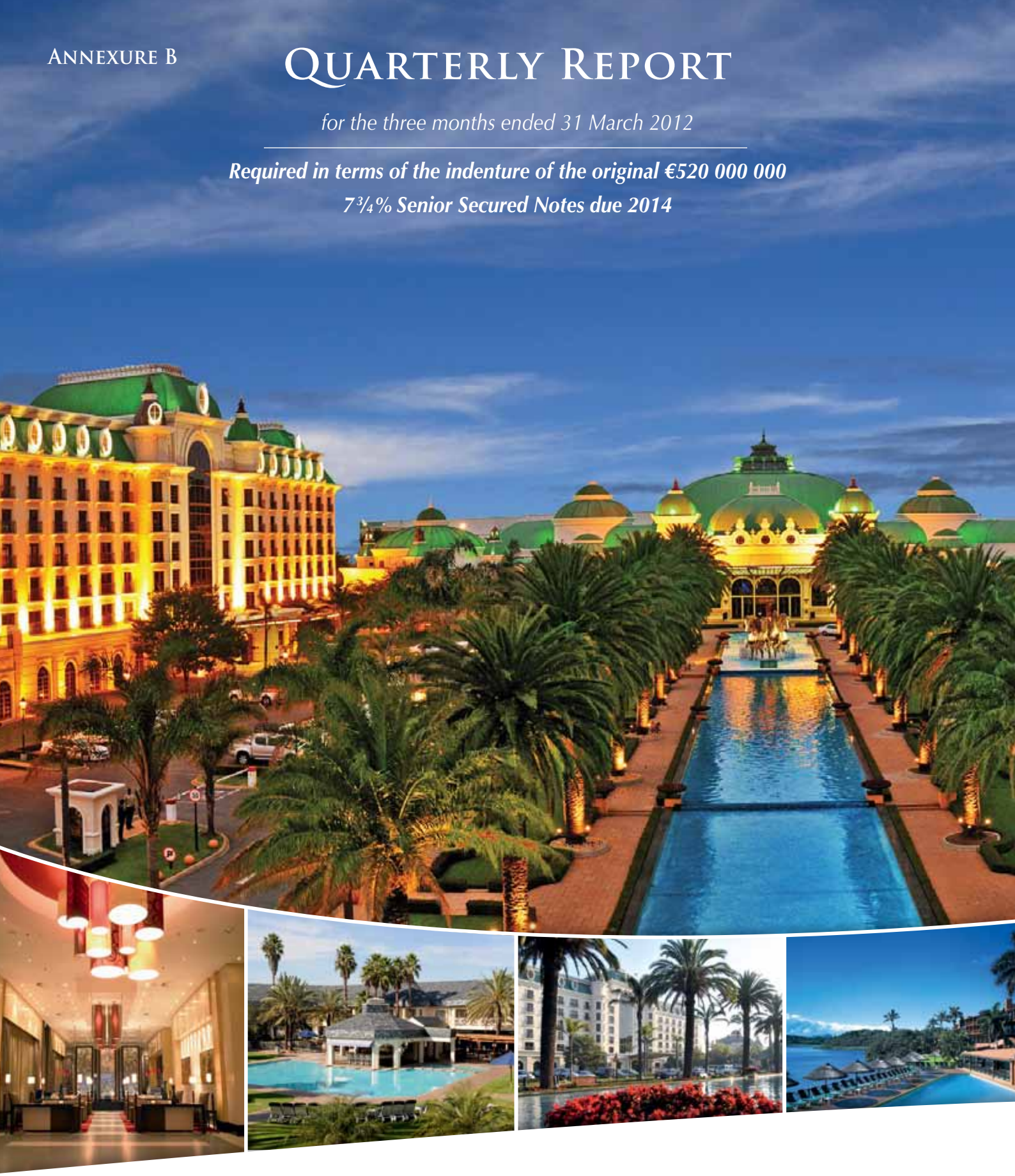
* *Less than R50 000.*

ANNEXURE B

QUARTERLY REPORT

for the three months ended 31 March 2012

Required in terms of the indenture of the original €520 000 000 7¾% Senior Secured Notes due 2014



PEERMONT

HOTELS CASINOS RESORTS

Peermont Global Proprietary Limited

Registration number 2006/006340/07 • SEDOL: B1W6GY8 • ISIN Rule 144A: XS0297394479 • ISIN Reg S: XS0296654600 • www.peermont.com

DATE: 30 MAY 2012

Table of contents

	Page
Definitions	3 – 4
Introduction	5
Organisational information	5
Presentation of financial information	5
Risk factors	5
Information regarding forward-looking statements	6
Management's discussion and analysis of financial condition and results of operations	7 – 18
Condensed unaudited consolidated financial statements	Annexure A

Definitions

BBBEE	Broad-based Black Economic Empowerment
BPC	Botswana Power Corporation
CASA	Casino Association of South Africa
€ or Euro	European Euro, legal tender of the European Union
EBITDA	Earnings before interest, taxation, depreciation, amortisation and other non-cash items
EBITDAR	Earnings before interest, taxation, depreciation, amortisation, other non-cash items and rentals
Emperors Palace	A division of Peermont, trading as Emperors Palace Hotel Casino Convention Resort
FECs	Forward Exchange Contracts
GGR	Gross gaming revenues
Guarantors	Consist of PGH II, Peermont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN
Head office	The head office function of Peermont
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg interbank agreed rate
Maxitrade 85	Maxitrade 85 Security Holding Company Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/025081/07)
Mmabatho Palms	A division of PGNW, trading as Mmabatho Palms Casino Convention Resort
Mondazur	A division of Peermont, trading as Mondazur Resort Estate Hotel
NWGB	North West Gambling Board
P or Pula	Botswana Pula, legal tender of the Republic of Botswana
Peermont or the company	Peermont Global Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/006340/07)
Peermont Group or the group	Peermont and its subsidiaries
PGB	Peermont Global (Botswana) Limited, a public limited liability company incorporated under the laws of the Republic of Botswana (Registration number 95/414), including all operations based in Botswana, namely the Grand Palm Hotel Casino Convention Resort, Mondior Hotel, Metcourt Inn Hotel, the Gaborone International Convention Centre, all in Gaborone, Metcourt Lodge Hotel and Sedibeng Casino in Francistown and Syringa Casino in Selebi-Phikwe
PGEFS or Frontier	Peermont Global (Eastern Free State) Proprietary Limited, trading as Frontier Inn and Casino, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1999/011534/07)
PGER	Peermont Global (East Rand) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1996/009361/07) (in liquidation)
PGERH	PGER Holdings Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/001006/07)
PGH I	Peermont Global Holdings I Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/023109/07)
PGH II	Peermont Global Holdings II Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/006232/07)
PGIL	Peermont Global Investments Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1995/004449/06)
PGKZN or Umfolozi	Peermont Global (KZN) Proprietary Limited, trading as Umfolozi Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029290/07)
PGLim or Khoroni	Peermont Global (Limpopo) Proprietary Limited, trading as Khoroni Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/034446/07)
PGMKZN	Peermont Global Management (KZN) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/000558/07)
PGMNW&L	Peermont Global Management (NW&L) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029265/07)
PGNW	Peermont Global (North West) Proprietary Limited, a limited liability company incorporated under the Laws of the Republic of South Africa (Registration number 2006/028470/07)

