Condensed consolidated interim financial statements of

# Eastern Platinum Limited

June 30, 2010
(Unaudited)

# Eastern Platinum Limited
June 30, 2010

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## Eastern Platinum Limited

Condensed consolidated interim income statements

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

| | Note | Three months ended June 30, 2010 | June 30, 2009 | Six months ended June 30, 2010 | June 30, 2009 |
|---|---|---|---|---|---|
| **Revenue** | | **$ 36,612** | $ 24,838 | **$ 71,311** | $ 49,741 |
| Cost of operations | | | | | |
| Production costs | | **26,855** | 18,309 | **52,558** | 36,194 |
| Depletion and depreciation | 7 | **5,528** | 4,286 | **10,843** | 7,803 |
| | | **32,383** | 22,595 | **63,401** | 43,997 |
| Mine operating earnings | | **4,229** | 2,243 | **7,910** | 5,744 |
| Expenses | | | | | |
| General and administrative | | **2,037** | 3,171 | **5,233** | 4,807 |
| Share-based payments | 14 | **13** | 203 | **1,752** | 335 |
| | | **2,050** | 3,374 | **6,985** | 5,142 |
| Operating profit (loss) | | **2,179** | (1,131) | **925** | 602 |
| Other income (expense) | | | | | |
| Interest income | | **421** | 495 | **793** | 989 |
| Finance costs | 16 | **(593)** | (375) | **(963)** | (827) |
| Foreign exchange (loss) gain | | **(36)** | (1,372) | **232** | (1,447) |
| Profit (loss) before income taxes | | **1,971** | (2,383) | **987** | (683) |
| Deferred income tax recovery | | **548** | 1,609 | **1,096** | 2,289 |
| **Net profit (loss) for the period** | | **$ 2,519** | $ (774) | **$ 2,083** | $ 1,606 |
| **Attributable to** | | | | | |
| Non-controlling interest | 15 | **$ (929)** | $ (1,091) | **$ (2,189)** | $ (1,875) |
| Equity shareholders of the Company | | **3,448** | 317 | **4,272** | 3,481 |
| **Net profit (loss) for the period** | | **$ 2,519** | $ (774) | **$ 2,083** | $ 1,606 |
| Earnings per share | | | | | |
| Basic | 17 | **$ 0.01** | $ 0.00 | **$ 0.01** | $ 0.01 |
| Diluted | 17 | **$ 0.00** | $ 0.00 | **$ 0.01** | $ 0.01 |
| Weighted average number of common shares outstanding in thousands | | | | | |
| Basic | 17 | **682,792** | 680,538 | **682,000** | 680,532 |
| Diluted | 17 | **693,988** | 687,181 | **693,909** | 685,597 |

# Eastern Platinum Limited

Condensed consolidated interim statements of comprehensive (loss) income

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **June 30, 2010** | June 30, 2009 | **June 30, 2010** | June 30, 2009 |
| Net profit (loss) for the period | **$ 2,519** | $ (774) | **$ 2,083** | $ 1,606 |
| Other comprehensive (loss) income | | | | |
| Exchange differences on translating foreign operations | **(27,398)** | 95,369 | **(17,519)** | 82,042 |
| Exchange differences on translating non-controlling interest | **(364)** | 2,309 | **(267)** | 1,955 |
| Comprehensive (loss) income | **$ (25,243)** | $ 96,904 | **$ (15,703)** | $ 85,603 |
| | | | | |
| Attributable to | | | | |
| Non-controlling interest | **$ (1,293)** | $ 1,218 | **$ (2,456)** | $ 80 |
| Equity shareholders of the Company | **$ (23,950)** | $ 95,686 | **$ (13,247)** | $ 85,523 |

# Eastern Platinum Limited

Condensed consolidated interim statements of financial position
as at June 30, 2010 and December 31, 2009
(Expressed in thousands of U.S. dollars - unaudited)

| | Note | **June 30, 2010** | December 31, 2009 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | **$ 6,280** | $ 7,249 |
| Short-term investments | | **13,285** | 14,409 |
| Trade and other receivables | 5 | **29,629** | 29,138 |
| Inventories | 6 | **5,621** | 4,825 |
| | | **54,815** | 55,621 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | **616,758** | 634,778 |
| Refining contract | 8 | **12,989** | 14,169 |
| Other assets | 9 | **2,739** | 2,282 |
| | | **$ 687,301** | $ 706,850 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 10 | **$ 19,882** | $ 22,919 |
| Current portion of finance leases | 11 | **936** | 926 |
| | | **20,818** | 23,845 |
| Non-current liabilities | | | |
| Provision for environmental rehabilitation | 12 | **8,219** | 8,152 |
| Finance leases | 11 | **2,280** | 2,850 |
| Deferred tax liabilities | | **40,041** | 42,491 |
| | | **71,358** | 77,338 |
| **Equity** | | | |
| Issued capital | 14 | **890,876** | 890,150 |
| Equity-settled employee benefits reserve | | **33,744** | 32,336 |
| Currency translation adjustment | | **(70,418)** | (52,899) |
| Deficit | | **(245,844)** | (250,116) |
| Capital and reserves attributable to equity shareholders of the Company | | **608,358** | 619,471 |
| Non-controlling interest | 15 | **7,585** | 10,041 |
| | | **615,943** | 629,512 |
| | | **$ 687,301** | $ 706,850 |

Approved and authorized for issue by the Board on August 9, 2010.

| | |
|---|---|
| ***"David Cohen"*** | ***"Robert Gayton"*** |
| David Cohen, Director | Robert Gayton, Director |

## Eastern Platinum Limited

Condensed consolidated interim statements of changes in equity

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

| | Issued capital | | Equity-settled employee benefits reserve | Currency translation adjustment | Deficit | Capital and reserves attributable to equity shareholders of the parent | Non-controlling interest | Equity |
|---|---|---|---|---|---|---|---|---|
| | Common Shares | Amount | | | | | | |
| **Balance, December 31, 2008** | **680,526,454** | **$ 890,049** | **$ 31,827** | **$ (169,577)** | **$ (255,766)** | **$ 496,533** | **$ 12,002** | **$ 508,535** |
| Stock options exercised | 30,948 | 12 | (7) | - | - | 5 | - | 5 |
| Share-based payments | - | - | 335 | - | - | 335 | - | 335 |
| Comprehensive income | - | - | - | 82,042 | 3,481 | 85,523 | 80 | 85,603 |
| **Balance, June 30, 2009** | **680,557,402** | **$ 890,061** | **$ 32,155** | **$ (87,535)** | **$ (252,285)** | **$ 582,396** | **$ 12,082** | **$ 594,478** |
| Stock options exercised | 335,923 | 89 | (66) | - | - | 23 | - | 23 |
| Share-based payments | - | - | 247 | - | - | 247 | - | 247 |
| Comprehensive income | - | - | - | 34,636 | 2,169 | 36,805 | (2,041) | 34,764 |
| **Balance, December 31, 2009** | **680,893,325** | **$ 890,150** | **$ 32,336** | **$ (52,899)** | **$ (250,116)** | **$ 619,471** | **$ 10,041** | **$ 629,512** |
| Stock options exercised | 2,124,257 | 726 | (344) | - | - | 382 | - | 382 |
| Share-based payments | - | - | 1,752 | - | - | 1,752 | - | 1,752 |
| Comprehensive loss | - | - | - | (17,519) | 4,272 | (13,247) | (2,456) | (15,703) |
| **Balance, June 30, 2010** | **683,017,582** | **$ 890,876** | **$ 33,744** | **$ (70,418)** | **$ (245,844)** | **$ 608,358** | **$ 7,585** | **$ 615,943** |

# Eastern Platinum Limited

## Condensed consolidated interim statements of cash flows

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

| | Note | Three months ended **June 30, 2010** | Three months ended June 30, 2009 | Six months ended **June 30, 2010** | Six months ended June 30, 2009 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit (loss) before income taxes | | **$ 1,971** | $ (2,383) | **$ 987** | $ (683) |
| Adjustments to net profit for non-cash items | | | | | |
| Depletion and depreciation | 7 | **5,528** | 4,286 | **10,843** | 7,803 |
| Refining contract amortization | 8 | **367** | 356 | **735** | 610 |
| Share-based payments | 14 | **13** | 203 | **1,752** | 335 |
| Interest income | | **(421)** | (495) | **(793)** | (989) |
| Finance costs | 16 | **593** | 375 | **963** | 827 |
| Foreign exchange loss (gain) | | **36** | 1,372 | **(232)** | 1,447 |
| Net changes in non-cash working capital items | | | | | |
| Trade receivables | | **2,153** | 5,320 | **(1,655)** | (7,943) |
| Inventories | | **(211)** | (859) | **(969)** | (640) |
| Accounts payable and accrued liabilities | | **(148)** | (369) | **(2,417)** | (17,353) |
| **Cash generated from (utilized in) operations** | | **9,881** | 7,806 | **9,214** | (16,586) |
| Adjustments to net profit (loss) for cash items | | | | | |
| Interest income received | | **389** | 423 | **737** | 799 |
| Finance costs paid | | **(231)** | - | **(247)** | (11) |
| Acquisition related dividend taxes paid | | **-** | - | **-** | (2,422) |
| **Net operating cash flows** | | **10,039** | 8,229 | **9,704** | (18,220) |
| **Investing activities** | | | | | |
| Maturity of short-term investments | | **-** | - | **961** | 20,095 |
| Purchase of other assets | | **(272)** | (382) | **(541)** | (409) |
| Property, plant and equipment expenditures | | **(6,416)** | (8,282) | **(10,711)** | (18,999) |
| Sale of property, plant and equipment | | **-** | 1,552 | **-** | 1,552 |
| **Net investing cash flows** | | **(6,688)** | (7,112) | **(10,291)** | 2,239 |
| **Financing activities** | | | | | |
| Common shares issued for cash, net of share issue costs | | **339** | 12 | **382** | 12 |
| Payment of current loans | | **-** | (3,106) | **-** | (3,065) |
| Payment of finance leases | | **(626)** | (605) | **(628)** | (618) |
| **Net financing cash flows** | | **(287)** | (3,699) | **(246)** | (3,671) |
| Effect of exchange rate changes on cash and cash equivalents | | **(154)** | 1,324 | **(136)** | 328 |
| Increase (decrease) in cash and cash equivalents | | **2,910** | (1,258) | **(969)** | (19,324) |
| Cash and cash equivalents, beginning of period | | **3,370** | 7,740 | **7,249** | 25,806 |
| **Cash and cash equivalents, end of period** | | **$ 6,280** | $ 6,482 | **$ 6,280** | $ 6,482 |

## 1. Nature of operations

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

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

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

## 2. Basis of preparation

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

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

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 3(l), 3(v), and 3(w) of the Company's audited consolidated financial statements for the year ended December 31, 2009.

