Consolidated financial statements of

Eastern Platinum Limited

December 31, 2008 and 2007 and June 30, 2007

Eastern Platinum Limited
December 31, 2008 and 2007 and June 30, 2007

Table of contents

Auditors' report 3

Consolidated statements of operations 4

Consolidated balance sheets 5

Consolidated statements of shareholders' equity 6

Consolidated statements of comprehensive income (loss) 6

Consolidated statements of cash flows 7

Notes to the consolidated financial statements 8-28

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Auditors' report

To the Shareholders of
Eastern Platinum Limited

We have audited the consolidated balance sheets of Eastern Platinum Limited as at December 31, 2008 and 2007 and the consolidated statements of operations, shareholders' equity, comprehensive income (loss) and cash flows for the year ended December 31, 2008, six months ended December 31, 2007 and year ended June 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the year ended December 31, 2008, six months ended December 31, 2007 and year ended June 30, 2007 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 31, 2009

Eastern Platinum Limited

Consolidated statements of operations

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

	December 31, 2008 (12 months)	December 31, 2007 (6 months)	June 30, 2007 (12 months)
Revenue	**$ 116,198**	$ 65,578	$ 101,205
Cost of operations			
Production costs	**79,961**	41,363	69,467
Depletion and depreciation	**14,599**	9,120	8,123
	94,560	50,483	77,590
Mine operating earnings	**21,638**	15,095	23,615
Expenses			
General and administrative	**19,411**	11,305	15,979
Stock-based compensation	**4,290**	10,251	14,416
	23,701	21,556	30,395
Operating loss	**(2,063)**	(6,461)	(6,780)
Other income (expense)			
Interest income	**7,081**	4,924	4,908
Interest expense	**(3,551)**	(2,010)	(5,427)
Foreign exchange loss	**(2,155)**	(5,604)	(1,897)
Loss before income taxes and non-controlling interests	**(688)**	(9,151)	(9,196)
Future income tax (expense) recovery (Note 9)	**13,623**	(1,639)	2,002
Non-controlling interests (Note 10)	**3,429**	(1,414)	(3,078)
Net earnings (loss) for the period	**$ 16,364**	$ (12,204)	$ (10,272)
Earnings (loss) per share			
Basic	**$ 0.02**	$ (0.02)	$ (0.02)
Diluted	**$ 0.02**	$ (0.02)	$ (0.02)
Weighted average number of common share outstanding			
Basic	**677,116,680**	668,157,833	538,663,898
Diluted	**687,581,138**	668,157,833	538,663,898

See accompanying notes to the consolidated financial statements.

Eastern Platinum Limited

Consolidated balance sheets
as at December 31, 2008 and 2007
(Expressed in thousands of U.S. dollars)

		December 31, 2008		December 31, 2007
Assets				
Current assets				
Cash and cash equivalents	$	**25,806**	$	18,818
Short-term investments		**35,257**		171,038
Trade receivables		**9,556**		33,157
Inventories (Note 4)		**3,881**		6,888
Future income taxes (Note 9)		**1,178**		-
		75,678		229,901
Property, plant and equipment (Note 5)		**783,039**		813,461
Refining contract (Note 6)		**12,493**		18,467
Other assets		**1,017**		1,247
	$	**872,227**	$	1,063,076
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	**36,729**	$	22,967
Future income taxes (Note 9)		**-**		6,416
Current portion capital leases		**649**		-
Current loans (Note 3(b))		**2,972**		3,837
		40,350		33,220
Asset retirement obligation (Note 7)		**2,846**		2,889
Capital leases		**3,261**		9,127
Future income taxes (Note 9)		**117,234**		143,616
		163,691		188,852
Non-controlling interests (Note 10)		**12,335**		23,402
Commitments (Note 13)				
Shareholders' equity				
Share capital (Note 8)		**890,049**		868,045
Contributed surplus		**31,491**		27,428
Accumulated other comprehensive income (loss)		**(173,571)**		23,481
Deficit		**(51,768)**		(68,132)
		(225,339)		(44,651)
		696,201		850,822
	$	**872,227**	$	1,063,076

Approved by the Board

"David Cohen" *"Robert Gayton"*

See accompanying notes to the consolidated financial statements.

Eastern Platinum Limited

Consolidated statements of shareholders' equity
(Expressed in thousands of U.S. dollars)

	Common Shares Without Par Value			Contributed Surplus		Accumulated Other Comprehensive Income (Loss)		Deficit		Total Shareholders' Equity
	Shares		Amount							
Balance, June 30, 2006	**513,228,985**	**$**	**588,279**	**$**	**6,799**	**$**	**(52,754)**	**$**	**(36,376)**	**$ 505,948**
Shares issued on acquisition of interest in Afriminerals	3,000,000		3,548		-		-		-	3,548
Shares issued on acquisition of 1% NSR in Spitzkop	12,000,000		21,062		-		-		-	21,062
Shares issued for cash	105,921,095		188,894		-		-		-	188,894
Shares issued on acquisition of additional 5% in Barplats	17,272,594		29,020		-		-		-	29,020
Warrants exercised	13,318,184		26,032		-		-		-	26,032
Stock options exercised	3,037,500		8,268		(3,318)		-		-	4,950
Stock-based compensation	-		-		14,416		-		-	14,416
Share issue costs	-		-		-		-		(9,280)	(9,280)
Net loss for the period	-		-		-		-		(10,272)	(10,272)
Currency translation adjustment	-		-		-		29,730		-	29,730
Balance, June 30, 2007	**667,778,358**	**$**	**865,103**	**$**	**17,897**	**$**	**(23,024)**	**$**	**(55,928)**	**$ 804,048**
Warrants exercised	100,000		178		-		-		-	178
Stock options exercised	1,153,333		2,764		(720)		-		-	2,044
Stock-based compensation	-		-		10,251		-		-	10,251
Net loss for the period	-		-		-		-		(12,204)	(12,204)
Currency translation adjustment	-		-		-		46,505		-	46,505
Balance, December 31, 2007	**669,031,691**		**868,045**		**27,428**		**23,481**		**(68,132)**	**$ 850,822**
Warrants exercised	10,824,077		21,153		-		-		-	21,153
Stock options exercised	670,686		851		(227)		-		-	624
Stock-based compensation	-		-		4,290		-		-	4,290
Net earnings for the period	-		-		-		-		16,364	16,364
Currency translation adjustment	-		-		-		(197,052)		-	(197,052)
Balance, December 31, 2008	**680,526,454**	**$**	**890,049**	**$**	**31,491**	**$**	**(173,571)**	**$**	**(51,768)**	**$ 696,201**