PGSH or Graceland	Peermont Global (Southern Highveld) Proprietary Limited, trading as Graceland Hotel, Casino and Country Club, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1995/004452/07)
PKZNST	Peermont KwaZulu-Natal Staff Trust
PIK	Payment-in-kind
PIK Equity Loan	PIK Equity Loan, due 2106, raised in 2007 by PGH I and onlent to Peermont
PIK Notes	The original R887,0 million 18,0% PIK Notes due 2015, issued by PGH II, listed on the Global Exchange Market of the Irish Stock Exchange
PIK Notes Loan	PIK Notes Loan raised by Peermont from the proceeds of an issue of PIK Notes by PGH II
R or Rand	South African Rand, legal tender of the Republic of South Africa
RCF	Revolving Credit Facility
Rio	A division of PGNW, trading as Rio Hotel Casino Convention Resort
RMB	Rand Merchant Bank, a division of FirstRand Bank Limited
SARS	South African Revenue Service
Securities Act	The U.S. Securities Act of 1933, as amended
Security SPV	Maxitrade 85, a special purpose vehicle
SSNs or the notes	The original €520 million 7¾% Senior Secured Notes due 2014, issued on 24 April 2007, listed on the Global Exchange Market of the Irish Stock Exchange
SRSs	Symmetrical Recovery Swaps
Taung	A division of PGNW, trading as Taung Hotel Convention Resort
The indenture	An indenture under which the notes were issued and guaranteed
The Offering Memorandum	The Offering Memorandum dated 18 April 2007, prepared in connection with the offering of the notes
The Trustee	BNY Corporate Trustee Services Limited, as trustee
TRESS	Tusk Resorts Employee Share Scheme trust
Tubatse	Peermont Global (Tubatse) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/019823/07)
Tusk Resorts	Tusk Resorts Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/010949/07)
VAT	Value added taxation

Introduction

Peermont is a South African-based group of companies which operates in the gaming, hotel and convention businesses in southern Africa. Peermont holds seven casino licences in South Africa and three in neighbouring Botswana. The group operates a total of 14 properties, nine in South Africa and five in Botswana. Collectively, these 14 properties offer 3 231 slot machines, 148 gaming tables and 1 675 hotel rooms. Our flagship property is Emperors Palace Hotel Casino Convention Resort, which is strategically located in the Johannesburg metropolitan area. In addition to Emperors Palace, our property portfolio includes seven other casino resorts, two stand-alone casinos and four stand-alone hotels.

Organisational Information

The Peermont Group consists predominantly of:

- Peermont including the Emperors Palace, Mondazur and the head office management and investment divisions;
- PGNW including the Rio, Mmabatho Palms and Taung divisions;
- PGKZN;
- PGLim;
- PGMNW&L;
- PGMKZN;
- PGSH;
- PGB;
- PGEFS;
- Tubatse; and
- Various other trusts, dormant or intermediate holding companies.

The business address of Peermont is Peermont Place, Northdowns Office Park, 17 Georgian Crescent West, Bryanston, Johannesburg, South Africa, and its primary telephone number is +27 (11) 557 0557. We maintain an internet website at www.peermont.com. Information on our internet website, unless specifically referred to, does not form part of this report.

Presentation of financial information

We have prepared the condensed unaudited consolidated financial statements contained in this quarterly report in accordance with IFRS. We present our financial statements in Rand, the legal currency of the Republic of South Africa. In this quarterly report, unless otherwise indicated, all amounts are expressed in Rand millions.

Risk factors

The "Risk Factors" set out on the company's website detail the risks related to our business, the gaming industry, the notes and the risks related to our operations both in South Africa and Botswana are incorporated herein by reference.

Information regarding forward-looking statements

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in any forward-looking statements made in this quarterly report. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as will likely result, are expected to, will continue, believe, is anticipated, estimated, intends, expects, plans, seek, projection and outlook.

These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the "Risk Factors" placed on the company's website. Among the key factors that could have a direct impact on our operations, prospects and results are the following:

- changes in gaming, smoking and taxation laws and the wider regulatory and legal environment in southern Africa;
- general economic conditions that impact growth trends in disposable income and discretionary consumer spending;
- the impact of our indebtedness;
- our dependence on a single property, Emperors Palace, and the relatively concentrated casino market in Gauteng Province to generate a significant portion of our revenue, profits and cash flows;
- competition from other entertainment businesses in Gauteng Province and other regions of southern Africa;
- our ability to maintain our casino licences; and
- our ability to develop new casino projects.

The list above should be considered in relation to this report and the effect that these could have on the group's position and results in the future. Because the "Risk Factors" referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this quarterly report by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, the company cannot assess the effect of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

Indebtedness

The notes

On 23 April 2007, Peermont, issued €520 million 7¾% SSNs due 2014. The notes were issued and guaranteed under the indenture, dated as of 23 April 2007, by PGH II as parent guarantor, and by Peermont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN as guarantors, Maxitrade 85, the security SPV, BNY Corporate Trustee Services Limited as trustee, The Bank of New York Mellon as registrar, transfer agent and principal paying agent and BNY Fund Services (Ireland) Limited, as Irish paying agent.

A copy of The Offering Memorandum is available from us upon request. This quarterly report is being provided to holders of the notes pursuant to Section 4.19 of the indenture.

In 2008, Peermont completed a notes repurchase programme in terms of which it purchased a nominal value of R1 268,3 million (€103,9 million) of the notes in issue for R1 129,2 million (€92,5 million) or 89% of the face value. All purchased notes were cancelled. Following such cancellation, the outstanding principal amount of notes is €416,1 million.

The notes bear interest at a rate of 7¾% per annum. Interest on the notes is payable on 30 April and 30 October of each year. The notes will mature on 30 April 2014. Peermont may redeem the notes in whole or in part at any time from now to maturity at the redemption price specified in the indenture.

The notes, subject to the first priority rights of the RCF lenders, are guaranteed by the guarantors, and rank equal in right of payment with all of the issuer's existing and future unsubordinated indebtedness and senior in right of payment to all of the issuer's existing and future indebtedness that is subordinated in right of payment to the notes.

The notes, subject to the first priority rights of the RCF lenders, are effectively senior to all of the issuer's existing and future unsecured indebtedness to the extent of the assets securing the notes and are secured equally and rateably with the SSN foreign exchange hedging providers, by second priority security interests over all of the issuer's capital stock and certain of the assets of the issuer and the guarantors. The guarantees of the notes by the guarantors rank behind the rights of RCF lenders, but equal in right of payment with all of the existing and future unsubordinated indebtedness of the guarantors, senior in right of payment to all of the existing and future indebtedness of the guarantors that is subordinated in right of payment to the guarantors guarantees of the notes and are effectively senior to all existing and future unsecured indebtedness of the guarantors to the extent of the assets securing the guarantors of guarantees of the notes.

The notes are listed on the Irish Stock Exchange and traded on its Global Exchange Market.

The notes have not been and will not be registered under the Securities Act, or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the notes were offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and pursuant to offers and sales occurring outside the United States within the meaning of Regulation S under the Securities Act. The indenture is not required to be, nor will it be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

The issuer's obligations under its RCF are supported by first ranked security over all the issuer's capital stock and certain of the assets of the issuer and guarantors.

The PIK Notes Loan

On 23 April 2007, PGH II issued R887,0 million 18% PIK Notes. The PIK Notes were issued under an indenture, dated as of 18 April 2007, by PGH II. The proceeds of the PIK Notes were onlent to Peermont in the form of a subordinated shareholder loan.

In prior years, PGH II purchased for cash a cumulative R200,1 million in aggregate principal amount of its outstanding 18% PIK Notes, at a price of R134,5 million or 67,2% of face value. All purchased notes were cancelled.

As a result of the above PIK Note buy-backs, Peermont reduced its deeply subordinated shareholder loans from PGH II by repaying R145,7 million to it. In addition, the gain on the purchase of PIK Notes was pushed down to Peermont, further reducing its deeply subordinated shareholder loans by R56,9 million.