## 3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2009 except as noted below. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2009.

Effective January 1, 2010, the Company adopted a new accounting standard (IFRS 8 *Operating Segments)* that was issued by the International Accounting Standards Board ("IASB"). IFRS 8 was revised and now requires disclosure of information about segment assets. This accounting policy change was adopted on a prospective basis with no restatement of prior period financial statements.

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

## 4. Cash and cash equivalents

Cash and cash equivalents are comprised of:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Cash in bank | $ 3,518 | $ 7,249 |
| Short-term money market instruments | 2,762 | - |
| | $ 6,280 | $ 7,249 |

## 5. Trade and other receivables

Trade and other receivables are comprised of the following:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Trade receivables | $ 26,815 | $ 25,839 |
| Allowance for doubtful debts | (105) | (74) |
| | 26,710 | 25,765 |
| Other receivables | 1,896 | 2,316 |
| Current tax receivable | 1,023 | 1,057 |
| | $ 29,629 | $ 29,138 |

## 6. Inventories

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Consumables | $ 4,798 | $ 4,549 |
| Ore and concentrate | 823 | 276 |
| | $ 5,621 | $ 4,825 |

Production costs for the three and six months ended June 30, 2010 was $26,855 and $52,558 (June 30, 2009 - $18,309 and $36,194), respectively. Production costs represent the cost of inventories sold during the period. This expense includes Nil (June 30, 2009 - Nil) with regards to the write-down of inventory to net realizable value, and a reduction of Nil (June 30, 2009 - Nil) with regards to the reversal of write-downs.

At June 30, 2010 and December 31, 2009, no inventories were pledged as security for liabilities.

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

## 7. Property, plant and equipment

| | Plant and equipment owned | Plant and equipment leased | Mineral properties being depleted | Mineral properties not being depleted | Residential properties | Properties and land | TOTAL |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **Balance as at December 31, 2008** | **$ 315,547** | **$ 4,892** | **$ 108,680** | **$ 444,115** | **$ 7,954** | **$ 5,299** | **$ 886,487** |
| Additions | | | | | | | |
| Assets acquired | 27,593 | - | (186) | 921 | 88 | 331 | 28,747 |
| Disposals | (1,510) | - | - | - | - | - | (1,510) |
| Foreign exchange movement | 84,593 | 1,240 | 27,606 | 101,086 | 2,029 | 1,348 | 217,902 |
| **Balance as at December 31, 2009** | **$ 426,223** | **$ 6,132** | **$ 136,100** | **$ 546,122** | **$ 10,071** | **$ 6,978** | **$ 1,131,626** |
| Assets acquired | 10,637 | - | - | 85 | - | - | 10,722 |
| Foreign exchange movement | (13,956) | (199) | (4,398) | (15,040) | (325) | (226) | (34,144) |
| **Balance as at June 30, 2010** | **$ 422,904** | **$ 5,933** | **$ 131,702** | **$ 531,167** | **$ 9,746** | **$ 6,752** | **$ 1,108,204** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| **Balance as at December 31, 2008** | **$ 91,179** | **$ 1,966** | **$ 12,397** | **$ 273,084** | **$ 1,726** | **$ 662** | **$ 381,014** |
| Depreciation | 11,298 | 1,092 | 4,646 | - | 118 | - | 17,154 |
| Foreign exchange movement | 24,467 | 633 | 3,722 | 69,238 | 452 | 168 | 98,680 |
| **Balance as at December 31, 2009** | **$ 126,944** | **$ 3,691** | **$ 20,765** | **$ 342,322** | **$ 2,296** | **$ 830** | **$ 496,848** |
| Depreciation | 7,379 | 605 | 2,793 | - | 66 | - | 10,843 |
| Foreign exchange movement | (4,230) | (130) | (721) | (11,062) | (75) | (27) | (16,245) |
| **Balance as at June 30, 2010** | **$ 130,093** | **$ 4,166** | **$ 22,837** | **$ 331,260** | **$ 2,287** | **$ 803** | **$ 491,446** |
| **Carrying amounts** | | | | | | | |
| At December 31, 2008 | $ 224,368 | $ 2,926 | $ 96,283 | $ 171,031 | $ 6,228 | $ 4,637 | $ 505,473 |
| At December 31, 2009 | $ 299,279 | $ 2,441 | $ 115,335 | $ 203,800 | $ 7,775 | $ 6,148 | $ 634,778 |
| **At June 30, 2010** | **$ 292,811** | **$ 1,767** | **$ 108,865** | **$ 199,907** | **$ 7,459** | **$ 5,949** | **$ 616,758** |

# Eastern Platinum Limited

Notes to the condensed consolidated interim financial statements as at June 30, 2010

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

## 7. Property, plant and equipment

| | Crocodile River Mine (a) | Kennedy's Vale Project (b) | Spitzkop PGM Project (c) | Mareesburg Project (c) | Other property plant and equipment | TOTAL |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at December 31, 2008** | **$ 442,262** | **$ 319,109** | **$ 101,712** | **$ 23,294** | **$ 110** | **$ 886,487** |
| Additions | | | | | | |
| Assets acquired | 27,826 | - | 826 | 95 | - | 28,747 |
| Disposals | (1,510) | - | - | - | - | (1,510) |
| Foreign exchange movement | 116,798 | 80,908 | 16,456 | 3,722 | 18 | 217,902 |
| **Balance as at December 31, 2009** | **$ 585,376** | **$ 400,017** | **$ 118,994** | **$ 27,111** | **$ 128** | **$ 1,131,626** |
| Additions | | | | | | |
| Assets acquired | 10,637 | - | 8 | 77 | - | 10,722 |
| Foreign exchange movement | (19,102) | (12,926) | (1,688) | (426) | (2) | (34,144) |
| **Balance as at June 30, 2010** | **$ 576,911** | **$ 387,091** | **$ 117,314** | **$ 26,762** | **$ 126** | **$ 1,108,204** |
| | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | |
| **Balance as at December 31, 2008** | **$ 107,855** | **$ 273,084** | **$ -** | **$ -** | **$ 75** | **$ 381,014** |
| Depreciation | 17,130 | - | - | - | 24 | 17,154 |
| Foreign exchange movement | 29,432 | 69,238 | - | - | 10 | 98,680 |
| **Balance as at December 31, 2009** | **$ 154,417** | **$ 342,322** | **$ -** | **$ -** | **$ 109** | **$ 496,848** |
| Depreciation | 10,843 | - | - | - | - | 10,843 |
| Foreign exchange movement | (5,182) | (11,062) | - | - | (1) | (16,245) |
| **Balance as at June 30, 2010** | **$ 160,078** | **$ 331,260** | **$ -** | **$ -** | **$ 108** | **$ 491,446** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| At December 31, 2008 | $ 334,407 | $ 46,025 | $ 101,712 | $ 23,294 | $ 35 | $ 505,473 |
| At December 31, 2009 | $ 430,959 | $ 57,695 | $ 118,994 | $ 27,111 | $ 19 | $ 634,778 |
| **At June 30, 2010** | **$ 416,833** | **$ 55,831** | **$ 117,314** | **$ 26,762** | **$ 18** | **$ 616,758** |

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

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

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

The Company holds directly and indirectly 87.5% of CRM, which is located on the eastern portion of the western limb of the Bushveld Complex. The Maroelabult and Zandfontein sections are currently in production. Development of the Crocette section recommenced on April 4, 2010.

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

The Company holds directly and indirectly 87.5% of KV, which is located on the eastern limb of the Bushveld Complex, near Steelpoort in the Province of Mpumalanga. It comprises PGM mineral rights on five farms in the Steelpoort Valley.

(c) *Spitzkop PGM Project and Mareesburg Project*

The Company holds directly and indirectly a 93.4% interest in the Spitzkop PGM Project and a 75.5% interest in the Mareesburg Project. The Company currently acts as the operator of both the Mareesburg Platinum Project and Spitzkop PGM Project, both located on the eastern limb of the Bushveld Complex.