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

	December 31, 2008 (12 months)	December 31, 2007 (6 months)	June 30, 2007 (12 months)
Net earnings (loss) for the period	**$ 16,364**	$ (12,204)	$ (10,272)
Other comprehensive income (loss) - currency translation adjustment	**(197,052)**	46,505	29,730
Comprehensive income (loss)	**$ (180,688)**	$ 34,301	$ 19,458

See accompanying notes to the consolidated financial statements.

Eastern Platinum Limited

Consolidated statements of cash flows
(Expressed in thousands of U.S. dollars)

	December 31, 2008 (12 months)	December 31, 2007 (6 months)	June 30, 2007 (12 months)
Operating activities			
Net earnings (loss) for the period	**$ 16,364**	$ (12,204)	$ (10,272)
Items not involving cash			
Accretion (Note 7)	**278**	180	672
Depletion and depreciation	**14,599**	9,120	8,123
Refining contract amortization	**1,353**	798	1,195
Stock-based compensation	**4,290**	10,251	14,416
Interest expense	**2,845**	-	-
Foreign exchange loss	**5,731**	5,604	1,897
Future income tax expense (recovery)	**(13,623)**	1,639	(2,002)
Non-controlling interests	**(3,429)**	1,414	3,078
	28,408	16,802	17,107
Net changes in non-cash working capital items			
Trade receivables	**10,765**	(10,017)	(9,461)
Inventories	**1,391**	(2,095)	(2,975)
Accounts payable and accrued liabilities	**12,962**	1,347	6,577
	53,526	6,037	11,248
Financing activities			
Common shares issued for cash, net of share issue costs	**22,004**	2,222	213,914
Repayment of short-term debt	**(892)**	-	(25,767)
Other long-term liabilities	**(3,411)**	301	6,023
	17,701	2,523	194,170
Investing activities			
Acquisitions, net of cash acquired	**(39,589)**	-	(56,662)
Maturity (purchase) of short-term investments	**119,318**	41,026	(123,600)
Property, plant and equipment expenditures	**(143,373)**	(36,079)	(62,997)
	(63,644)	4,947	(243,259)
Effect of exchange rate changes on cash and cash equivalents	**(595)**	(881)	(1,477)
Increase in cash and cash equivalents	**6,988**	12,626	(39,318)
Cash and cash equivalents, beginning of period	**18,818**	6,192	45,510
Cash and cash equivalents, end of period	**$ 25,806**	$ 18,818	$ 6,192
Cash and cash equivalents are comprised of:			
Cash in bank	**$ 9,123**	$ 18,818	$ 6,077
Short-term money market instruments	**16,683**	-	115
	$ 25,806	$ 18,818	$ 6,192
Supplementary cash flow information			
Interest paid	**$ 375**	$ 374	$ 598
Income taxes paid	**$ 139**	$ 3	$ -

See accompanying notes to the consolidated financial statements.

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.

Effective July 1, 2007, the Company changed its fiscal year end from June 30 to December 31 to better align with financial reporting year ends that are predominant in the mining industry.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The principal accounting policies are outlined below:

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and all its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Variable Interest Entities (''VIE's'') as defined by the Accounting Standards Board in Accounting Guideline (''AcG'') 15, ''Consolidation of Variable Interest Entities'' are entities in which equity investors do not have the characteristics of a "controlling financial interest'' or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company has determined that its investment in Gubevu Consortium Holdings (Pty) Ltd. ("Gubevu") is a VIE. As the Company is the primary beneficiary, the accounts of Gubevu are consolidated with those of the Company (Note 3).

(b) Reporting currency

Effective July 1, 2006, the Company changed its reporting currency to the U.S. dollar ("$"). These consolidated financial statements have been translated to the U.S. dollar in accordance with EIC 130 "Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency". These guidelines require that the financial statements be translated into the reporting currency using the current rate method. Under this method, the statement of operations and cash flow items for each year are translated into the reporting currency using the average rate in effect for the period, and assets and liabilities are translated using the exchange rate at the period end. All resulting exchange differences are reported as a separate component of shareholders' equity titled "Accumulated Other Comprehensive income (loss)".

(c) Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivable, accounts receivables, inventories, property, plant and equipment, asset retirement obligations, stock-based compensation, allocation of purchase price of acquisitions and income and mining taxes.