The PIK Equity Loan

On 23 April 2007 PGH I raised R1 086,3 million under an amended and restated PIK Equity Loan agreement dated 10 January 2007.

The proceeds of the PIK Equity Loan were onlent to PGH II, which in turn onlent the amount to Peermont in the format of a deeply subordinated shareholder loan.

Deeply subordinated shareholder loans

In April 2007 the company received the proceeds of the abovementioned loans raised by PGH I and PGH II in the form of deeply subordinated shareholder loans. The loans are subordinated in favour of all other creditors of Peermont. In terms of the deeply subordinated shareholder loan agreement, the loans do not require any amortisation or other payment of interest or principal before April 2037, nor may the loan holder declare any event of default or take any enforcement action prior to that date.

Technical insolvency

The liabilities of the group exceed the assets fairly valued, therefore the group is in a net equity deficit position. PGH II has subordinated its loan to the company of R4 279,0 million as at 31 March 2012 (2011: R3 569,9 million). Considering the effect of the deeply subordinated shareholder loan above, and that the directors believe the company is able to meet its liabilities as these fall due, the quarterly report is prepared on a going concern basis.

Financial statements discussed

For the three month period ended 31 March 2012 and the prior year comparative period, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated financial statements of the Peermont Group.

The condensed unaudited consolidated financial information is provided for information purposes only and does not purport to present our historical results of operations for the periods presented, nor is it necessarily representative of our results of operations for any future periods.

Staff Trusts

Certain of the boards of trustees of TRESS and PKZNST, formed for the benefit of certain employees in the group, are controlled by Peermont. Therefore, IFRS requires that these trusts are consolidated into the results of the Peermont Group. On consolidation, the group accounting policy recognises the amounts vesting under the control of the trustees of the trusts as an expense in employee costs in the period that any distributions/dividends are paid, and the resulting assets retained by the trusts at the end of a reporting period, as a liability. The existing resources of PKZNST and TRESS will be distributed to beneficiaries in the future.

BBBEE shareholding in PGNW, PGLim and PGKZN

As a condition of the approval of the acquisition by the group of the interests in the Tusk Resorts (and subsequently PGNW), PGLim and PGKZN, and subsequently the acquisition by Peermont of the business of PGIL, Peermont was required to sell 10% of the shares in each of the new entities operating the businesses of Khoroni, Mmabatho Palms, Taung, Rio and Umfolozi to local BBBEE partners.

During prior years, Peermont was successful in disposing the required 10% of PGKZN and PGLim to appropriate BBBEE partners.

Management has identified a local BBBEE partner to whom it intends to sell the required 10% of the shares in PGNW. The final agreements have been signed and once approval of the NWGB is received, the sale of the shares in PGNW will be concluded.

Key income statement items

Revenue

Our revenue consists of gaming revenue, rooms revenue, food and beverage revenue and other revenue. For the year ended 31 December 2011, we generated 77,2% of our total revenue from gaming, 10,1% from rooms, 10,6% from food and beverage, and 2,1% from other revenue.

We generate gaming revenue from the slot machines and gaming tables in our casinos. Gaming revenue consists of the net cash amounts received from bets placed by guests less winnings paid to them.

Rooms revenue is generated from room nights sold at our various hotels, which is a function of average room rate and occupancy rate. We define occupancy rate as room nights sold as a percentage of total room nights available in a given period. The average room rate is calculated based on total rooms revenue divided by the number of room nights sold in a given period.

We generate food and beverage revenue from the sale of food and beverages in our hotel restaurants and through room service, the sale of food and beverages to our entertainment patrons, catering services at our convention facilities and revenue from renting banqueting rooms and equipment.

Other revenue is generated primarily from rental payments received from our retail outlet tenants, sales of goods at our own outlets, ticket receipts for our various entertainment offerings, fees generated by the country club, revenue from our childcare facilities, parking income and other fees.

In line with industry practice in South Africa, we recognise gaming revenue on a cash received basis. We recognise all other revenue on an accrual basis, net of VAT. Gaming revenue includes VAT and other gaming levies on gross gaming revenue. VAT is deducted as an operating cost at an effective South African rate of 12,28% of gross gaming revenue net of gaming levies paid. Gaming levies on gross gaming revenue are set at variable rates as a percentage of gaming revenue and are also deducted as an operating cost. Gaming levy rates vary across the provinces in which our casinos operate. The gaming levy in Gauteng Province is currently 9% of gaming revenue.

Other income

Other income is primarily non-operational income, which consists of items such as the net profit generated on the disposal of assets in the normal course of business at our properties, insurance claims received as well as other sundry income.

Operating costs

Our operating costs consist of employee costs; other operational costs; property costs; consumables and services; VAT and gaming levies on gross gaming revenue; promotions and marketing costs; depreciation and amortisation; and, property and equipment rentals. These represented 29,4%, 7,0%, 5,3%, 14,4%, 21,6%, 8,6%, 12,5% and 1,2% of total operating costs, respectively, for the year ended 31 December 2011.

Employee costs consist of salaries, wages and employee benefits for all of our employees, including management.

VAT and gaming levies on gross gaming revenue are as discussed above.

Promotions, marketing and sales costs consist primarily of costs associated with all complimentary food, beverage and hotel accommodation given to our gaming guests; advertising costs (which include costs for radio, press and outdoor advertising and the production thereof, and prizes given as part of promotions); costs relating to loyalty programmes; costs of public relations events and activities; publishing costs for guest magazines, flyers, posters and other promotional materials; and costs relating to our participation in domestic and international travel fairs and exhibitions.

Depreciation and amortisation consists of depreciation costs on assets other than land and capital work in progress and the amortisation of intangible assets other than goodwill and intangible assets that have an indefinite life, such as the majority of our casino licenses.

Property and equipment rentals consist of rental expenses paid under operating leases primarily for our slot machines, office equipment and property leases.

Property costs consist of utilities and property taxes.

Consumables and services consist primarily of cost of sales of food and beverage; cash handling costs; credit card commissions; security and public safety costs; property cleaning costs; and, other service contracts.

Other operational costs consist primarily of maintenance costs, information technology support and maintenance costs, corporate social investment costs, insurance and training costs.

Results of operations of Peermont

General

The following table presents selected condensed unaudited consolidated financial information of Peermont for the periods indicated. Unless otherwise indicated, the financial information has been derived from the condensed unaudited consolidated financial statements included in Annexure A of this report.

Income statement data for the period ended 31 March	**(unaudited)** **2012** **R'm**	% change	(unaudited) 2011 R'm
Revenue	**663,8**	6,8	621,4
Gaming	**514,0**	5,4	487,5
Rooms	**68,1**	12,7	60,4
Food and beverage	**65,6**	10,8	59,2
Other	**16,1**	12,6	14,3
Other income	**0,2**	**	*
Operating costs	**(485,2)**	(3,7)	(468,0)
Operating profit before net finance expenses	**178,8**	16,6	153,4
Finance income	**91,1**	(50,5)	184,1
Finance expenses	**(409,9)**	34,0	(621,2)
Loss before taxation	**(140,0)**	50,7	(283,7)
Taxation	**(134,5)**	**	82,6
Loss for the period	**(274,5)**	(36,5)	(201,1)
Attributable to:			
Equity holders of Peermont	**(278,9)**		(207,9)
Non-controlling interests	**4,4**		6,8
	(274,5)		(201,1)
EBITDA[1] Reconciliation			
Operating profit before net finance expenses	**178,8**		153,4
Add: Depreciation and amortisation	**60,0**		64,4
EBITDA	**238,8**	9,6	217,8
Add: Rental charges	**5,6**		6,2
EBITDAR	**244,4**	9,1	224,0
EBITDA margin	**36,0%**		35,0%
EBITDAR margin	**36,8%**		36,0%