## 8. Refining Contract

During the year ended June 30, 2006, the Company acquired a 69% interest in Barplats and assigned a portion of the purchase price to the off-take contract governing the sales of Barplats' PGM concentrate production. The initial value of the contract was $17,939. During the year ended June 30, 2007, the Company acquired an additional 5% interest in Barplats resulting in an additional allocation to the contract of $4,802 for a total aggregate value of $22,741. During the year ended December 31, 2008, the Company acquired an additional 2.47% interest in Barplats. The acquisition did not affect the aggregate value of the contract. The value of the contract is amortized over the remaining term of the contract which is 9 years as at June 30, 2010.

| | |
|---|---|
| **Cost** | |
| Balance as at December 31, 2008 | $ 16,850 |
| Foreign exchange movement | 4,272 |
| Balance as at December 31, 2009 | $ 21,122 |
| Foreign exchange movement | (682) |
| **Balance as at June 30, 2010** | **$ 20,440** |
| | |
| **Accumulated amortization** | |
| Balance as at December 31, 2008 | $ 4,357 |
| Amortization for the period | 1,332 |
| Foreign exchange movement | 1,264 |
| Balance as at December 31, 2009 | $ 6,953 |
| Amortization for the period | 735 |
| Foreign exchange movement | (237) |
| **Balance as at June 30, 2010** | **$ 7,451** |
| | |
| **Carrying amounts** | |
| At December 31, 2008 | $ 12,493 |
| At December 31, 2009 | $ 14,169 |
| **At June 30, 2010** | **$ 12,989** |

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

## 9. Other assets

Other assets consist of a money market fund investment that is classified as available-for-sale and serves as security for a guarantee issued to the Department of Minerals and Energy of South Africa in respect of the environmental rehabilitation liability (Note 12). Changes to other assets for the six months ended June 30, 2010 are as follows:

| | |
|---|---|
| Balance, December 31, 2008 | $ 1,017 |
| Additional investment | $ 811 |
| Service fees | (6) |
| Interest income | 123 |
| Foreign exchange movement | 337 |
| Balance, December 31, 2009 | $ 2,282 |
| Additional investment | 460 |
| Service fees | (4) |
| Interest income | 84 |
| Foreign exchange movement | (83) |
| **Balance, June 30, 2010** | **$ 2,739** |

## 10. Accounts payable and accrued liabilities

| | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| Trade payables | **$ 10,326** | $ 9,932 |
| Accrued liabilities | **5,004** | 6,849 |
| Other | **4,552** | 6,138 |
| | **$ 19,882** | $ 22,919 |

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

## 11. Finance leases

Finance leases relate to mining vehicles with lease terms of 5 years payable half yearly in advance. The Company has the option to purchase the vehicles for a nominal amount at the conclusion of the lease agreements. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. Interest is calculated at the South African prime rate plus 1%. At June 30, 2010, the finance leases are repayable in 2 semiannual installments (December 31, 2009 – 3) of $585 (December 31, 2009 - $611) and a top-up payment of $2,365 in December 2011. The fair value of the finance lease liabilities approximated carrying value.

*(a) Minimum lease payments*

| | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| No later than 1 year | **$ 1,169** | $ 1,221 |
| Later than 1 year, but no later than 5 years | **2,365** | 3,061 |
| | **3,534** | 4,282 |
| Less: future finance charges | **(318)** | (506) |
| Present value of minimum lease payments | **$ 3,216** | $ 3,776 |

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

**11. Finance leases (continued)**

*(b) Present value of minimum lease payments*

| | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| No later than 1 year | **$ 936** | $ 926 |
| Later than 1 year, but no later than 5 years | **2,280** | 2,850 |
| | **$ 3,216** | $ 3,776 |

**12. Provision for environmental rehabilitation**

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

The liability for the environmental rehabilitation provision at June 30, 2010 is approximately ZAR 62.9 million ($8,219). The liability was determined using an inflation rate of 7.00% (December 31, 2009 – 7.00%) and an estimated life of mine of 18 years for Zandfontein and Maroelabult (December 31, 2009 – 18 years), 1 year for Kennedy's Vale (December 31, 2009 – 1 year) and 26 years for Spitzkop (December 31, 2009 – 26 years). A discount rate of 8.39% was used (December 31, 2009 – 8.39%). A guarantee of $2,739 (December 31, 2009 - $2,282) has been issued to the Department of Minerals and Energy (Note 9). The guarantee will be utilized to cover expenses incurred to rehabilitate the mining area upon closure of the mine. The undiscounted value of this liability is approximately ZAR 236.3 million ($30,854).

Changes to the environmental rehabilitation provision are as follows:

| | |
|---|---|
| Balance, December 31, 2008 | $ 5,598 |
| Revision in estimates | 629 |
| Interest expense | 443 |
| Foreign exchange movement | 1,482 |
| Balance, December 31, 2009 | $ 8,152 |
| Revision in estimates | - |
| Interest expense (Note 16) | 336 |
| Foreign exchange movement | (269) |
| **Balance, June 30, 2010** | **$ 8,219** |

**13. Commitments**

The Company has committed to capital expenditures on projects of approximately ZAR 40.1 million ($5,230) as at June 30, 2010 (December 31, 2009 – ZAR 37 million, $4,959).

**14. Issued capital**

*(a) Authorized*

- Unlimited number of preferred redeemable, voting, non-participating shares without nominal or par value,

- Unlimited number of common shares with no par value.

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

## 14. Issued capital (continued)

### (b) *Share options*

The Company has an incentive plan (the "2008 Plan"), approved by the Company's shareholders at its annual general meeting held on June 4, 2008, under which options to purchase common shares may be granted to its directors, officers, employees and others at the discretion of the Board of Directors. Under the terms of the 2008 Plan, 75 million common shares are reserved for issuance upon the exercise of options. All outstanding options at June 4, 2008 granted under the Company's previous plan (the "2005 Plan") will continue to exist under the 2008 Plan provided that the fundamental terms governing such options will be deemed to be those under the 2005 Plan. Upon adoption of the 2008 Plan, options to purchase a total of 27,525,000 common shares were available for grant under the 2008 Plan, representing 75,000,000 less the 47,475,000 outstanding options at June 4, 2008 granted under the 2005 Plan.

Under the 2008 Plan, each option granted shall be for a term not exceeding five years from the date of being granted and the vesting period is determined based on the discretion of the Board of Directors. The option exercise price is set at the date of the grant and cannot be less than the closing market price of the Company's common shares on the Toronto Stock Exchange on the day immediately preceding the day of the grant of the option.

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

The changes in share options during the six months ended June 30, 2010 and year ended December 31, 2009 were as follows:

| | **June 30, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| | | **Cdn$** | | Cdn$ |
| Balance outstanding, beginning of year | **59,575,834** | **1.48** | 64,746,000 | 1.52 |
| Options granted | **2,231,000** | **1.30** | 695,000 | 0.57 |
| Options exercised | **(2,412,994)** | **0.33** | (535,999) | 0.32 |
| Options forfeited | **(666,668)** | **1.74** | (5,329,167) | 2.00 |
| Balance outstanding, end of period | **58,727,172** | **1.52** | 59,575,834 | 1.48 |

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

## 14. Issued capital (continued)

*(b) Share options (continued)*

*(ii) Fair value of share options granted*

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

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

| | 2009 | | | |
|---|---|---|---|---|
| | February 11 | June 30 | November 3 | Weighted average |
| Exercise price | Cdn$0.32 | Cdn$0.52 | Cdn$0.76 | Cdn$0.57 |
| Closing market price on day preceding date of grant | Cdn$0.32 | Cdn$0.52 | Cdn$0.76 | Cdn$0.57 |
| Grant date share price | Cdn$0.38 | Cdn$0.52 | Cdn$0.81 | Cdn$0.59 |
| Risk-free interest rate | 1.69% | 1.84% | 1.86% | 1.83% |
| Expected life | 3 years | 3 years | 3 years | 3 years |
| Annualized volatility | 78% | 79% | 82% | 80% |
| Dividend rate | 0% | 0% | 0% | 0% |
| Grant date fair value | Cdn$0.21 | Cdn$0.27 | Cdn$0.45 | Cdn$0.32 |

Exercise price is the closing market price on the day preceding the date the options were granted, as defined by the Company’s 2008 share option plan.

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

Expected volatility is based on the historical share price volatility since Eastern Platinum Limited completed its acquisition of Barplats Investment Limited on May 2, 2006, or for 3 years prior to the date of grant, whichever is shorter.

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

**14. Issued capital (continued)**

*(b) Share options (continued)*

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

The following table summarizes information concerning outstanding and exercisable options at June 30, 2010:

| Options outstanding | Options exercisable | Exercise price | Remaining Contractual Life (Years) | Expiry date |
|---|---|---|---|---|
| | | Cdn$ | | |
| 6,725,000 | 6,725,000 | 1.70 | 0.90 | May 24, 2011 |
| 250,000 | 250,000 | 1.70 | 1.41 | November 27, 2011 |
| 19,987,500 | 19,987,500 | 1.82 | 1.69 | March 7, 2012 |
| 14,987,005 | 14,230,338 | 0.32 | 3.47 | December 18, 2013 |
| 20,000 | - | 0.32 | 3.62 | February 11, 2014 |
| 400,000 | 400,000 | 0.52 | 4.00 | June 30, 2014 |
| 141,667 | 28,334 | 0.76 | 4.34 | November 3, 2014 |
| 2,226,000 | 2,226,000 | 1.30 | 4.56 | January 18, 2015 |
| 13,270,000 | 13,270,000 | 2.31 | 7.27 | October 5, 2017 |
| 90,000 | 90,000 | 2.50 | 7.46 | December 12, 2017 |
| 460,000 | 460,000 | 3.38 | 7.65 | February 20, 2018 |
| 170,000 | 170,000 | 3.38 | 7.74 | March 27, 2018 |
| 58,727,172 | 57,837,172 | | 3.52 | |

The weighted average exercise price of options exercisable at June 30, 2010 is Cdn$1.54.