2. Summary of significant accounting policies (continued)

(c) Measurement uncertainty (continued)

Depreciation and depletion of property, plant and equipment assets are dependent upon estimates of useful lives and reserves estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of property, plant and equipment is dependent upon estimates of fair value that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Asset retirement obligations are recognized in the period in which they arise and are stated as the fair value of estimated future costs. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

(d) Foreign currency translation

The Company and its subsidiaries operate in Canada and South Africa. The Company's Canadian operations have the Canadian dollar as their functional currency and its South African operations have the South African Rand as their functional currency.

Where a subsidiary is self-sustaining, the financial results have been translated into Canadian dollars using the current rate method. The current rate method provides that all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange prevailing during the period. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on the Company's net investment in these foreign operations, are recorded in the accumulated other comprehensive income component of shareholders' equity.

Where a subsidiary is integrated, the financial results have been translated into Canadian dollars using the temporal method. The temporal method provides for foreign currency denominated monetary assets and liabilities to be translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates and revenues and expenses at average rates of exchange during the period. Exchange gains and losses arising on translation are included in the statement of operations and deficit.

Other foreign currency transactions included in these consolidated financial statements are translated into Canadian dollars at the rates of exchange in effect at the consolidated balance sheet dates in the case of monetary assets and liabilities and at the rates of exchange in effect on the date of transaction in the case of non-monetary assets and income and expenses. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of operations and deficit.

(e) Cash and cash equivalents

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

(f) Short-term investments

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

2. Summary of significant accounting policies (continued)

(g) Inventories

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

(h) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to operations.

Mining properties and mining and process facility assets are amortized on a units-of-production basis which is measured by the portion of the mine's economically recoverable and proven ore reserves recovered during the period. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Other assets are depreciated using the straight-line method based on their estimated useful lives, which generally range from 5 to 7 years, with the exception of agricultural and residential properties whose estimated useful lives are 50 years.

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

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

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

2. Summary of significant accounting policies (continued)

(i) Refining contract

The Company sells its concentrate to one customer under the terms of an off-take or refining contract. The refining contract is amortized over the life of the contract, estimated to be twelve years. An evaluation of the carrying value of the contract is undertaken whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The deterioration in the global economic environment during the year ended December 31, 2008 triggered an impairment evaluation of the refining contract. Based on management's analysis, the refining contract was not impaired at December 31, 2008.

(j) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an asset retirement obligation is recognized in the period incurred. The net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. The liability is accreted over time through periodic charges to operations and it is reduced by actual costs of reclamation.

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

(k) Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(l) Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income, components of other comprehensive income, and accumulated other comprehensive income are presented in the Statements of Comprehensive Income and the Statements of Shareholders' Equity.

2. Summary of significant accounting policies (continued)

(m) Financial instruments

The Company has implemented the following classification of its financial assets and financial liabilities:

- Cash and cash equivalents are classified as held for trading and are measured at fair value with gains and losses recognized in net income.
- Short-term investments have been reclassified from held to maturity to available for sale and have been re-measured at fair value with any gains or losses being recorded directly to other comprehensive income. The impact of the reclassification was insignificant. At December 31, 2008, the recorded amount approximates fair value.
- Receivables are classified as "Loans and Receivables" and are measured at amortized cost using the effective interest rate method. At December 31, 2008, the recorded amount approximates fair value.
- Short-term and long-term financial liabilities and accounts payable are classified as "Other Financial Liabilities" and are measured at amortized cost using the effective interest rate method. At December 31, 2008, the recorded amount approximates fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability, other than held for trading financial assets, are included in the carrying amount of the financial asset or financial liability, and are amortized to income using the effective interest rate method.

Derivatives may be embedded in other financial instruments (host instruments). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not classified as held for trading. These embedded derivatives are measured at fair value on the balance sheet with subsequent changes in fair value recognized in income. The Company has not identified any embedded derivatives that are required to be accounted for separately from the host contract.

The Company does not have any derivatives that qualify as hedging instruments.

(n) Revenue recognition

Revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the PGMs transfers to the customer. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the metal prices on those dates. The actual amounts will be reflected in revenue upon final settlement, which are three and five months after the date of shipment. These adjustments reflect changes in metal prices and changes in qualities arising from final assay calculations.

(o) Stock-based compensation

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

2. Summary of significant accounting policies (continued)

(o) Stock-based compensation (continued)

The Company applies the fair-value method of accounting in accordance with the recommendations of CICA Handbook Section ("CICA 3870"), "*Stock-based Compensation and Other Stock-based Payments*". Stock-based compensation expense is calculated using the Black-Scholes option pricing model with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(p) Earnings (loss) per share

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

(q) Employee future benefits

The cost of retirement benefits and other benefit obligations are recognized over the period in which the employees render services in return for the benefits. The Company has a defined contribution retirement plan for its South African based employees. The pension plans are funded by payments from the employees and by the relevant group companies and charged to income as incurred.

(r) Adoption of new accounting standards and accounting pronouncements

Effective January 1, 2008, the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants.

(i) Financial Instrument Disclosures and Presentation

CICA Handbook Sections 3862 *"Financial Instruments – Disclosures"* and Section 3863 *"Financial Instruments – Presentation"* replace Section 3861 *"Financial Instruments – Disclosure and Presentation"*. The new standards carry forward the presentation requirements for financial instruments and enhance the disclosure requirements by placing increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

(ii) Capital Disclosures

CICA Handbook Section 1535 requires the Company to disclose (a) its objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with any capital requirements; and (d) if it has not complied, the consequences of such non-compliance.