[1] *We define EBITDA as earnings before interest, taxation, depreciation, amortisation and other non-cash items. EBITDAR is EBITDA before rental payments. We believe that EBITDA/R serves as a useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company's/group's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA/R is a widely accepted indicator in comparing a company's/group's underlying operating profitability with that of other companies in the same industry. EBITDA/R is not an IFRS measure and you should not consider EBITDA/R as an alternative to measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity under IFRS. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA/R is not a uniform or standardised measure and the calculation of EBITDA/R, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies. A reconciliation of EBITDA/R to operating profit for the three months ended 31 March 2011 and 31 March 2012 is provided above.*

* *Less than R50 000*
** *Greater than 100%*

Commentary on the results for the period

The three-month period ended 31 March 2012 (unaudited) compared to the three-month period ended 31 March 2011 (unaudited)

Overview

Group revenue for the period increased by 6,8% from R621,4 million to R663,8 million. Gaming revenue increased by 5,4% to R514,0 million. Hotel and resort revenue increased by 11,9% to R149,8 million.

Cash costs increased by 5,4% to R425,2 million and EBITDA increased by 9,6% from R217,8 million to R238,8 million in the quarter to March 2012.

Emperors Palace performed well with revenue increasing by R28,7 million or 7,4%, while EBITDA increased by R13,6 million or 10,7% for the quarter. Revenue derived from the balance of the group operations grew by R13,7 million or 5,9% while EBITDA increased by R7,4 million or 8,1%. In particular, our Frontier, Graceland and Khoroni operations delivered good performances for the quarter, partially offset by a disappointing performance from our Botswana operations.

Revenue

Our revenue increased by 6,8% from R621,4 million for the three months ended 31 March 2011 to R663,8 million for the three months ended 31 March 2012. Emperors Palace revenues increased by 7,4%. Frontier, Khoroni and Graceland performed well with revenue growth of 24,3%, 16,4% and 8,5% respectively. Revenue at our Botswana operations decreased by 2,0% in Pula terms.

Gaming revenues increased by 5,4% from R487,5 million in the quarter ended 31 March 2011 to R514,0 million in the March 2012 quarter.

Hotel and resort revenues increased by 11,9% as compared to the corresponding three months in the prior year. Rooms revenue increased by 12,7% to R68,1 million. Our overall room occupancies for the three months were 71,3%, significantly above the national average and above the 66,4% reported for the same period of 2011. Food and beverage revenues increased by 10,8% to R65,6 million.

Operating costs

Operating costs for the three months ended 31 March 2012 were R485,2 million, an increase of R17,2 million, or 3,7% from R468,0 million for the three months ended 31 March 2011. Cash operating costs increased by 5,4% when compared to the same period in 2011.

Depreciation and amortisation for the quarter ended 31 March 2012 was R60,0 million, a decrease of R4,4 million, or 6,8% from R64,4 million for the three months ended 31 March 2011.

Operating profit before net finance expenses

The resulting operating profit at R178,8 million was R25,4 million, or 16,6% above the comparable period in 2011.

EBITDA

EBITDA increased by 9,6% from R217,8 million to R238,8 million when compared to the prior period. Our overall EBITDA margin increased from 35,0% for the three months ended 31 March 2011 to 36,0% for the current quarter.

Finance income

Finance income for the three months ended 31 March 2012 was R91,1 million, a decrease of R93,0 million from the prior period. The variance to the prior period was mainly due to a larger foreign exchange gain on forward contracts to hedge the SSN liability of R181,9 million at March 2011 as compared to the R88,1 million gain on restatement of the SSN liability recorded in the three months to 31 March 2012.

Finance expenses

Finance expenses at R409,9 million reflected a decrease of R211,3 million from the prior period charge of R621,2 million. This was mainly due to the lower foreign exchange loss on forward contracts to hedge the SSN liability of R97,1 million recorded at March 2012 as compared to the R345,2 million loss on restatement of the SSN liability recorded at March 2011.

Taxation

The taxation and deferred taxation charge of R134,5 million results mainly from the increase of the capital gains taxation rate for companies in South Africa from an effective 14,0% to 18,6% as announced by the Minister of Finance during February 2012, offset by deferred taxation credits as a result of estimated taxation losses at Peermont and its subsidiaries.

Loss for the period
The resulting loss after taxation amounted to R274,5 million as compared to prior period loss of R201,1 million.

Operations

Emperors Palace
Emperors Palace performed well with revenue increasing by 7,4% from R416,3 million as compared to R387,6 million in the same period of the prior year. This is largely due to solid growth in tables and rooms revenues as well as improved conference business during the current quarter.

GGR increased by 6,7% to R344,7 million largely due to strong tables revenue growth, mainly in line with market growth. This was further assisted by a slight increase in the tables hold percentage as compared to the same period in 2011. In the first quarter GGR for Gauteng grew by approximately 7,4%. GGR continued to be impacted by the ongoing roadworks, which had improved somewhat but still had a negative impact on our revenues. The roadworks started in March 2011, therefore the prior year's market share for the first two months was significantly higher than the current year, while the market share for March was higher than the prior year.

Hotel and resort revenues increased by 11,0% as compared to the prior period quarter. Rooms revenue increased by 12,6% to R31,3 million from R27,8 million in the prior period. Food and beverage revenue increased by 9,5% to R28,8 million from R26,3 million in the prior year period.

Cash costs were well contained and increased by 5,8%.

EBITDA at Emperors Palace increased by 10,7% to R140,5 million. The EBITDA margin for the quarter increased from 32,7% for the period ending 31 March 2011 to 33,7% for the period to 31 March 2012.

Botswana
Revenue in Pula terms decreased by 2,0% to P60,3 million (R66,1 million) for the quarter ended 31 March 2012 from P61,5 million (R64,9 million) for the same period in 2011. Gaming revenues declined by 16,0% on the prior period to P24,2 million (R26,5 million), mainly due to a decline in tables revenue. The decline in tables revenue is attributable to a lower privé tables win. Hotel and resort revenue increased by 10,4% to P36,1 million (R39,6 million).

Cash costs increased by 3,9% from the same quarter in 2011. The BPC increased electricity usage costs by 30% effective 1 June 2011, which negatively impacted costs during the current quarter.

As a result of the 2,0% decrease in revenue and 3,9% increase in cash costs, EBITDA for the first quarter of 2012 decreased in Pula terms by 13,2% to P17,8 million (R19,6 million) from P20,5 million (R21,7 million) in the prior period. The EBITDA margin declined to 29,5% (2011: 33,3%).

Graceland
Graceland performed well and revenues increased by 8,5% from R35,4 million in 2011 to R38,4 million in the same period in 2012. GGR increased by 9,9% to R28,9 million from R26,3 million in the first quarter of 2011. Hotel and resort revenue increased by 4,3% as compared to the prior period.

Cash costs were well controlled and increased by 3,3% as compared to the same period in 2011. Property costs have decreased by 9,5% as compared to the prior period due to energy savings initiatives implemented at the property.

EBITDA increased by 26,2% from R8,4 million to R10,6 million. This resulted in an increase in EBITDA margin from 23,7% for the first quarter in 2011 to 27,6% for the first quarter in 2012.

Umfolozi
Revenues decreased by 1,4% to R35,4 million as compared to the same period in the prior year. GGR declined by 1,8% to R32,6 million due to a 14,6% decrease in tables revenue, largely due to a lower tables hold percentage. Hotel and resort revenues increased by 21,7% to R2,8 million from R2,3 million in the prior period, mainly as a result of increased rooms revenues during the current quarter as compared to the same period in the prior year.