*(c) Share purchase warrants*

The changes in warrants during the six months ended June 30, 2010 and the year ended December 31, 2009 were as follows:

| | **June 30, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Number of warrants** | **Weighted average exercise price** | Number of warrants | Weighted average exercise price |
| | | **Cdn$** | | Cdn$ |
| Balance outstanding, beginning of year | **-** | **-** | 58,485,996 | 1.80 |
| Warrants expired | **-** | **-** | (58,485,996) | 1.80 |
| Balance outstanding, end of period | **-** | **-** | - | - |

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

## 15. Non-controlling interest

The non-controlling interests are comprised of the following:

| | | |
|---|---|---|
| Balance, December 31, 2008 | $ | 12,002 |
| Non-controlling interests' share of loss in Barplats | | (671) |
| Non-controlling interests' share of interest on advances to Gubevu | | (1,204) |
| Foreign exchange movement | | 1,955 |
| Balance, June 30, 2009 | $ | 12,082 |
| Non-controlling interests' share of loss in Barplats | | (1,237) |
| Non-controlling interests' share of interest on advances to Gubevu | | (1,316) |
| Foreign exchange movement | | 512 |
| Balance, December 31, 2009 | $ | 10,041 |
| Non-controlling interests' share of loss in Barplats | | (865) |
| Non-controlling interests' share of interest on advances to Gubevu | | (1,324) |
| Foreign exchange movement | | (267) |
| **Balance, June 30, 2010** | **$** | **7,585** |

## 16. Finance costs

| | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **June 30, 2010** | June 30, 2009 | **June 30, 2010** | June 30, 2009 |
| Interest on revenue advances | **$ 138** | $ 128 | **$ 257** | $ 270 |
| Interest on finance leases | **72** | 99 | **149** | 202 |
| Interest on provision for environmental rehabilitation | **168** | 109 | **336** | 202 |
| Interest on tax | **209** | - | **209** | 2 |
| Other interest | **6** | 39 | **12** | 151 |
| | **$ 593** | $ 375 | **$ 963** | $ 827 |

## 17. Earnings per share

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

| | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **June 30, 2010** | June 30, 2009 | **June 30, 2010** | June 30, 2009 |
| | (in thousands) | | (in thousands) | |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | **682,792** | 680,538 | **682,000** | 680,532 |
| Shares deemed to be issued for no consideration in respect of in the money options | **11,196** | 6,643 | **11,909** | 5,065 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | **693,988** | 687,181 | **693,909** | 685,597 |

The following potential ordinary shares, outstanding at June 30, 2010, are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

| | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **June 30, 2010** | June 30, 2009 | **June 30, 2010** | June 30, 2009 |
| | (in thousands) | | (in thousands) | |
| Options | **43,179** | 41,073 | **40,953** | 41,473 |
| Warrants | **-** | - | **-** | - |

## 18. Retirement benefit plans

The Barplats Provident Fund is an independent, defined contribution plan administered by Liberty Life Limited in South Africa. The costs associated with the defined contribution plan included in net profit for the three and six months, respectively, were $969 and $1,868 (June 30, 2009 - $616 and $1,137 ). The total number of employees in the plan at June 30, 2010 was 1,804 (June 30, 2009 – 1,807).

## 19. Related party transactions

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

*(a) Trading transactions*

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

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

## 19. Related party transactions (continued)

*(a) Trading transactions (continued)*

| | Nature of transactions |
|---|---|
| Andrews PGM Consulting | Consulting |
| Buccaneer Management Inc. | Management |
| Jazz Financial Ltd. | Management |
| Maluti Services Limited | General and administrative |
| Xiste Consulting Ltd. | Management |

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

| | Note | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|---|
| Consulting fees | (i) | **$ 36** | $ 45 | **$ 65** | $ 76 |
| General and administrative expenses | | **42** | 19 | **62** | 19 |
| Management fees | | **313** | 238 | **620** | 473 |
| | | **$ 391** | $ 302 | **$ 747** | $ 568 |

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

(ii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2010 included $40 (December 31, 2009 - $510) which were due to private companies controlled by officers of the Company.

*(b) Compensation of key management personnel*

The remuneration of directors and other members of key management personnel during the three and six months ended June 30, 2010 and 2009 were as follows:

| | Note | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|---|
| Salaries and directors' fees | (i) | **$ 568** | $ 506 | **$ 1,116** | $ 980 |
| Share-based payments | (ii) | **-** | 93 | **1,627** | 93 |
| | | **$ 568** | $ 599 | **$ 2,743** | $ 1,073 |

(i) Salaries and directors' fees include consulting and management fees disclosed in Note 19(a).

(ii) Share-based payments are the fair value of options granted to key management personnel, translated at the grant date foreign exchange rate.

(iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and six months ended June 30, 2010 and 2009.

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

## 20. Segmented Information

(a) Operating segment - The Company's operations are primarily directed towards the acquisition, exploration and production of platinum group metals in South Africa.

(b) Geographic segments - The Company's revenues and expenses by geographic areas for the three and six months ended June 30, 2010 and 2009 and assets by geographic areas as at June 30, 2010 and December 31, 2009 are as follows:

| | Three months ended June 30, 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Crocodile River Mine | Kennedy's Vale | Spitzkop | Mareesburg | Other | Total South Africa | Canada | TOTAL |
| Current assets | $ 38,519 | $ 97 | $ 1,444 | $ 25 | $ 992 | $ 41,077 | $ 13,738 | $ 54,815 |
| Property, plant and equipment | 416,833 | 55,831 | 117,314 | 26,762 | - | 616,740 | 18 | 616,758 |
| Refining contract | 12,989 | - | - | - | - | 12,989 | - | 12,989 |
| Other Assets | 2,739 | - | - | - | - | 2,739 | - | 2,739 |
| | $ 471,080 | $ 55,928 | $ 118,758 | $ 26,787 | $ 992 | $ 673,545 | $ 13,756 | $ 687,301 |
| Property, plant and equipment expenditures | $ 6,376 | $ - | $ 6 | $ 45 | $ - | $ 6,427 | $ - | $ 6,427 |
| Sale of property, plant and equipment | - | - | - | - | - | - | - | - |
| Revenue | $ 36,612 | $ - | $ - | $ - | $ - | $ 36,612 | $ - | $ 36,612 |
| Production costs | (26,855) | - | - | - | - | (26,855) | - | (26,855) |
| Depreciation and amortization | (5,528) | - | - | - | - | (5,528) | - | (5,528) |
| General and administrative expenses | (603) | (479) | (7) | (1) | (3) | (1,093) | (944) | (2,037) |
| Share-based payment | (13) | - | - | - | - | (13) | - | (13) |
| Interest income | 387 | - | - | 2 | - | 389 | 32 | 421 |
| Finance costs | (402) | (182) | (9) | - | - | (593) | - | (593) |
| Foreign exchange loss | - | - | - | - | - | - | (36) | (36) |
| **Profit (loss) before income taxes** | $ 3,598 | $ (661) | $ (16) | $ 1 | $ (3) | $ 2,919 | $ (948) | $ 1,971 |

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

## 20. Segmented Information (continued)

### (c) *Geographic segments (continued)*

| | Three months ended June 30, 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Crocodile River Mine | Kennedy's Vale | Spitzkop | Mareesburg | Other | Total South Africa | Canada | TOTAL |
| Property, plant and equipment expenditures | $ 8,184 | $ - | $ 38 | $ 60 | $ - | $ 8,282 | $ - | $ 8,282 |
| Sale of property, plant and equipment | 1,552 | - | - | - | - | 1,552 | - | 1,552 |
| Revenue | $ 24,838 | $ - | $ - | $ - | $ - | $ 24,838 | $ - | $ 24,838 |
| Production costs | (18,309) | - | - | - | - | (18,309) | - | (18,309) |
| Depreciation and amortization | (4,286) | - | - | - | - | (4,286) | - | (4,286) |
| General and administrative expenses | (2,086) | (47) | (197) | (4) | (25) | (2,359) | (812) | (3,171) |
| Share-based payment | (110) | - | - | - | - | (110) | (93) | (203) |
| Interest income | 383 | - | 31 | - | 2 | 416 | 79 | 495 |
| Finance costs | (281) | (55) | - | - | (39) | (375) | - | (375) |
| Foreign exchange gain (loss) | 70 | (28) | - | - | - | 42 | (1,414) | (1,372) |
| Profit (loss) before income taxes | $ 219 | $ (130) | $ (166) | $ (4) | $ (62) | $ (143) | $ (2,240) | $ (2,383) |

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

## 20. Segmented Information (continued)

*(b) Geographic segments (continued)*

| | Six months ended June 30, 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Crocodile River Mine** | **Kennedy's Vale** | **Spitzkop** | **Mareesburg** | **Other** | **Total South Africa** | **Canada** | **TOTAL** |
| Property, plant and equipment expenditures | $ 10,637 | $ - | $ 8 | $ 77 | $ - | $ 10,722 | $ - | $ 10,722 |
| Sale of property, plant and equipment | - | - | - | - | - | - | - | - |
| Revenue | $ 71,311 | $ - | $ - | $ - | $ - | $ 71,311 | $ - | $ 71,311 |
| Production costs | (52,558) | - | - | - | - | (52,558) | - | (52,558) |
| Depreciation and amortization | (10,843) | - | - | - | - | (10,843) | - | (10,843) |
| General and administrative expenses | (2,367) | (807) | (7) | (2) | (3) | (3,186) | (2,047) | (5,233) |
| Share-based payment | (47) | - | - | - | - | (47) | (1,705) | (1,752) |
| Interest income | 724 | - | - | 4 | - | 728 | 65 | 793 |
| Finance costs | (584) | (366) | (13) | - | - | (963) | - | (963) |
| Foreign exchange (loss) gain | (9) | - | - | - | - | (9) | 241 | 232 |
| **Profit (loss) before income taxes** | $ 5,627 | $ (1,173) | $ (20) | $ 2 | $ (3) | $ 4,433 | $ (3,446) | $ 987 |