2. Summary of significant accounting policies (continued)

(r) Adoption of new accounting standards and accounting pronouncements (continued)

(iii) Inventories

CICA Handbook Section 3031 replaced the existing inventories standard. The new standard requires inventory to be valued on a first-in, first-out or weighted average basis, which is consistent with the Company's previous treatment. The adoption of CICA 3031 did not have a significant impact on the Company's accounting for inventory or associated disclosures as at January 1, 2008 or for the twelve months ended December 31, 2008.

(s) International Financial Reporting Standards

In February 2008, the CICA announced that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. In Staff Notice 52-321 – *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB,* the Canadian Securities Administrators (CSA) indicated that the CSA would be prepared to provide exemptive relief to permit a Canadian reporting issuer to prepare its financial statements in accordance with IFRS for financial periods beginning before January 1, 2011. The Company applied for exemptive relief in 2008 and was granted exemptive relief in February, 2009. The Company intends to adopt IFRS for Canadian reporting purposes with an adoption date of January 1, 2009 and a transition date of January 1, 2008.

3. Acquisitions

(a) Acquisitions during the year ended December 31, 2008

On December 8, 2008 the Company acquired a further 2.47% of Barplats Investments Limited ("Barplats") to increase its direct and indirect interest to 87.49%. Of the 2.47% interest, the Company acquired 0.99% directly from Barplats through the acquisition of 12,155,814 shares issued from Barplats' treasury in exchange for net cash of $6,422. This increased the Company's direct ownership in Barplats from 74% to 74.99%. The Company acquired the other 1.48% indirectly from Gubevu through the acquisition of 1,519 shares in Gubevu in exchange for net cash of $33,167. This increased the Company's direct ownership in Gubevu from 42.39% to 49.99%, and the Company's indirect ownership in Barplats from 11.02% to 12.50%.

Following these acquisitions, the Company owns directly and indirectly 87.49% of Barplats, a PGM producing company in South Africa.

Purchase price	
Acquisition of 2.47% interest in Barplats	
Cash	$ 39,589
	$ 39,589
Net assets acquired	
Property, plant and equipment	55,759
Future income tax liabilities	(16,170)
	$ 39,589

3. Acquisitions (continued)

(b) Acquisitions during the year ended June 30, 2007 - Barplats

On May 28, 2007 the Company acquired a further 5% of Barplats from the minority shareholders to increase its interest to 74%. In connection with the acquisition, the Company issued 17,272,594 common shares of the Company and paid R12.3 million ($1,760) to the minority shareholders of Barplats. Following the acquisition, the Company owns 74% of Barplats, with the balance of 26% held by Barplats' Black Economic Empowerment ("BEE") partner, Gubevu.

Prior to June 2007, the Company (through a wholly-owned subsidiary) purchased a loan held by Nedbank Capital in favour of Gubevu , Barplats' minority shareholder and BEE partner, under the same commercial terms and conditions as the Nedbank Capital loan. The debt was purchased for $8.9 million and is a demand note with interest accruing at the floating South African prime rate (December 31, 2007 – 14.5.%). On June 15, 2007 the Company acquired 42.39% of the shares of Gubevu, for R43 million, and in addition the Company settled certain debt of Gubevu totalling R21.6 million.

The Company also entered into an agreement to pay an unrelated third party an amount which existed in the underlying Gubevu debt agreements, whereby the Company paid R37 million ($5,230) and issued a promissory note for three additional payments:

- R27.7 million ($4,024) paid on May 4, 2008;
- R27.7 million ($2,972) due May 4, 2009; and
- R30.9 million ($4,489) due upon certain corporate reorganization events.

Based upon the fact that these future payments are based in rand, the Company has discounted these future payments using a rate of 14.5% which represents the Company's borrowing rate in South Africa. The payments due on May 4, 2008 and 2009 were recorded as liabilities of Gubevu at the date of acquisition.

The discounted value of the payment due on May 4, 2009 ($2,972, December 31, 2007 - $4,024) has been classified as current loans in these consolidated financial statements. At December 31, 2008 the R30.9 million was not due as the corporate reorganization events had not occurred.

3. Acquisitions (continued)

(b) Acquisitions during the year ended June 30, 2007 – Barplats (continued)

Purchase price		
Acquisition of 5% interest in Barplats		
17,272,460 Eastern Platinum common shares	$	29,019
Cash		1,760
Acquisition of 42.39% interest in Gubevu		
Cash		8,929
Promissory note		11,864
Assumption of debt		34,856
Acquisition costs		283
	$	86,711

Net assets acquired		
Cash and cash equivalents	$	1,030
Non-cash working capital		(515)
Property, plant and equipment		152,610
Refining contract		4,802
Short term debt		(11,428)
Asset retirement obligation		(889)
Future income tax liabilities		(18,310)
Non-controlling interests		(40,589)
	$	86,711

(c) Acquisitions during the year ended June 30, 2007 – Spitzkop PGM Project

On March 20, 2007, the Company purchased the 1% net smelter royalty held by Rhodium Reef Royalties on all PGM recovered from the Spitzkop PGM Project. The consideration was $6.5 million and 12 million common shares of the Company.