Cash costs declined by 2,4% as compared to the prior period. EBITDA at R11,1 million was 0,9% above the prior period. The EBITDA margin increased to 31,4% as compared to 30,6% for the same period in 2011.

Rio

Rio generated revenue of R40,2 million for the first quarter of 2012, a growth of 8,4% as compared to the same period in the prior year. GGR increased by 7,6% to R35,5 million in the first quarter of 2012. Hotel and resort revenue increased by 14,6% to R4,7 million for the quarter to March 2012.

Cash costs increased by 7,1% as compared to the prior period.

EBITDA increased by 10,6% from R13,2 million in the three months to March 2011 to R14,6 million in the current quarter. The EBITDA margin increased to 36,3% from 35,6% in the 2011 quarter.

Mmabatho Palms

The resort generated revenue of R24,8 million for the quarter, a decrease of 0,4% as compared to the same quarter in 2011. GGR decreased by 4,7% to R16,4 million for the quarter to March 2012, due to a decrease in slots revenues. Hotel and resort revenues increased by 9,0% as compared to the same period in the prior year.

The lease contract for the Mmabatho Palms staff complex which was operated by the resort expired in November 2011. The resort holds an option to acquire 50,0% of the company owning the staff complex property, which is still to be exercised. The current quarter includes 50,0% of the revenue and expenses relating to the staff complex on a joint venture basis. On a comparable basis, revenue increased by 2,0%.

Cash costs decreased by 0,5% as compared to the prior period. On a comparable basis, excluding expenses relating to the staff complex, cash costs increased by 1,5%.

EBITDA decreased by 4,1% from R4,9 million to R4,7 million. On a comparable basis, EBITDA remained flat at R4,9 million. The comparable EBITDA margin decreased to 19,3% (2011: 19,7%).

Khoroni

Khoroni continued its consistent trend of strong revenue growth and achieved revenue growth of 16,4% from R20,1 million to R23,4 million for the quarter, mainly due to a 20,0% increase in GGR.

Cash costs increased by 11,0% as compared to the same period in the prior year.

EBITDA at R7,2 million was 30,9% above the R5,5 million for the same period in 2011, resulting in an increase in the EBITDA margin to 30,8% (2011: 27,4%).

Frontier

Frontier generated revenues of R13,3 million, an increase of 24,3% as compared to the prior period. GGR increased by 21,3% as compared to the prior period, attributable to an increase in both slots and tables revenue. Hotel and resort revenue increased by 46,2% as compared to the prior period due to improved occupancies and increased room rates.

Cash operating costs increased by 12,5% as compared to the same period in the prior year.

EBITDA at R3,4 million was 78,9% above the 2011 quarter. The EBITDA margin increased to 25,6% from 17,8% in the 2011 quarter.

Head office and management companies

Head office revenue increased by 7,1%, from R41,0 million in the first quarter in 2011 to R43,9 million in the first quarter in 2012. The head office revenues consist of management, administration and incentive fees received from the operating units.

Head office EBITDA increased by 10,4% from R25,1 million in the 2011 quarter to R27,7 million in the first quarter of 2012. The EBITDA margin reflected an increase at 63,1% when compared to the 61,2% achieved in the prior period.

Liquidity and capital resources

Historically, our liquidity requirements have arisen primarily from the need to fund our capital expenditure and our acquisitions. Our principal source of liquidity has been our cash flows from operating activities and borrowings under our credit facilities. Our liquidity requirements will arise primarily to meet our debt service obligations in respect of the notes and to fund capital expenditures and working capital requirements, if any. Our principal sources of liquidity are expected to be cash flows from operations; future borrowings permitted by the indenture; and, amounts available under our RCF.

We may from time to time seek to repurchase amounts of the notes through cash purchases and/or exchanges for equity, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. We may fund these requirements with funds realised from our hedging arrangements, operating cash flows and, subject to the satisfaction of the required conditions to borrowing, drawings under our RCF or additional debt.

Cash flows

The following table sets out our condensed unaudited consolidated cash flows for the periods ended 31 March 2012 and 2011:

Cash flow data for the period ended 31 March	**(unaudited)** **2012** **R'm**	(unaudited) 2011 R'm
Net cash flows from operating activities	**252,7**	199,2
Finance income received	**3,0**	2,1
Finance expenses paid	**(5,9)**	(7,3)
Taxation paid	**(4,8)**	(3,7)
Net cash flows from operating activities	**245,0**	190,3
Cash flows used in investing activities	**(30,7)**	(9,9)
Cash flows used in financing activities	**(16,4)**	(17,0)
Net increase in cash and cash equivalents	**197,9**	163,4

Cash flows from operating activities

Net cash inflows from operating activities for the period were R252,7 million as compared to R199,2 million for the period ended 31 March 2011.

Finance income

This consists mainly of interest received on cash deposits at financial institutions which has increased in comparison to the prior period. The increase is attributable to increased cash balances on hand.

Finance expenses

This is made up predominantly of interest paid on the borrowings by head office and PGEFS. No cash flows related to the deferred hedging loan and the SSNs took place during the quarters.

Taxation paid

The group made certain taxation payments in the ordinary course of business and certain of the subsidiaries, such as PGSH and PGB, will continue to incur taxation cash flows.

Cash flows used in investing activities

Net capital expenditure for the three months was R30,7 million on normal maintenance capital expenditure consisting of R12,3 million spent on equipment in preparation for the new gaming system and the balance on normal maintenance expenditure.

Cash flows used in financing activities

Net cash outflows from financing activities for the period amounted to R16,4 million. These relate to the normal redemption of debt by head office and PGEFS and R12,3 million relating to the redemption of the non-controlling shareholders' portion of the preference shares in PGB.

Cash and cash equivalents

At 31 March 2012 the group held a net positive cash balance of R155,7 million, consisting of R14,7 million cash utilisation of the RCF (excluding guarantees), offset by cash held of R170,4 million. Details of cash of R124,2 million included in the quarter end balance, but not available to the group for third-party flows, is detailed later in the report.

Capital expenditures

Our net capital expenditures in the three months ended 31 March 2012 and 31 March 2011 were R30,7 million and R9,9 million, respectively. This represents approximately 4,6% and 1,6% of total revenue for those periods. Cash used for capital expenditures consists primarily of (a) cash used for the replacement of gaming equipment and hotel furniture, fittings and equipment and property refurbishment as well as other assets used for the maintenance of our properties, plant and equipment net of proceeds received from the sale of property, plant and equipment ("maintenance capital expenditure"); and, (b) cash used to expand (other than by way of acquisitions) our business capacity to increase revenue and profitability ("expansion capital expenditure"). Expansion capital expenditure includes the purchase of additional gaming equipment, expansion of existing properties and the development of new properties.

Our net maintenance capital expenditures in the three months ended 31 March 2012 and 31 March 2011 were R30,6 million and R9,8 million, representing approximately 4,6% and 1,6% of total revenue, respectively. Our maintenance capital expenditures for the current period consisted of R12,3 million spent on equipment in preparation for the new gaming system; P0,9 million (R1,0 million) on the refurbishment of the third floor of the Walmont hotel in Botswana; and, the balance on other normal maintenance expenditure. Our net maintenance capital expenditure in 2011 consisted of normal maintenance capital expenditure.

Our net expansion capital expenditures in the three months ended 31 March 2012 and 2011 was R0,1 million in both years.

Available capital resources

Our principal source of funds is provided by cash flows from operations; amounts raised as debt allowed per the indenture; and, amounts available under our RCF.