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

## 20. Segmented Information (continued)

*(b) Geographic segments (continued)*

| Six months ended June 30, 2009 | Crocodile River Mine | Kennedy's Vale | Spitzkop | Mareesburg | Other | Total South Africa | Canada | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment expenditures | $ 18,484 | $ - | $ 427 | $ 88 | $ - | $ 18,999 | $ - | $ 18,999 |
| Sale of property, plant and equipment | 1,552 | - | - | - | - | 1,552 | - | 1,552 |
| Revenue | $ 49,741 | $ - | $ - | $ - | $ - | $ 49,741 | $ - | $ 49,741 |
| Production costs | (36,194) | - | - | - | - | (36,194) | - | (36,194) |
| Depreciation and amortization | (7,803) | - | - | - | - | (7,803) | - | (7,803) |
| General and administrative expenses | (2,464) | (254) | (332) | (4) | (63) | (3,117) | (1,690) | (4,807) |
| Share-based payment | (242) | - | - | - | - | (242) | (93) | (335) |
| Interest income | 737 | - | 31 | - | 2 | 770 | 219 | 989 |
| Finance costs | (628) | (55) | - | - | (144) | (827) | - | (827) |
| Foreign exchange gain (loss) | 52 | (5) | - | - | (99) | (52) | (1,395) | (1,447) |
| Profit (loss) before income taxes | $ 3,199 | $ (314) | $ (301) | $ (4) | $ (304) | $ 2,276 | $ (2,959) | $ (683) |

| December 31, 2009 | Crocodile River Mine | Kennedy's Vale | Spitzkop | Mareesburg | Other | Total South Africa | Canada | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Current assets | $ 36,749 | $ 176 | $ 1,509 | $ 45 | $ 1,003 | $ 39,482 | $ 16,139 | $ 55,621 |
| Property, plant and equipment | 430,959 | 57,695 | 118,994 | 27,111 | - | 634,759 | 19 | 634,778 |
| Refining contract | 14,169 | - | - | - | - | 14,169 | - | 14,169 |
| Other Assets | 2,282 | - | - | - | - | 2,282 | - | 2,282 |
| | $ 484,159 | $ 57,871 | $ 120,503 | $ 27,156 | $ 1,003 | $ 690,692 | $ 16,158 | $ 706,850 |

For the three and six months ended June 30, 2010 and 2009, substantially all of the Company's PGM production was sold to one customer.

### 21. Events after the reporting period

From July 1, 2010 to August 9, 2010, 20,000 stock options were exercised by way of cashless exercise at a weighted average exercise price of Cdn$0.32.

# EASTERN PLATINUM LIMITED
# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
# FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010

*The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at June 30, 2010 and for the three and six months then ended in comparison to the same period in 2009.*

*In February 2009, the applicable provincial securities commissions granted the Company exemptive relief to adopt International Financial Reporting Standards ("IFRS") with an adoption date of January 1, 2009 and a transition date of January 1, 2008.*

*This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and six months ended June 30, 2010 and supporting notes. These condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting.*

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

*All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is August 9, 2010. Additional information relating to the Company is available on SEDAR at www.sedar.com.*

**Contents of the MD&A**

## 1. Overview

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

The Company's primary operating asset is an 87.5% direct and indirect interest in Barplats Investments Limited ("Barplats"), whose main assets are the PGM producing Crocodile River Mine ("CRM") located on the western limb of the BC and the non-producing Kennedy's Vale Project located on the Eastern Limb of the BC. The Company also has a 75.5% direct and indirect interest in Mareesburg Platinum Project ("Mareesburg") and a 93.4% direct and indirect interest in Spitzkop PGM Project ("Spitzkop"), both located on the Eastern Limb of the BC.

## 2. Summary of results

### *2.1 Summary of results for the quarter ended June 30, 2010 ("Q2 2010")*

- Eastplats recorded a net profit attributable to equity shareholders of the Company of $3,448,000 ($0.01 basic earnings per share) compared to $317,000 ($0.00 per share) in the second quarter of 2009 ("Q2 2009").

- EBITDA was $9,757,000, an increase of 49% compared to $6,529,000 in Q2 2009.

- CRM sold 30,820 PGM ounces, a decrease of 8% compared to 33,383 PGM ounces in Q2 2009.

- The U.S. average delivered basket price per PGM ounce was $1,015, an increase of 49% compared to $679 in Q2 2009.

- The Rand average delivered basket price per PGM ounce was R7,643, an increase of 33% compared to R5,730 in Q2 2009.

- Rand operating cash costs net of by-product credits were R4,866 per ounce, an increase of 17% compared to R4,169 per ounce in Q2 2009. Rand operating cash costs were R6,639 per ounce, an increase of 42% compared to R4,673 per ounce in Q2 2009.

- U.S. dollar operating cash costs net of by-product credits were $646 per ounce, a 31% increase from $494 per ounce achieved in Q2 2009. Operating cash costs were $882 per ounce, an increase of 59% compared to the $554 per ounce in Q2 2009.

- Head grade decreased to 4.1 grams per tonne in Q2 2010 from 4.2 grams per tonne in Q2 2009.

- Average concentrator recovery remained consistent at 80% when compared to Q2 2009.

- Development meters decreased by 26% to 3,202 meters and on-reef development decreased by 45% to 1,573 meters compared to Q2 2009.

- Stoping units remained consistent at 50,573 square meters compared to 51,342 square metres in Q2 2009.

- Run-of-mine ore hoisted decreased by 13% to 297,186 tonnes in Q2 2010 compared to 342,368 tonnes in Q2 2009.

- Run-of-mine ore processed decreased by 5% to 290,028 tonnes in Q2 2010 compared to 304,354 tonnes in Q2 2009.

- The Company's Lost Time Injury Frequency Rate (LTIFR) was 2.78 in Q2 2010 compared to 1.94 in Q2 2009.

- At June 30, 2010, the Company had a cash position (including cash, cash equivalents and short term investments) of $19,565,000 (December 31, 2009 – $21,658,000).

***2.2 Summary of results for the six months ended June 30, 2010 ("6M 2010")***

- Eastplats recorded a net profit attributable to equity shareholders of the Company of $4,272,000 ($0.01 per share) compared to $3,481,000 ($0.01 per share) in the six months ended June 30, 2009 ("6M 2009").

- EBITDA was $18,753,000, an increase of 38% compared to $13,547,000 in 6M 2009.

- CRM sold 61,351 PGM ounces, a decrease of 8% compared to 66,352 PGM ounces in 6M 2009.

- The U.S. average delivered basket price per PGM ounce was $987, an increase of 55% compared to $635 in 6M 2009.

- The Rand average delivered basket price per PGM ounce was R7,424, an increase of 28% compared to R5,797 in 6M 2009.

- Rand operating cash costs net of by-product credits were R5,100 per ounce, an increase of 27% compared to R4,014 per ounce in 6M 2009. Rand operating cash costs were R6,478 per ounce, an increase of 30% compared to R4,997 per ounce in 6M 2009.

- U.S. dollar operating cash costs net of by-product credits were $678 per ounce, a 54% increase from $441 per ounce achieved in 6M 2009. Operating cash costs were $861 per ounce, an increase of 58% compared to the $545 per ounce in 6M 2009.

- Head grade remained consistent at 4.1 grams per tonne during 6M 2009 and 2010.

- Average concentrator recovery decreased to 79% from 80% when compared to 6M 2009.

- Development meters decreased by 32% to 6,014 meters and on-reef development decreased by 37% to 3,504 meters compared to 6M 2009.

- Stoping units increased by 6% from 96,440 square meters to 102,333 square meters in 6M 2009.

- Run-of-mine ore hoisted decreased by 9% to 601,495 tonnes in 6M 2010 compared to 663,533 tonnes in 6M 2009.

- Run-of-mine ore processed decreased by 7% to 580,882 tonnes in 6M 2010 compared to 622,748 tonnes in 6M 2009.