4. Inventories

	December 31, 2008	December 31, 2007
Consumables	**$ 3,509**	$ 5,446
Ore and concentrate	**372**	1,442
	$ 3,881	**$** 6,888

5. Property, plant and equipment

	December 31, 2008		
	Cost	**Accumulated depreciation/ depletion**	**Net book value**
Mining plant and equipment	**$ 317,625**	**$ 91,837**	**$ 225,788**
Mineral properties			
Crocodile River Mine (a)	**125,142**	**14,786**	**110,356**
Kennedy's Vale Project (b)	**333,462**	**11,607**	**321,855**
Spitzkop PGM Project (c)	**101,711**	**-**	**101,711**
Mareesburg JV (c)	**23,292**	**-**	**23,292**
Other property, plant and equipment	**90**	**53**	**37**
	$ 901,322	**$ 118,283**	**$ 783,039**

	December 31, 2007		
	Cost	Accumulated depreciation/ depletion	Net book value
Mining plant and equipment	$ 270,171	$ 114,696	$ 155,475
Mineral properties			
Crocodile River Mine (a)	149,618	11,932	137,686
Kennedy's Vale Project (b)	386,353	15,666	370,687
Spitzkop PGM Project (c)	121,443	-	121,443
Mareesburg JV (c)	28,075	-	28,075
Other property, plant and equipment	119	24	95
	$ 955,779	$ 142,318	$ 813,461

(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, while development of the Crocette and Kareespriut sections was temporarily suspended in the fourth quarter of 2008 due to the significant decrease in PGM prices.

(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 Joint Venture

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 Joint Venture and Spitzkop PGM Project, both located on the eastern limb of the Bushveld Complex. The development of these projects was temporarily suspended in the fourth quarter of 2008 due to the significant decrease in PGM prices.

5. Property, plant and equipment (continued)

(d) Supplementary information

	Cost	Accumulated depreciation/ depletion	Net book value
Balance, June 30, 2007	**$887,071**	**$ 129,778**	**$757,293**
Mining plant and equipment	34,285	8,542	
Crocodile River Mine	145	404	
Kennedy's Vale Project	(305)	-	
Spitzkop PGM Project	1,029	-	
Mareesburg JV	2,533	-	
Foreign exchange movement	31,021	3,594	
Balance, December 31, 2007	**$955,779**	**$ 142,318**	**$813,461**
Mining plant and equipment	116,462	5,195	
Crocodile River Mine	3,769	542	
Kennedy's Vale Project	226	-	
Spitzkop PGM Project	4,118	-	
Mareesburg JV	391	-	
Purchase price allocation	56,302	7,099	
Foreign exchange movement	(235,725)	(36,871)	
Balance, December 31, 2008	**$901,322**	**$ 118,283**	**$783,039**

6. Refining Contract

At the time of the Company's acquisition of a 69% interest in Barplats during the year ended June 30, 2006, the Company assigned a portion of the excess of the purchase price over the fair value of the intangible assets acquired 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 value of 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 which did not affect the aggregate value of the contract. The value of the contract is amortized over the term of the contract. The amortization expense for the twelve months ended December 31, 2008 was $1,353 and the accumulated amortization at December 31, 2008 was $5,627.

Balance, June 30, 2007	$ 18,828
Depreciation expense	(798)
Foreign exchange movement	437
Balance, December 31, 2007	$ 18,467
Depreciation expense	(1,353)
Foreign exchange movement	(4,621)
Balance, December 31, 2008	$ 12,493

7. Asset retirement obligation

Although the ultimate amount of the asset retirement obligation 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.

7. Asset retirement obligation (continued)

The liability for the asset retirement obligation at December 31, 2008 is approximately ZAR26.4 million ($2,846). The undiscounted value of this liability is approximately ZAR104 million ($11,197). An accretion expense component of approximately $278 (six months ended December 31, 2007 - $180) has been charged to operations in the year ended December 31, 2008 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 13%. Changes to the asset retirement obligation during the year ended December 31, 2008 are as follows:

Balance, June 30, 2007	$ 2,701
Revision in estimates	(67)
Foreign exchange movement	75
Accretion	180
Balance, December 31, 2007	$ 2,889
Revision in estimates	428
Foreign exchange movement	(749)
Accretion	278
Balance, December 31, 2008	$ 2,846

8. Share capital

(a) Authorized

- Unlimited number of preferred redeemable, voting, non-participating shares without nominal or par value
- Unlimited number of common shares with no par value

(b) Stock 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.

8. Share capital (continued)

(b) Stock options (continued)

The changes in stock options during the twelve months ended December 31, 2008 were as follows:

	December 31, 2008		December 31, 2007	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		Cdn$		Cdn$
Balance outstanding, beginning of period	**46,360,000**	**1.94**	32,450,000	1.76
Options granted	**19,856,000**	**0.55**	15,180,000	2.31
Options exercised	**(845,000)**	**1.26**	(1,153,333)	1.79
Options forfeited	**(625,000)**	**1.76**	(116,667)	1.70
Balance outstanding, end of period	**64,746,000**	**1.52**	46,360,000	1.94

The following table summarizes information concerning outstanding and exercisable options at December 31, 2008:

Options outstanding	Options exercisable	Exercise price	Remaining Contractual Life (Years)	Expiry date
		Cdn$		
187,500	187,500	1.00	0.65	August 26, 2009
7,475,000	7,475,000	1.70	2.39	May 24, 2011
250,000	250,000	1.70	2.91	November 27, 2011
22,187,500	22,187,500	1.82	3.18	March 7, 2012
18,356,000	16,302,667	0.32	4.97	December 18, 2013
14,790,000	13,820,000	2.31	8.77	October 5, 2017
90,000	60,000	2.50	8.95	December 12, 2017
1,000,000	600,000	3.38	9.15	February 20, 2018
410,000	170,000	3.38	9.24	March 27, 2018
64,746,000	61,052,667		5.00	

(c) Share purchase warrants

The changes in warrants during the twelve months ended December 31, 2008 were as follows:

	December 31, 2008		December 31, 2007	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		Cdn$		Cdn$
Balance outstanding, beginning of period	**71,248,050**	**1.83**	71,348,050	1.83
Warrants exercised	**(10,824,077)**	**1.97**	-	-
Warrants expired	**(1,937,977)**	**2.00**	(100,000)	1.80
Balance outstanding, end of period	**58,485,996**	**1.80**	71,248,050	1.83

8. Share capital (continued)

(c) Share purchase warrants (continued)

At December 31, 2008, the Company had 58,485,996 warrants outstanding, each warrant exercisable at Cdn$1.80 per common share and expiring on March 28, 2009. These warrants expired unexercised on March 28, 2009.