The company's R550,0 million RCF expires on 30 April 2013. An extension of this facility to December 2013, on the same terms and conditions, has been approved by the credit committee of the RCF provider. Extension agreements are still to be concluded.

At 31 March 2012, of the R550,0 million available under our RCF for working capital and general corporate purposes, R59,1 million of the facility had been utilised to provide guarantees to various gambling boards, suppliers and financial institutions, and an additional R14,7 million was drawn in cash. This was offset by cash held of R170,4 million. Cash included in the reported balances but not available to the group consists of approximately R49,0 million required for operational and cash floats, R36,0 million held in trust bank accounts on behalf of trust beneficiaries and R39,2 million reserved for community infrastructure development in terms of bid commitments at Emperors Palace. After adjusting for the above, R522,4 million was available for group requirements at 31 March 2012.

Although we believe that our expected cash flow from operations, together with available needs facilities, will be sufficient to meet our needs for the foreseeable future, we cannot assure you that our business will generate sufficient cash flow from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our working capital or other liquidity needs, including making payments under the notes or our other debt when these become due.

If our working capital requirements exceed our projections, or if our operating cash flow is lower than expected, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions; the availability of credit from banks, other financial institutions and in the capital markets; restrictions in instruments governing our indebtedness; and, our general financial performance. Our inability to obtain the funding necessary for our working capital requirements could adversely affect our ability to service our debt obligations and adequately fund our operations. See "Risk Factors" set out in this report and on the company's website. Our business may be adversely affected as a result of our substantial indebtedness, which requires the use of a significant portion of our cash flow to service our debt obligations and may limit access to additional capital. Our ability to generate sufficient cash in the future depends on many factors, some of which are beyond our control.

Scheduled repayments of our current obligations

Set out below is a summary of amounts due and committed under our contractual cash obligations at 31 March 2012:

	Less than 1 year R'm	1 – 3 years R'm	3 – 5 years R'm	After 5 years R'm	Total R'm
Second priority SSNs[1] [3]	140,6	4 079,6	—	—	4 220,2
Deferred hedge funding	26,5	—	—	400,0	426,5
Deeply subordinated shareholder loans	—	—	—	4 279,0	4 279,0
PIK Notes Loan[2] [3]	—	—	—	1 687,9	1 687,9
PIK Equity Loan[2] [3]	—	—	—	2 591,1	2 591,1
Bank borrowings[4]	8,2	17,3	10,9	10,6	47,0
Finance lease agreements	0,4	–	—	—	0,4
	175,7	4 096,9	10,9	4 689,6	8 973,1
Operating lease commitments	7,5	11,9	10,1	129,7	159,2
Total	183,2	4 108,8	21,0	4 819,3	9 132,3

[1] The amount reflected is the final liability of €416,1 million disclosed at the current spot rate, less unamortised issue costs and discount, plus accrued interest. The SSNs mature in April 2014.

[2] The amount reflected includes the capital owing and accrued and capitalised interest on subordinated long-term shareholder funding from PGH II.

[3] It is currently the group's objective to refinance/restructure the deeply subordinated shareholder loans (not due before 2037), the SSNs (contractually due 2014) and the deferred hedging loan (contractually due 2017) in or before April 2014. In terms of the deeply subordinated shareholder loan agreement, these loans do not require any amortisation or other payment of interest or principal before 27 April 2037, nor may the loan holder declare any event of default or take any enforcement action prior to that date. See "Update on discussions regarding our capital structure" presented later in the report.

[4] Bank borrowings comprise secured loan facilities from financial institutions in South Africa. This does not reflect the amounts outstanding under, or that may be borrowed under, the RCF.

Pension plans

We provide defined contribution funds for the benefit of employees, the assets of which are held in separate funds. Our contributions to defined contribution funds are charged to our income statement during the year in which these are incurred.

Off-balance sheet arrangements

We have no off-balance sheet arrangements.

Contingent liabilities

SARS has challenged the taxation effect of a R33,8 million gain made by PGERH on the realisation of a foreign currency option contract in 2005. The company obtained two Senior Counsel opinions at the time of submitting the taxation return and consequently treated the gain as non-taxable. SARS assessed the company for taxation and interest. PGERH sought to resolve the matter through the alternate dispute mechanism, but this was unsuccessful. The group's legal advisors remain in contact with SARS officials in an attempt to resolve this long outstanding dispute. Should the SARS interpretation prove to be correct, the group may be exposed to an additional taxation liability of approximately R9,8 million and any interest and or penalties assessed by SARS.

Legal proceedings

We are party to various claims and legal actions in the ordinary course of our business. We believe that such claims and actions, either individually or in aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

Events subsequent to quarter end

No material events and circumstances have occurred subsequent to the quarter end up to the date of this report.

Market risk

Foreign currency risk

Our condensed unaudited consolidated financial results are affected by currency transactions and translation effects resulting from fluctuations in the exchange rates between the Rand and other currencies, principally the Euro, Pula and US Dollar.

SRS contracts were in place to hedge the coupon payments from April 2012 to April 2014 and the underlying principal on the €416,1 million SSN liability at maturity.

Currency translation effects occur due to the fact that in 2011 we earned 10,2% of our revenue and incurred approximately 10,7% of our total costs in Pula. We do not hedge this exposure. Currency translation effects occur due to the fact that our Botswana company earned almost all of its revenue in Pula and also prepared their financial statements in this currency. For group consolidation purposes these financial statements are translated to Rand, the group's reporting currency.

From time to time, we incur costs in Euro or US Dollars that principally relate to purchases of imported gaming equipment. We enter into FECs from time to time to cover material foreign exchange payment obligations in respect of these purchases.

The table below indicates the exchange rates used in the period covered in this report:

	Average rate for 3 months		**Closing spot rate**	
	2012	2011	**2012**	2011
Euro/Rand	**10,16**	9,56	**10,25**	9,60
Pula/Rand	**1,10**	1,06	**1,08**	1,06

Interest rate risk

We have a policy of managing our exposure to changes in floating interest rates on our borrowings.

The notes interest is fixed at 7¾% until 2014 and the related foreign currency risk is fully hedged. The interest on the shareholder loans, the balances of which were R1 687,9 million and R2 591,1 million at period end, is set at 18,2% and 18,4% respectively. The deferred hedging loan bears interest at a rate of JIBAR plus 9,75%, which is reset at each coupon payment date.

Critical accounting policies and use of estimates

The preparation of our financial statements requires management to make estimates and judgements that affect the reported amount of assets, liabilities and net profit. Management re-evaluates its estimates on an ongoing basis. Management bases its estimates on historical experience, input from third-party specialists and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the value of such assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Details of the accounting policies, which were consistently applied, and significant estimates made were set out in our 2011 audited annual financial statements for the year ended 31 December 2011. Please refer to these for more detail.

Standards and interpretations issued but not yet effective

The company has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to the date of this report, which would be effective for the company's accounting period on or after 1 April 2012. Refer to the audited annual financial statements for the year ended 31 December 2011 for more detail on these standards. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results.

New and ongoing developments

Fourth Gaborone casino licence

Following the court ruling in December 2011 that the issuance of the previous licence was not in compliance with the Casino Act 19:01, Workman Holdings re-advertised its intention to apply for a new licence and this application is in the process of being assessed by the Botswana Casino Control Board. Peermont has objected to the new application and is monitoring developments.

Gaming system upgrade

The Bally gaming system remains the chosen gaming system for the group. Bally is developing the software and adapting it for southern African application and is seeking approval from the various regulatory authorities. The roll-out is currently planned to begin at our Botswana properties in the last quarter of 2012 and our South African properties in the first quarter of 2013. The overall cost to the group is expected to be approximately R78,0 million which will be funded out of normal capital expenditure budgets.