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

*Table 1*

| Selected quarterly data | 2010 | | 2009 | | | | 2008 | |
|---|---|---|---|---|---|---|---|---|
| | June 30 | March 31 | Dec 31 | Sept 30 | June 30 | March 31 | Dec 31 | Sept 30 |
| Revenues | $ 36,612 | $ 34,699 | $ 34,259 | $ 27,365 | $ 24,838 | $ 24,903 | $ 345 | $ 9,224 |
| Cost of operations | (32,383) | (31,018) | (29,294) | (26,702) | (22,595) | (21,402) | (19,569) | (25,372) |
| Mine operating earnings (loss) | 4,229 | 3,681 | 4,965 | 663 | 2,243 | 3,501 | (19,224) | (16,148) |
| Expenses (G&A and share-based payment) | (2,050) | (4,935) | (3,523) | (2,445) | (3,374) | (1,768) | (6,599) | (5,996) |
| Impairment of property, plant and equipment | - | - | - | - | - | - | (297,285) | - |
| Operating profit (loss) | 2,179 | (1,254) | 1,442 | (1,782) | (1,131) | 1,733 | (323,108) | (22,144) |
| Net profit (loss) attributable to equity shareholders of the Company | $ 3,448 | $ 824 | $ 330 | $ 1,839 | $ 317 | $ 3,164 | $ (230,176) | $ (10,829) |
| Earnings (loss) per share - basic | $ 0.01 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ (0.34) | $ (0.02) |
| Earnings (loss) per share - diluted | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ (0.34) | $ (0.02) |
| Average foreign exchange rates | | | | | | | | |
| South African Rand per US dollar | 7.53 | 7.51 | 7.50 | 7.80 | 8.44 | 9.94 | 9.92 | 7.78 |
| US dollar per Canadian dollar | 0.9727 | 0.9608 | 0.9459 | 0.9114 | 0.8578 | 0.8038 | 0.8252 | 0.9603 |
| Period end foreign exchange rates | | | | | | | | |
| South African Rand per US dollar | 7.66 | 7.33 | 7.41 | 7.53 | 7.75 | 9.54 | 9.29 | 8.35 |
| US dollar per Canadian dollar | 0.9393 | 0.9844 | 0.9515 | 0.9340 | 0.8598 | 0.7928 | 0.8210 | 0.9397 |

## 3. Results of Operations for the three and six months ended June 30, 2010

The following table sets forth selected consolidated financial information for the three and six months ended June 30, 2010 and 2009:

*Table 2*

**Condensed consolidated interim income statements**
(Expressed in thousands of U.S. dollars, except per share amounts)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| **Revenue** | **$ 36,612** | $ 24,838 | **$ 71,311** | $ 49,741 |
| Cost of operations | | | | |
| Production costs | **26,855** | 18,309 | **52,558** | 36,194 |
| Depletion and depreciation | **5,528** | 4,286 | **10,843** | 7,803 |
| Mine operating earnings | **4,229** | 2,243 | **7,910** | 5,744 |
| Expenses | | | | |
| General and administrative | **2,037** | 3,171 | **5,233** | 4,807 |
| Share-based payments | **13** | 203 | **1,752** | 335 |
| Operating profit (loss) | **2,179** | (1,131) | **925** | 602 |
| Other income (expense) | | | | |
| Interest income | **421** | 495 | **793** | 989 |
| Finance costs | **(593)** | (375) | **(963)** | (827) |
| Foreign exchange (loss) gain | **(36)** | (1,372) | **232** | (1,447) |
| Profit (loss) before income taxes | **1,971** | (2,383) | **987** | (683) |
| Deferred income tax recovery | **548** | 1,609 | **1,096** | 2,289 |
| **Net profit (loss) for the period** | **$ 2,519** | $ (774) | **$ 2,083** | $ 1,606 |
| Attributable to | | | | |
| Non-controlling interest | **$ (929)** | $ (1,091) | **$ (2,189)** | $ (1,875) |
| **Equity shareholders of the Company** | **3,448** | 317 | **4,272** | 3,481 |
| **Net profit (loss) for the period** | **$ 2,519** | $ (774) | **$ 2,083** | $ 1,606 |
| Earnings per share | | | | |
| Basic | **$ 0.01** | $ 0.00 | **$ 0.01** | $ 0.01 |
| Diluted | **$ 0.00** | $ 0.00 | **$ 0.01** | $ 0.01 |
| Weighted average number of common share outstanding | | | | |
| Basic | **682,792** | 680,538 | **682,000** | 680,532 |
| Diluted | **693,988** | 687,181 | **693,909** | 685,597 |

| **Condensed consolidated statements of financial position** | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| Total assets | **$ 687,301** | $ 706,850 |
| Total long-term liabilities | **$ 50,540** | $ 53,493 |

### *3.1 Mining operations at Crocodile River Mine ("CRM")*

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

*Table 3*

| **Crocodile River Mine operations** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months ended | | | | | | | |
| | 2010 | | 2009 | | | | 2008 | |
| | June 30 | March 31 | December 31 | September 30 | June 30 | March 31 | December 31 | September 30 |
| **Key financial statistics** | | | | | | | | |
| (dollar amounts stated in U.S. dollars) | | | | | | | | |
| Sales - PGM ounces | 30,820 | 30,531 | 34,000 | 29,986 | 33,383 | 32,969 | 29,015 | 30,758 |
| Average delivered price per ounce (2) | $1,015 | $959 | $860 | $765 | $679 | $590 | $550 | $1,193 |
| Average basket price | $1,200 | $1,130 | $1,008 | $878 | $779 | $676 | $655 | $1,438 |
| Rand average delivered price per ounce | R 7,643 | R 7,202 | R 6,450 | R 5,967 | R 5,730 | R 5,865 | R 5,456 | R 9,285 |
| Rand average basket price | R 9,036 | R 8,486 | R 7,560 | R 6,848 | R 6,574 | R 6,720 | R 6,496 | R 11,191 |
| Cash costs per ounce of PGM (1) | $882 | $841 | $706 | $758 | $554 | $536 | $628 | $672 |
| Cash costs per ounce of PGM, net of chrome by-product credits (1) | $646 | $711 | $621 | $583 | $494 | $388 | $578 | $521 |
| Rand cash costs per ounce of PGM (1) | R 6,639 | R 6,315 | R 5,296 | R 5,915 | R 4,673 | R 5,326 | R 6,231 | R 5,233 |
| Rand cash costs per ounce of PGM, net of chrome by-product credits (1) | R 4,866 | R 5,336 | R 4,661 | R 4,548 | R 4,169 | R 3,857 | R 5,734 | R 4,055 |
| **Key production statistics** | | | | | | | | |
| Total tonnes processed | 499,640 | 423,128 | 466,414 | 471,743 | 440,288 | 318,394 | 298,514 | 317,602 |
| Run-of-mine ("ROM") rock tonnes processed | 290,028 | 290,854 | 321,983 | 280,777 | 304,354 | 318,394 | 298,514 | 305,490 |
| Tailings tonnes processed | 209,612 | 132,274 | 144,431 | 190,966 | 135,934 | - | - | 12,112 |
| Development meters | 3,202 | 2,812 | 3,254 | 2,882 | 4,326 | 4,573 | 4,604 | 5,599 |
| On-reef development meters | 1,573 | 1,931 | 2,135 | 1,562 | 2,860 | 2,745 | 2,922 | 3,556 |
| Stoping units (square meters) | 50,573 | 51,760 | 55,153 | 36,263 | 51,342 | 45,098 | 46,459 | 39,652 |
| Concentrator recovery from ROM ore | 80% | 78% | 79% | 78% | 80% | 80% | 76% | 78% |
| Chrome sold (tonnes) | 76,677 | 75,846 | 85,347 | 76,900 | 70,850 | 84,207 | 13,000 | 44,079 |
| **Metal in concentrate sold (ounces)** | | | | | | | | |
| Platinum (Pt) | 15,433 | 15,405 | 17,012 | 15,080 | 16,721 | 16,499 | 14,466 | 15,393 |
| Palladium (Pd) | 6,769 | 6,562 | 7,444 | 6,613 | 7,406 | 7,399 | 6,690 | 6,973 |
| Rhodium (Rh) | 2,661 | 2,607 | 2,923 | 2,499 | 2,868 | 2,812 | 2,451 | 2,581 |
| Gold (Au) | 108 | 105 | 121 | 115 | 141 | 135 | 121 | 123 |
| Iridium (Ir) | 1,077 | 1,106 | 1,240 | 1,095 | 1,179 | 1,144 | 979 | 1,083 |
| Ruthenium (Ru) | 4,772 | 4,746 | 5,260 | 4,584 | 5,068 | 4,980 | 4,308 | 4,605 |
| Total PGM ounces | 30,820 | 30,531 | 34,000 | 29,986 | 33,383 | 32,969 | 29,015 | 30,758 |

*(1) These are non-IFRS measures as described in Section 3.2*
*(2) Average delivered price is the average basket price at the time of delivery of PGM concentrates, net of associated smelter costs, under the Company's primary off-take agreement.*

*Quarter ended June 30, 2010 compared to the quarter ended June 30, 2009*

In Q2 2010, CRM recorded a Lost Time Injury Frequency Rate ("LTIFR") of 2.78 compared to 1.94 in Q2 2009.

The Company generated revenue of $36,612,000 in Q2 2010 which represents amounts recorded when PGM concentrates are physically delivered to the buyer, and adjustments made when final prices for these concentrates are settled. The Company settles its PGM sales three to five months following the physical delivery of the concentrates which are provisionally priced on the date of delivery.

The Company recorded an average delivered basket price of $1,015 per PGM ounce in Q2 2010, compared to $679 in Q2 2009 and $959 in the first quarter of 2010 ("Q1 2010"). The delivered price per ounce refers to the PGM prices in effect at the time the PGM concentrates are delivered. As a result of fluctuations in PGM prices, the Company recorded negative provisional price adjustments of $824,000 and positive provisional price adjustments of $2,074,000 in the three and six months ended June 30, 2010, respectively, compared to positive price adjustments of $2,853,000 and $4,911,000 in the three and six months ended June 30, 2009, respectively.

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

*Table 4*

**Crocodile River Mine**
**Effect of provisional price adjustments on revenues**
(stated in thousands of U.S. dollars)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Revenue before provisional price adjustments | $ 37,436 | $ 21,985 | $ 69,237 | $ 44,830 |
| Provisional price adjusments | | | | |
| Adjustments to revenue upon settlement of prior periods' sales | 1,053 | 1,060 | 3,951 | 3,118 |
| Mark-to-market adjustment on sales not yet settled at end of period | (1,877) | 1,793 | (1,877) | 1,793 |
| Revenue as reported in the income statement | $ 36,612 | $ 24,838 | $ 71,311 | $ 49,741 |

PGM ounces sold were down by 8% in Q2 2010 compared to Q2 2009 as a result of a decrease in the on-reef development meters (1,573 meters in Q2 2010 compared to 2,860 meters in Q2 2009), a decrease in the run-of-mine tonnes hoisted (297,186 tonnes in Q2 2010 compared to 342,368 tonnes in Q2 2009), which resulted in a decrease in run-of-mine rock tonnes processed (290,028 tonnes in Q2 2010 compared to 304,354 tonnes in Q2 2009), and a decrease in grade to 4.1 from 4.2 in Q2 2009. The decrease in on-reef development meters and run-of-mine tonnes hoisted was due to the dismissal of 15 contract stoping crews (out of a total of 58 crews) in May, and the corresponding build-up and training of new crews. The contract crews were dismissed due to management's concerns over their safety procedures. Full replacement of the crews was completed in July 2010 and the Company expects that on-reef development and production will increase once the new crews have been properly inducted and trained.