(d) Stock-based compensation

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:

	December 31, 2008 (12 months)	December 31, 2007 (6 months)	June 30, 2007 (12 months)
Risk-free interest rate	1.54%	4.19%	3.90%
Expected life	3 years	3 years	3 years
Annualized volatility	74%	43%	52%
Dividend rate	0%	0%	0%
Grant date fair value	Cdn$0.23	Cdn$0.78	Cdn$0.61

Stock-based compensation expense for options vested during the year ended December 31, 2008 is $4,290 ($10,251 – six months ended December 31, 2007; $14,416 – year ended June 30, 2007).

9. Income taxes

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

	December 31, 2008 (12 months)	December 31, 2007 (6 months)	June 30, 2007 (12 months)
Statutory tax rate	**31.00%**	34.12%	34.12%
Expected tax expense (recovery) on net income (loss) before income tax	**$ (213)**	$ (3,122)	$ (3,138)
Difference in tax rates between foreign jurisdictions and Canada	**(6,754)**	(2,617)	(356)
Items not deductible for income tax purposes	**2,060**	6,987	3,084
Effective change in tax rates	**(3,433)**	-	-
Effect of tax rate change on valuation allowance	**(532)**	-	-
Benefit of tax losses (recognized) not recognized	**(32)**	601	(1,592)
Change in tax estimates	**(4,719)**	(210)	-
Income tax expense (recovery of future income taxes)	**(13,623)**	1,639	(2,002)

9. Income taxes (continued)

The approximate tax effect of each item that gives rise to the Company's future income tax assets are as follows:

		December 31, 2008		December 31, 2007
Future income tax assets				
Non-capital loss carry forwards	**$**	**4,327**	$	5,304
Share issue costs		**1,982**		2,919
Accumulated cost base difference on assets and other		**1,094**		2,852
Deferred receipts		**1,178**		-
Net future income tax assets	**$**	**8,581**	$	11,075
Less valuation allowance		**(6,436)**		(8,334)
Total future income tax assets	**$**	**2,145**	$	2,741
Future income tax liabilities				
Accumulated cost base difference on assets	**$**	**118,201**	$	146,357
Deferred receipts		**-**		6,416
Total future income tax liabilities	**$**	**118,201**	$	152,773
Net future income tax asset - short-term	**$**	**1,178**	$	-
Net future income tax liability - short-term	**$**	**-**	$	6,416
Net future income tax liability - long-term	**$**	**117,234**	$	143,616

At December 31, 2008, the Company has non-capital losses of approximately Cdn$20,270 available to apply against future Canadian income for tax purposes. The non-capital losses will expire as follows (in thousands of Canadian dollars):

2011		1,115
2012		272
2013		1,595
2014		916
2025		3,101
2026		6,106
2027		2,551
2028		4,614
	$	20,270

The Company has capital losses of approximately Cdn$1.6 million available to apply against future capital gains.

The Company is subject to assessments by various taxation authorities which may interpret tax legislations and tax filing positions differently from the Company. The Company provides for such differences when it is likely that a taxation authority will not sustain the Company's filing position and the amount of the tax exposure can be reasonably estimated. As at December 31, 2008, no provisions have been made in the financial statements for any estimated tax liability.

10. Non-controlling interests

During the year ended December 31, 2008, non-controlling interest was decreased following the acquisition of an additional 7.6% interest in Gubevu and the acquisition of an additional 0.99% direct interest in Barplats (Note 3(a)). As Gubevu has been determined to be a VIE, as primary beneficiary, the Company has measured the non-controlling interest in Gubevu at fair value.

10. Non-controlling interests (continued)

The non-controlling interests are comprised of the following:

Balance, June 30, 2007	$	24,502
Non-controlling interests' share of income in Barplats		1,414
Non-controlling interests' share of interest on advances to Gubevu		(2,514)
Balance, December 31, 2007	$	23,402
Non-controlling interests' share of income in Barplats		(430)
Non-controlling interests' share of interest on advances to Gubevu		(2,999)
Foreign exchange movement		(7,638)
Balance, December 31, 2008	$	12,335

11. Related party transactions

The Company incurred the following general and administrative expenses in the normal course of operations, measured at the exchange amount which is determined on a cost recovery basis, with companies related by way of directors and officers in common:

	December 31, 2008 (12 months)	December 31, 2007 (6 months)	June 30, 2007 (12 months)
Consulting fees (a)	**$ 90**	$ 21	$ -
General and administrative expenses	**254**	42	95
Management fees (b)	**1,205**	3,344	978
Rent (c)	**-**	-	336
	$ 1,549	$ 3,407	$ 1,409

(a) 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.

(b) The Company paid management fees and expenses to private companies controlled by officers and directors of the Company. Management fees for the six months ended December 31, 2007 included a termination payment of $2,252 due to an officer of the Company in respect of his employment agreement.