Provincial gaming levies

In 2011 the Gauteng local government announced that the Gauteng department of Finance, in collaboration with the Department of Economic Development, had started a process that could lead to the review of the rate of taxation on gambling income in the Gauteng province. No new developments have occurred and CASA will monitor the position and, if needed, provide input at the appropriate stage in the review process.

The KZNGB, pending a further consultation process, has provisionally withdrawn the previously proposed change in gaming levies in the province with effect from 1 April 2012. This was expected to increase annual gaming levies payable by our Umfolozi property by approximately R2,3 million per annum based on 2012 budgeted gaming revenues. We continue to monitor developments.

Thaba Moshate Hotel Casino and Convention Resort

A land claim is pending on the property earmarked for the development of the casino and other facilities which has not yet been resolved. The matter has been referred to the Land Claims Court and we are awaiting a proposal from the Land Claims Commissioner on a possible resolution of the claim. In addition, the township establishment and zoning of the property is being questioned by a property developer in a High Court application. The litigation includes a large number of properties and Peermont is one of the three respondents in the matter. The applicant in this litigation brought an urgent application to halt any development pending the finalisation of the urgent application, but the urgent application was dismissed by the High Court. Developments are being monitored and action taken as appropriate.

152 Bryanston Drive offices

The company has entered into an agreement to dispose of the previous head office premises at 152 Bryanston Drive to an unrelated party for a consideration of R48 million. The agreement is subject to meeting certain conditions precedent, including a full due diligence investigation of the premises. If the transaction is finally implemented, the proceeds will be used, inter alia, to settle the outstanding mortgage liability of approximately R30 million at 31 March 2012.

Update on discussions regarding our capital structure

The capital restructuring sub-committee of the Board has submitted its report to the Board on the status of negotiations on the restructuring process with certain key stakeholders. The Board intends to take the process forward and has recently prepared a proposal for consideration by key stakeholders and their advisors. The Board and its advisors will continue to engage key stakeholders and their advisors to find an equitable solution to de-gear and improve the group's balance sheet on an expedited basis. There can be no assurances that the Board's current proposal, or any other proposal, will lead to a definitive agreement and/or successful completion of any transaction involving the company's capital structure.

Annexure A

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
Peermont Global Proprietary Limited and its subsidiaries

for the three months ended 31 March 2012

TABLE OF CONTENTS

	Page
Group income statement	1
Group statement of comprehensive income	1
Group statement of financial position	2
Group statement of changes in equity	3
Group statement of cash flows	3
Notes to the group financial statements	4 – 8

Group income statement

for the three months ended 31 March

	Note	2012 R'm	2011 R'm
Revenue		**663,8**	621,4
Gaming		**514,0**	487,5
Rooms		**68,1**	60,4
Food and beverage		**65,6**	59,2
Other		**16,1**	14,3
Other income	1	**0,2**	*
		664,0	621,4
Operating costs		**(485,2)**	(468,0)
Employee costs		**(146,5)**	(143,7)
VAT and gaming levies on gross gaming revenue		**(102,4)**	(96,0)
Promotions and marketing		**(41,9)**	(42,0)
Depreciation and amortisation		**(60,0)**	(64,4)
Property and equipment rentals		**(5,6)**	(6,2)
Property costs		**(25,0)**	(22,8)
Consumables and services		**(67,6)**	(56,9)
Other operational costs		**(36,2)**	(36,0)
Operating profit before net finance expenses		**178,8**	153,4
Net finance expenses		**(318,8)**	(437,1)
Finance income	2	**91,1**	184,1
Finance expenses	2	**(409,9)**	(621,2)
Loss before taxation		**(140,0)**	(283,7)
Taxation		**(134,5)**	82,6
Loss for the period		**(274,5)**	(201,1)
Attributable to:			
Equity holders of Peermont		**(278,9)**	(207,9)
Non-controlling interests		**4,4**	6,8
		(274,5)	(201,1)

Group statement of comprehensive income

for the three months ended 31 March

	2012 R'm	2011 R'm
Loss before taxation	**(274,5)**	(201,1)
Other comprehensive income		
Exchange differences on translating foreign operations	**(4,9)**	1,7
Total comprehensive income	**(279,4)**	(199,4)
Attributable to:		
Equity holders of Peermont	**(281,8)**	(207,0)
Non-controlling interests	**2,4**	7,6
	(279,4)	(199,4)

* *Less than R50 000*

Group statement of financial position

at 31 March

	Note	2012 R'm	2011 R'm
Assets			
Total non-current assets		**8 820,0**	8 898,6
Property, plant and equipment	3	**4 187,8**	4 293,2
Intangible assets	4	**4 583,0**	4 587,9
Non-current asset held for sale		**36,1**	—
Deferred taxation assets		**8,3**	6,7
Derivative instruments		**—**	5,4
Investment		**4,4**	4,0
Loans and receivables		**0,4**	1,4
Total current assets		**356,7**	402,9
Inventories		**56,8**	53,3
Trade and other receivables		**87,9**	84,6
Amounts due by related parties		**29,2**	24,5
Loans and receivables		**1,0**	0,4
Current portion of derivative instruments		**9,6**	—
Current taxation assets		**1,8**	—
Cash and cash equivalents		**170,4**	240,1
Total assets		**9 176,7**	9 301,5
Equity and liabilities			
Equity			
Capital and reserves		**(1 343,9)**	(659,0)
Non-controlling interests		**83,2**	76,2
Total equity		**(1 260,7)**	(582,8)
Total non-current liabilities		**9 596,9**	8 915,5
Interest-bearing long-term borrowings	5	**8 797,4**	7 760,4
Deferred taxation liabilities		**641,3**	672,7
Derivative instruments		**130,2**	449,8
Amounts due to related parties		**28,0**	32,6
Total current liabilities		**840,5**	968,8
Trade and other payables		**311,8**	279,5
Current portion of derivative instruments		**322,8**	304,7
Current portion of interest-bearing long-term borrowings	5	**175,7**	166,0
Bank overdraft		**14,7**	205,5
Amounts due to related parties		**12,6**	11,4
Current taxation liabilities		**2,9**	1,7
Total equity and liabilities		**9 176,7**	9 301,5

Group statement of changes in equity

for the three months ended 31 March

	Share capital R'm	Share premium R'm	Translation reserve R'm	Accumulated deficit R'm	Sub-total R'm	Non-controlling interest R'm	Total equity R'm
Balance at 1 January 2011	0,2	381,0	(8,2)	(825,0)	(452,0)	82,5	(369,5)
Total comprehensive income	—	—	1,0	(208,0)	(207,0)	7,6	(199,4)
Dividends paid	—	—	—	—	—	(13,9)	(13,9)
Balance at 31 March 2011	0,2	381,0	(7,2)	(1 033,0)	(659,0)	76,2	(582,8)
Balance at 1 January 2012	0,2	381,0	(4,0)	(1 439,3)	(1 062,1)	93,6	**(968,5)**
Total comprehensive income	—	—	(2,9)	(278,9)	(281,8)	2,4	**(279,4)**
Interest paid to PGB non-controlling interest	—	—	—-	—	—	(0,5)	**(0,5)**
Redemption of PGB preference shares	—	—	—-	—	—	(12,3)	**(12,3)**
Balance at 31 March 2012	**0,2**	**381,0**	**(6,9)**	**(1 718,2)**	**(1 343,9)**	**83,2**	**(1 260,7)**