Operating cash costs, a non-IFRS measure, are incurred primarily in Rand. Rand operating cash costs, also a non-IFRS measure, increased by 42% from R4,673 per ounce in Q2 2009 to R6,639 per ounce in Q2 2010 due to an 8% decrease in ounces produced compared to Q2 2009, a new South African mining royalty tax effective March 1, 2010, a 7.5% wage increase effective March 1, 2010, and two significant increases in electricity tariffs that came into effect in Q3 2009 and again in Q2 2010. Repairs to underground vehicles in Q2 2010 also contributed to the increase in Rand cash operating costs.

Operating cash costs stated in U.S. dollars increased by 59% from $554 per ounce in Q2 2009 to $882 per ounce in Q2 2010 primarily due to increases in actual Rand operating cash costs and an 11% appreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R7.53:$1.00 in Q2 2010 compared to R8.44:$1.00 in Q2 2009.

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

The Company sold 76,677 tonnes (70,850 tonnes in Q2 2009) of chrome in Q2 2010. Total chrome revenues were $7,257,000 ($1,994,000 in Q2 2009), reducing operating cash costs net of by-product credits to $646 per ounce. The net realized price per tonne of chrome in Q2 2010 increased by 250% compared to Q2 2009.

*Quarter ended June 30, 2010 compared to the quarter ended March 31, 2010*

PGM revenues increased by 6% compared to Q1 2010 as a result of a 6% rise in the average delivered basket price per ounce and a 1% increase in ounces produced during the quarter. However, run-of-mine ore processed, which was expected to increase in Q2 2010 as the Q1 mine start-up after the December holiday season was slower than anticipated, remained consistent at approximately 290,000 tonnes in Q1 and Q2 2010. This and other operating measures, such as run-of-mine tonnes hoisted and on-reef development meters, underperformed compared to Q1 2010 due to the dismissal of 15 contract stoping crews (out of a total of 58 crews) in May and the resulting build-up and training of new crews. The Company expects that on-reef development and production will increase once the new crews have been properly inducted and trained.

Rand operating cash costs increased by 5% from R6,315 per ounce in Q1 2010 to R6,639 per ounce in Q2 2010 primarily as a result of a new South African mining royalty tax effective March 1, 2010, a 7.5% wage increase effective March 1, 2010, and a 26% increase in electricity tariffs effective in Q2 2010. Operating cash costs stated in U.S. dollars also increased by 5% from $841 per ounce in Q1 2010 to $882 per ounce in Q2 2010. The U.S. dollar remained consistent at approximately R7.50:$1.00 in both Q1 and Q2 2010.

*Six months ended June 30, 2010 compared to the six months ended June 30, 2009*

In 6M 2010, the Company sold 61,351 PGM ounces, a decrease of 8% compared to 6M 2009, primarily as a result of lower run-of-mine volumes processed in 2010 (580,882 tonnes processed in 6M 2010 compared to 622,748 tonnes processed in 6M 2009), and lower recovery rates (79% in 6M 2010 compared to 80% in 6M 2009). On-reef development decreased to 3,504 meters in 6M 2010 compared to 5,605 meters in 6M 2009.

The average delivered basket price per ounce increased from $635 in 6M 2009 to $987 in 6M 2010. PGM prices have gradually increased between January 2009 and June 2010.

Operating cash costs of $861 per ounce were achieved in 6M 2010, compared to $545 per ounce during the same period in 2009 due to an 8% decrease in the number of ounces produced in 6M 2010 compared to 6M 2009, an 18% weakening in the value of the U.S. dollar relative to the Rand between 6M 2009 and 6M 2010, and a 20% increase in total Rand operating cash costs. Total Rand operating cash costs were 20% higher in 6M 2010 compared to the same period in 6M 2009 due to a new South African mining royalty tax effective March 1, 2010, a 7.5% wage increase effective March 1, 2010, a 26% increase in electricity effective in Q2 2010, repairs to underground vehicles in Q2 2010, repairs to the primary and tertiary crushers in Q1 2010, and the implementation of a key skills management retention plan in Q1 2010.

### *3.2 CRM non-IFRS measures*

The following table provides a reconciliation of EBITDA and cash operating costs per PGM ounce to mine operating earnings and production costs, respectively:

*Table 5*

**Crocodile River Mine non-IFRS measures**
(Expressed in thousands of U.S. dollars, except ounce and per ounce data)

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2010 | | 2009 | | 2010 | | 2009 |
| Mine operating earnings | $ | 4,229 | $ | 2,243 | $ | 7,910 | $ | 5,744 |
| Depletion and depreciation | | 5,528 | $ | 4,286 | | 10,843 | | 7,803 |
| **EBITDA (1)** | | 9,757 | | 6,529 | | 18,753 | | 13,547 |
| Production costs as reported | | 26,855 | | 18,309 | | 52,558 | | 36,194 |
| Adjustments for miscellaneous costs (2) | | 318 | | 185 | | 289 | | (29) |
| Cash operating costs | | 27,173 | | 18,494 | | 52,847 | | 36,165 |
| Less by-product credits - chrome revenues and adjustments | | (7,257) | | (1,994) | | (11,237) | | (6,889) |
| Cash operating costs net of by-product credits | | 19,916 | | 16,500 | | 41,610 | | 29,276 |
| Ounces sold | | 30,820 | | 33,383 | | 61,351 | | 66,352 |
| **Cash cost per ounce sold** | $ | 882 | $ | 554 | $ | 861 | $ | 545 |
| **Cash cost per ounce sold net of by-product credits** | $ | 646 | $ | 494 | $ | 678 | $ | 441 |

(1) EBITDA includes provisional price adjustments, chrome revenues, chrome penalties, and foreign exchange adjustments to sales.

(2) Miscellaneous costs include costs such as housing, technical services and planning.

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

In this MD&A, the Company has reported its share of earnings before interest, depletion, depreciation, amortization and tax (“EBITDA”) for CRM. This is a liquidity non-IFRS measure which the Company believes is used by certain investors to determine the Company’s ability to generate cash flows for investing and other activities. The Company also reports cash operating costs per ounce of PGM produced, another non-IFRS measure which is a common performance measure used in the precious metals industry.

### *3.3 Development projects*

#### *3.3.1 CRM*

During the three months ended June 30, 2010, the Company spent approximately $6,376,000 at CRM, primarily on continuing underground mine development, concentrator upgrades, underground electrical upgrades, and ongoing surface and underground works at the Zandfontein vertical shaft, including conveyor belts for the transport of ore from the vertical shaft to the surface crusher and construction of dams for underground water control. The shaft hoisting capacity will be 100,000 tonnes of ore per month plus associated waste. The shaft, along with additional decline development, will allow access into the deeper parts of the ore body.

As a result of the higher trend in PGM prices, mine development at the shallow Crocette ore body recommenced on April 4, 2010. At full production, Crocette is planned to deliver up to 40,000 tons of ore per month, which will enable CRM to achieve its production target of 175,000 tons of ore per month. Infill drilling has confirmed the continuity of the UG2 reef at Crocette to a depth of 600m with a dip of 18º, a reef width of 1.2m and an estimated head grade of 4.1 g/t (5PGE+Au). A commitment to provide construction power for the project has been received from Eskom, the South African public utility company, but alternative supplies are also being evaluated by the Company.

### *3.3.2 Spitzkop/Kennedy's Vale*

Development of Spitzkop and Kennedy's Vale has been on hold since December 2008. During the three and six months ended June 30, 2010, the expenditures at Spitzkop/Kennedy's Vale related to care and maintenance costs.

Spitzkop is planned as a decline mining operation that will access high-grade PGM resources in the UG2 reef at shallow depth without the requirement for high capital cost shaft infrastructure. Spitzkop is situated up dip of, and adjacent to, the Kennedy's Vale project. Kennedy's Vale and the deeper sections of both properties could utilize the existing twin vertical shafts. This infrastructure would provide a significant reduction in capital costs for the development of the deeper sections of both properties.

The new order mining right for Spitzkop was executed in October 2009. With the higher trend in PGM prices, the Company has evaluated development alternatives for the Spitzkop Project in conjunction with the Mareesburg Project and the Company's four-phased development plan for the Eastern Limb was announced on June 3, 2010. Phase 1 is the development of the Mareesburg open-pit mine and the construction of a processing plant at Kennedy's Vale. Phase 2 is the development of the Spitzkop mine to supplement and eventually replace the Mareesburg open-pit production. Phase 3 is the development of the underground mines at Mareesburg and DGV. Phase 4 is the development of the Kennedy's Vale mine.

### *3.3.3 Mareesburg*

Work on the Mareesburg project has been on hold since December 2008. A new order mining right application was submitted in December 2007 which supports the Company's intention to commence mining. It is expected that Mareesburg would be developed as part of the Company's four-phased development plan for the Eastern Limb as discussed above.