(c) Rent incurred during the year ended June 30, 2007 included a lease cancellation penalty of Cdn$312 ($276) paid to a company controlled by an officer of the Company as a result of the Company moving to new premises.

(d) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2008 included $35 (Dec 31, 2007 - $2,550) which were due to private companies controlled by officers of the Company.

12. Segmented information

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

(b) Geographic segments - The Company's assets, revenues and expenses by geographic areas for the years ended December 31, 2008 and June 30, 2007, and the six months ended December 31, 2007 are as follows:

12. Segmented information (continued)

(b) Geographic segments (continued)

	December 31, 2008 (12 months)		
	South Africa	**Canada**	**Total**
Property, plant and equipment	**$ 783,002**	**$ 37**	**$ 783,039**
Refining contract	**12,493**	**-**	**12,493**
Other assets	**1,017**	**-**	**1,017**
Total assets	**815,371**	**56,856**	**872,227**
Property, plant and equipment expenditures	**$ 143,373**	**$ -**	**$ 143,373**
Revenues	**$ 116,198**	**$ -**	**$ 116,198**
Production costs	**(79,961)**	**-**	**(79,961)**
Depletion and depreciation	**(14,546)**	**(53)**	**(14,599)**
Expenses	**(13,004)**	**(6,407)**	**(19,411)**
Stock based compensation	**(1,646)**	**(2,644)**	**(4,290)**
Interest income	**1,958**	**5,123**	**7,081**
Interest expense	**(3,551)**	**-**	**(3,551)**
Foreign exchange gain (loss)	**(2,328)**	**173**	**(2,155)**
Income (loss) before income taxes and non-controlling interests	**$ 3,120**	**$ (3,808)**	**$ (688)**

	December 31, 2007 (6 months)		
	South Africa	Canada	Total
Property, plant and equipment	$ 813,378	$ 83	$ 813,461
Refining contract	18,467	-	18,467
Other assets	1,247	-	1,247
Total assets	871,790	191,286	1,063,076
Property, plant and equipment expenditures	$ 36,079	$ -	$ 36,079
Revenues	$ 65,578	$ -	$ 65,578
Production costs	(41,363)	-	(41,363)
Depletion and depreciation	(9,105)	(15)	(9,120)
Expenses	(5,035)	(6,270)	(11,305)
Stock based compensation	-	(10,251)	(10,251)
Interest income	334	4,590	4,924
Interest expense	(2,010)	-	(2,010)
Foreign exchange loss	(5,600)	(4)	(5,604)
Income (loss) before income taxes and non-controlling interests	$ 2,799	$ (11,950)	$ (9,151)

12. Segmented information (continued)

(b) Geographic segments (continued)

	June 30, 2007 (12 months)		
	South Africa	Canada	Total
Property, plant and equipment	$ 757,184	$ 109	$ 757,293
Refining contract	18,828	-	18,828
Other assets	1,007	-	1,007
Total assets	810,596	198,084	1,008,680
Property, plant and equipment expenditures	$ 62,894	$ 103	$ 62,997
Revenues	$ 101,205	$ -	$ 101,205
Production costs	(69,467)	-	(69,467)
Depletion and depreciation	(8,116)	(7)	(8,123)
Expenses	(11,337)	(4,642)	(15,979)
Stock based compensation	-	(14,416)	(14,416)
Interest income	1,845	3,063	4,908
Interest expense	(5,427)	-	(5,427)
Foreign exchange loss	(1,739)	(158)	(1,897)
Income (loss) before income taxes and non-controlling interests	$ 6,964	$ (16,160)	$ (9,196)

For the periods ended December 31, 2008 and 2007, and June 30, 2007, 100% of the Company's PGM production was sold to one customer (Note 15(c)).

13. Commitments

The Company has committed to capital expenditures on projects of approximately 259 million Rand ($27,925) as at December 31, 2008.

14. Management of capital risk

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus, deficit and accumulated other comprehensive income (loss). The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

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

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. The Company staggers the maturity dates of its investments over different time periods and dates to minimize exposure to interest rate changes. This strategy is unchanged from 2007.

The Company is not subject to externally imposed capital requirements.

15. Management of financial risk

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

15. Management of financial risk (continued)

(a) Price risk

The Company is exposed to price risk with respect to the revenues and costs of production. Revenues are affected by fluctuations in both the prices of platinum group metals and exchange rates. Costs of production include electricity, labour, and diesel amongst others. The Company closely monitors these prices to determine the appropriate course of action to be taken by the Company. The Company has not entered into any derivative financial instruments to manage exposures to price fluctuations.

A sensitivity analysis has not been completed at December 31, 2008 as it would not be representative of the actual risk. The future costs of production are unknown and are expected to change frequently.

(b) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company receives revenue in South African Rand, incurs expenses in Canadian dollars and South African Rand and its reporting currency is the US dollar. A significant change in the currency exchange rates between the Canadian dollar and South African Rand relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

At December 31, 2008, the Company is exposed to currency risk through the following financial instruments denominated in South African Rand and Canadian dollars:

	December 31, 2008		December 31, 2007	
	(000's Cdn$)	(000's ZAR)	(000's Cdn$)	(000's ZAR)
Cash and cash equivalents	$ 25,589	44,566	$ 18,176	3,326
Short-term investments	42,944	-	169,546	-
Trade receivables	552	84,572	1,880	215,195
Short-term liabilities	3,463	7,224	3,804	-
Long-term liabilities	-	30,297	3,294	39,958
Accounts payable and accruals	455	337,773	3,646	132,797

The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the South African Rand and the United States dollar is summarized in the tables below. The increase (decrease) in other comprehensive income is due to the effect of the exchange rate on both financial instruments and the translation of the Company's financial statements.