Group statement of cash flows

for the three months ended 31 March

	2012 R'm	2011 R'm
Cash flows from operating activities	**252,7**	199,2
Finance income received	**3,0**	2,1
Finance expenses paid	**(5,9)**	(7,3)
Taxation paid	**(4,8)**	(3,7)
Net cash flows from operating activities	**245,0**	190,3
Cash flows used in investing activities	**(30,7)**	(9,9)
Replacement of property, plant and equipment to maintain operations	**(30,7)**	(9,8)
Replacement of intangible assets to maintain operations	**(0,1)**	(0,1)
Proceeds on disposal of property, plant and equipment	**0,1**	*
Cash flows used in financing activities	**(16,4)**	(17,0)
Redemption of PGB preference shares	**(12,3)**	—
Interest-bearing long-term borrowings repaid	**(2,2)**	(3,6)
Increase in non-current amounts due by related parties	**(1,9)**	(0,9)
Enterprise development loans repaid	*	0,1
Dividends paid	—	(12,6)
Net decrease in cash and cash equivalents	**197,9**	163,4
Cash and cash equivalents at the beginning of the period	**(41,4)**	(129,3)
Effect of exchange rate fluctuations on cash held	**(0,8)**	0,5
Net cash and cash equivalents at the end of the period	**155,7**	34,6

* *Less than R50 000*

Notes to the group financial statements

for the period ended 31 March

		2012 R'm	2011 R'm
1	**Other income**		
	Refunds received – Thetha	**0,1**	—
	Profit on disposal of property, plant and equipment	**0,1**	*
		0,2	*
2	**Net finance expenses**		
	Foreign exchange gain on restatement of SSN liability	**88,1**	—
	Interest received	**2,9**	2,0
	Foreign exchange gains – realised	**0,1**	0,2
	Interest accrued on preference shares	*	*
	Foreign exchange gain on forward contracts to hedge SSN liability	**—**	181,9
	Finance income	**91,1**	184,1
	Foreign exchange loss on forward contracts to hedge SSN liability	**(97,1)**	—
	Interest payable – SSN	**(101,9)**	(94,4)
	Interest payable – PIK Equity Loan	**(110,3)**	(92,5)
	Interest payable – PIK Notes Loan	**(77,3)**	(64,0)
	Interest payable – Deferred hedging loan	**(15,6)**	(15,5)
	Interest paid – other	**(7,7)**	(9,6)
	Foreign exchange loss on restatement of SSN liability	**—**	(345,2)
	Finance expenses	**(409,9)**	(621,2)

* *Less than R50 000*

Notes to the group financial statements

for the period ended 31 March (continued)

3 Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
31 March 2012			
Land	**194,2**	—	**194,2**
Freehold buildings	**3 913,8**	**(475,2)**	**3 438,6**
Leasehold buildings	**202,4**	**(25,1)**	**177,3**
Furniture, fittings and equipment	**841,5**	**(492,0)**	**349,5**
Capital work in progress	**28,2**	—	**28,2**
	5 180,1	**(992,3)**	**4 187,8**
31 March 2011			
Land	197,6	—	197,6
Freehold buildings	3 948,5	(374,9)	3 573,6
Leasehold buildings	190,3	(18,9)	171,4
Furniture, fittings and equipment	735,2	(391,1)	344,1
Capital work in progress	6,5	—	6,5
	5 078,1	(784,9)	4 293,2

	2012 R'm	2011 R'm
Land and freehold buildings comprise the following properties:		
– Stand 64, Jones Road and Erf 569, Jet Park Extension 28, Gauteng	**2 923,8**	3 002,3
– Portion 1 of the farm Graceland 593; remainder of the farm Graceland 593 IS (excluding Portions 1 and 2); Portion 42 (a portion of Portion 37) of the Farm Driehoek 275; remaining extent of Erf 8438 Secunda Extention 16; and remaining extent of Erf 5869 Secunda Extention 16, Mpumalanga	**271,4**	277,5
– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp; and Portion 605 (portion of Portion 604) of the farm Townlands, Klerksdorp, North West	**161,7**	166,9
– Portion 1 of Erf 113, Kuleka, Empangeni, KwaZulu-Natal	**81,2**	86,1
– Erf 20, Thohoyandou – D, Venda, Limpopo	**63,9**	65,0
– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem, Free State	**57,3**	59,7
– Erf 101 San Lameer, Registration Division ET, KwaZulu-Natal	**39,2**	40,1
– Farm Leeuwvallei 297 KT, Burgersfort, Limpopo	**21,5**	21,5
– Lot 16145 and 16147, Francistown, Botswana	**12,8**	15,0
– Portion 20 of Erf 45, Bryanston, Johannesburg, Gauteng	**—**	37,1
	3 632,8	3 771,2

Notes to the group financial statements

for the period ended 31 March (continued)

4 Intangible assets

	Cost R'm	Accumulated depreciation/ accumulated impairment loss R'm	Carrying value R'm
31 March 2012			
Goodwill	**1 385,3**	**(2,8)**	**1 382,5**
Casino licences	**2 797,6**	**(2,2)**	**2 795,4**
Right to receive management fees	**382,4**	**—**	**382,4**
Trademarks	**20,0**	**—**	**20,0**
Computer software	**20,8**	**(18,7)**	**2,1**
Franchise costs	**6,0**	**(5,4)**	**0,6**
Right of use of buildings	**7,1**	**(7,1)**	**—**
	4 619,2	**(36,2)**	**4 583,0**
31 March 2011			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 797,5	(1,7)	2 795,8
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	18,3	(16,8)	1,5
Franchise costs	6,0	(4,9)	1,1
Right of use of buildings	7,1	(5,3)	1,8
	4 616,6	(28,7)	4 587,9

Notes to the group financial statements

for the period ended 31 March (continued)

		2012 R'm	2011 R'm
5	**Interest-bearing long-term borrowings**		
	South African – secured		
	Deferred hedging loan	**426,5**	426,4
	Nedbank property loan	**30,1**	33,2
	ABSA term loan – PGEFS	**16,9**	21,8
	South African – unsecured		
	Deeply subordinated shareholder loans	**4 279,0**	3 569,9
	Promissory notes liability	**—**	4,2
	Foreign – secured		
	SSNs	**4 220,2**	3 869,8
	Finance leases		
	Iskhus Power Proprietary Limited	**0,4**	1,1
	Total interest-bearing long-term liabilities	**8 973,1**	7 926,4
	Current portion included in current liabilities	**(175,7)**	(166,0)
		8 797,4	7 760,4

Notes to the group financial statements

for the period ended 31 March (continued)

6 Segmental analysis

	Revenue 2012 R'm	Revenue 2011 R'm	**EBITDA 2012 R'm**	EBITDA 2011 R'm
Emperors Palace	**416,3**	387,6	**140,5**	126,9
Botswana#	**66,1**	64,9	**19,6**	21,7
Head office	**43,9**	41,0	**27,7**	25,1
Rio	**40,2**	37,1	**14,6**	13,2
Graceland	**38,4**	35,4	**10,6**	8,4
Umfolozi	**35,4**	35,9	**11,1**	11,0
Mmabatho Palms	**24,8**	24,9	**4,7**	4,9
Khoroni	**23,4**	20,1	**7,2**	5,5
Frontier	**13,3**	10,7	**3,4**	1,9
Other	**5,9**	4,8	**(0,6)**	(0,8)
Inter-company	**(43,9)**	(41,0)	—	—
Peermont Group	**663,8**	621,4	**238,8**	217,8

 # Average exchange rate (Rand/Pula) P1,10:R1 (2011: P1,06:R1) for the three months applied to the revenue and EBITDA figures.

www.peermont.com

PEERMONT

HOTELS CASINOS RESORTS