## *3.4 Corporate and other expenses*

General and administrative expenses ("G&A") are costs associated with the Company's corporate head office in Vancouver and the Johannesburg administrative office, and costs associated with care and maintenance at the Company's Eastern Limb projects, Spitzkop, Kennedy's Vale and Mareesburg. Corporate office costs include legal and accounting, regulatory, executive management fees, investor relations, travel and consulting fees. G&A decreased by 36% from $3,171,000 in Q2 2009 to $2,037,000 in Q2 2010 due to (1) the settlement of two long-standing legal proceedings at a cost of $1,407,000 in Q2 2009, and (2) a weakening of the U.S. dollar relative to the South African Rand. For the six months ended June 30, G&A increased by 9% from $4,807,000 in 2009 to $5,233,000 in 2010 mainly due to a weakening of the U.S. dollar relative to the South African Rand and the introduction in Q1 2010 of a key skills retention plan for the Company's senior employees in South Africa.

G&A decreased by 36% from $3,196,000 in Q1 2010 to $2,037,000 in Q2 2010, mainly due to the key skills retention plan which was expensed in Q1 2010.

Interest income recorded during the three and six months ended June 30, 2010 was $421,000 and $793,000 compared with $495,000 and $989,000 during the same period in 2009. The decrease in interest income for the comparable six month periods was mainly due to significantly lower average cash balances in Q1 2010 compared to Q1 2009, and lower interest rates during the six months ended June 30, 2010 compared to the same period in 2009.

During the three and six months ended June 30, 2010 the Company recorded a deferred income tax recovery of $548,000 and $1,096,000. The deferred income tax recovery was based on changes in the Company's net assets. The consolidated statement of financial position reflects total deferred tax liabilities of $40,041,000 which arose primarily as a result of the step-up to fair value of the net assets acquired on the Barplats and Gubevu business acquisitions during the years ended June 30, 2006, June 30, 2007, and December 31, 2008.

## 4. Liquidity and Capital Resources

At June 30, 2010, the Company had working capital of $33,997,000 (December 31, 2009 – $31,776,000) and cash and cash equivalents and short-term investments of $19,565,000 (December 31, 2009 – $21,658,000) in highly liquid, fully guaranteed, bank sponsored instruments.

The Company had no long-term debt at June 30, 2010, other than a provision for environmental rehabilitation relating to CRM and Spitzkop, and finance lease obligations relating to mining vehicles with lease terms of five years and options to purchase for a nominal amount at the conclusion of the lease. See Contractual Obligations under Section 4.4 below.

### *4.1 Outlook*

As a consequence of the global economic uncertainty and market volatility since 2008, the Company's near-term goal has been, and continues to be, to preserve its cash balances to the greatest extent possible, by finding ways to increase production and minimize operating costs without compromising safety, health and environmental standards, and by curtailing capital expenditures which would not result in short-term increases in production ounces. As a result, the Company has primarily focused its resources on improving operations at its CRM property over the past two years, while putting development projects on hold until a sustained recovery of PGM prices materialized.

PGM prices in U.S. dollar terms have recovered since the beginning of 2009, but this has been partially negated by the strength of the Rand against the U.S. dollar. While the realized basket prices that the Company is receiving have improved since the December 2008 lows, these prices (in Rand terms) are still more than 40% below those recorded in June 2008 when basket prices reached their peak. The Company anticipates that PGM prices and the Rand-U.S. dollar exchange rate will remain volatile in the short term.

With the rising trend in PGM prices, the Company resumed mine development at the Crocette section at CRM on April 4, 2010 and is currently assessing the status of its three primary Eastern Limb development projects at Spitzkop, Kennedy's Vale and Mareesburg, with a view to determining an appropriate development schedule given the market conditions, the Company's current cash balances, its ability to generate sufficient cash flows, and its ability to obtain additional funding in the current market environment. Additional funding will be required and may include external debt financing, joint venture or other third party participation in one or more of the projects, or the public or private sales of equity or debt securities of the Company.

If the volatility and uncertainty in the current market persist for an extended time and PGM production and/or prices remain at present levels or lower, then the cash flows from CRM and current cash balances will be insufficient to advance any or all of the Company's development projects to commercial production. This, along with credit markets that may tighten and result in higher financing costs, could negatively affect the Company's ability to obtain equity financing, external debt financing or third party participation. There can be no assurance that additional funding will be available to the Company or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to further delay or reduce the scope of any or all of its development projects.

### *4.2 Impairment*

At June 30, 2010, the Company determined that there was no indication of impairment for the carrying values of its mineral properties. Should market conditions and commodity prices deteriorate or improve in the future, an impairment or reversal of impairment of the Company's mineral properties may be required.

### *4.3 Share Capital*

During the three months ended June 30, 2010, the Company did not grant any stock options. Total share-based payment expense for the quarter was $13,000, which takes into account the vesting of options. During Q2 2010, 258,334 options were forfeited at a weighted average exercise price of Cdn$1.30 and 1,892,163 options were exercised at a weighted average exercise price of Cdn$0.33.

During the six months ended June 30, 2010, the Company granted 2,231,000 stock options at an exercise price of Cdn$1.30. The grant date fair value was Cdn$0.80 per share, which resulted in share-based payment expense of $1,705,000 upon issuance. Total share-based payment expense for the six months was $1,752,000, which also takes into account the vesting of options. During the six months ended June 30, 2010, 666,668 options were forfeited at a weighted average exercise price of Cdn$1.74 and 2,412,994 options were exercised at a weighted average exercise price of Cdn$0.33.

As at August 9, 2010, the Company had:

- 683,030,752 common shares outstanding; and
- 58,617,172 stock options outstanding, which are exercisable at prices ranging from Cdn$0.32 to Cdn$3.38 and expire between 2011 and 2018.

### *4.4 Contractual Obligations and Commitments*

The Company's major contractual obligations and commitments at June 30, 2010 were as follows:

*Table 6*

| (in thousands of U.S. dollars) | Total | Less than 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|
| Provision for environmental rehabilitation | $ 8,219 | $ - | $ - | $ 8,219 |
| Capital expenditure and purchase commitments contracted at June 30, 2010 but not recognized on the consolidated statement of financial position | 5,230 | 5,230 | - | - |
| Finance lease obligations | 3,534 | 1,169 | 2,365 | - |
| | $ 16,983 | $ 6,399 | $ 2,365 | $ 8,219 |

## 5. Related Party Transactions

| (Expressed in thousands of U.S. dollars, except per share amounts) | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Trading transactions | | | | |
| Management and consulting fees | **$ 349** | $ 283 | **$ 685** | $ 549 |
| Reimbursements of expenses | **42** | 19 | **62** | 19 |
| Total trading transactions | **$ 391** | $ 302 | **$ 747** | $ 568 |
| Compensation of key management personnel | | | | |
| Salaries and directors' fees | **$ 568** | $ 506 | **$ 1,116** | $ 980 |
| Share-based payments | **-** | 93 | **1,627** | 93 |
| Total compensation of key management personnel | **$ 568** | $ 599 | **$ 2,743** | $ 1,073 |

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

Management and consulting fees increased during the three and six months ended June 30, 2010 mainly due to the strengthening of the Canadian dollar during the past twelve months. During the same periods, reimbursements of expenses were higher due to increased travel to South Africa by the Company's head office staff. Salaries and directors' fees increased during the three and six months ended June 30, 2010 due to the strengthening of the Canadian dollar. Share-based payment decreased from $93,000 in Q2 2009 to Nil in Q2 2010 as there were no stock options issued to directors during Q2 2010. Share-based payments increased from $93,000 during the six months ended June 30, 2009 to $1,627,000 during the same period in 2010 due to the issuance of stock options in Q1 2010.

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

## 6. Adoption of Accounting Standards and Pronouncements under IFRS

In February 2009, the Commissions granted the Company exemptive relief to adopt International Financial Reporting Standards ("IFRS") with an adoption date of January 1, 2009 and a transition date of January 1, 2008. The Company's first audited financial statements prepared in accordance with IFRS were the financial statements for the year ended December 31, 2009. Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Note 3 to those financial statements. Those financial statements also include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") to IFRS as set out in Note 25.

Effective January 1, 2010, the Company adopted a new accounting standard (IFRS 8 *Operating Segments)* that was issued by the International Accounting Standards Board ("IASB"). IFRS 8 was revised and now requires disclosure of information about segment assets. This accounting policy change was adopted on a prospective basis with no restatement of prior period financial statements.

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## 7. Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with the Company's management, are responsible for the information disclosed in this MD&A and in the Company's other external disclosure documents. For the quarters ended June 30, 2010 and 2009, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures ("DCP") to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in accordance with regulatory requirements and good business practices and that the Company's DCP will enable the Company to meet its ongoing disclosure requirements.

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the design and operation of the Company's DCP were effective as of June 30, 2010 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). During 2009, the Company engaged an international accounting firm to act as the Company's internal auditors for its South African operations. Under the supervision, and with the participation, of the CEO and the CFO, management conducted an evaluation of the effectiveness of the Company's ICFR based on the framework in the *Internal Control – Integrated Framework* developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective as at June 30, 2010.

The scope of the Company's design of DCP and ICFR excluded Gubevu Consortium Holdings (Pty) Ltd., a subsidiary which is accounted for as a special purpose entity under IFRS. During the design and evaluation of the Company's ICFR, management identified certain non-material deficiencies, a number of which have been addressed or are in the process of being addressed in order to enhance the Company's processes and controls. The Company employs entity level and compensating controls to mitigate any deficiencies that may exist in its process controls. Management intends to continue to further enhance the Company's ICFR.

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

There have been no changes in the Company's ICFR during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## 8. Cautionary Statement on Forward-Looking Information

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

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

August 9, 2010

Ian Rozier