	Year ended Dec. 31, 2008	
	10% increase in ZAR to USD FX Rate	10% decrease in ZAR to USD FX Rate
Increase (decrease) in net earnings	6,684	(6,684)
Increase (decrease) in other comprehensive income	(59,794)	59,794
Comprehensive income (loss)	(53,110)	53,110

15. Management of financial risk (continued)

(c) Credit risk

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

The Company currently sells all of its concentrate production to one customer under an off-take contract. At December 31, 2008 the Company had receivable balances associated with this one customer of $9,956 (2007 - $33,157). The loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The Company has not experienced any bad debts with this customer.

The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at December 31, 2008.

(d) Liquidity risk

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

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

	Total	<1 year	1-3 years	4-5 years	>5 years
Accounts payable	$ 36,729	$ 36,729	$ -	$ -	$ -
Capital leases	3,910	649	3,261	-	-
Loans (Note 3(b))	2,972	2,972	-	-	-
Purchase commitments	4,751	4,751	-	-	-
Capital expenditures	23,174	22,725	449	-	-
Total	**$ 71,536**	**$ 67,826**	**$ 3,710**	**$ -**	**$ -**

(e) Interest rate risk

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

16. Fair value estimation of financial instruments

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

16. Fair value estimation of financial instruments (continued)

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

The fair value of short-term debt was determined using discounted cash flows at prevailing market rates and the fair value is considered to approximate carrying value.

The Company has assessed these financial instruments in light of the current market conditions and has not identified any impairment.

17. Subsequent event

From January 1, 2009 to March 31, 2009, the Company granted 80,000 stock options with an exercise price of Cdn$0.32 per share expiring on February 11, 2014.

EASTERN PLATINUM LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2008

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at December 31, 2008 and for the year then ended in comparison to the same period in 2007. The comparative period used in this MD&A is the twelve-month period ended December 31, 2007 even though the Company's fiscal year ended December 31, 2007 was a six-month period. Effective July 1, 2007, the Company changed its fiscal year end from June 30 to December 31.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008 and supporting notes that have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company reports certain non-GAAP measures such as EBITDA and cash costs per ounce which are explained in Section 1.2 of this MD&A.

All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is March 31, 2009. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Contents of the MD&A

1. Overview

2. Highlights
   - 2.1. Highlights for the quarter ended December 31, 2008
   - 2.2. Highlights for the year ended December 31, 2008

3. Results of operations for the quarter and year ended December 31, 2008
   - 3.1. Mining operations at the Crocodile River Mine ("CRM")
   - 3.2. CRM non-GAAP measures
   - 3.3. Development projects
     - 3.3.1. CRM
     - 3.3.2. Spitzkop and Kennedy's Vale
     - 3.3.3. Mareesburg
   - 3.4. Corporate and other expenses

4. Liquidity and Capital Resources
   - 4.1. Outlook
   - 4.2. Share capital
   - 4.3. Contractual Obligations and Commitments

5. Related party transactions

6. Critical accounting policies and estimates
   - 6.1. Property, plant and equipment
   - 6.2. Revenue recognition
   - 6.3. Stock-based compensation
   - 6.4. Asset retirement obligations

7. New accounting standards and accounting pronouncements under Canadian GAAP

8. Adoption of International Financial Reporting Standards ("IFRS")
   8.1 IFRS conversion plan
   8.2 Initial adoption of IFRS
   8.3 Impact of IFRS

9. Risk factors
   9.1. Risks associated with the mining industry
   9.2. Risks associated with the current global economic uncertainty
   9.3. Risks associated with foreign currencies
   9.4. Risks associated with metals prices
   9.5. Risks associated with foreign operations
   9.6. Risks associated with granting of exploration, mining and other licences

10. Internal control over financial reporting

11. Cautionary statement on forward-looking information

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1. Overview

Eastplats is a platinum group metals ("PGM") producer engaged in the mining and development of PGMs with properties located in various provinces 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 supply.

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 JV ("Mareesburg") and a 93.4% direct and indirect interest in Spitzkop PGM Project ("Spitzkop"), both located on the eastern limb of the BC.

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2. Highlights

2.1 Highlights for the quarter ended December 31, 2008 ("Q4 2008")

- Eastplats recorded a net loss of $5,742,000 ($0.01 loss per share) compared to a net loss of $10,814,000 ($0.02 loss per share) in the fourth quarter of 2007 ("Q4 2007").

- Production at the Crocodile River Mine ("CRM") increased by 9% to 29,015 PGM ounces, from 26,632 PGM ounces in Q4 2007.

- Negative provisional sales price adjustments of $16,698,000 were recorded in the quarter, causing revenue from CRM to decrease to $356,000 compared to reported revenue of $34,126,000 in Q4 2007. (See Table 4 for reconciliation of revenue and provisional price adjustments.)

- The average delivered basket price per PGM ounce was $550, a decrease of 58% compared to $1,305 in Q4 2007, and a decrease of 54% compared to $1,193 in the third quarter of 2008.

- EBITDA was negative $18,168,000 compared to $13,179,000 in Q4 2007.

- Operating cash costs were $628 per ounce, an improvement of 19% over the $774 per ounce in Q4 2007, and an improvement of 7% over the $672 per ounce in the third quarter of 2008.

- Operating cash costs net of by-product credits was $578 per ounce, as the chrome recovery circuit became fully integrated in June 2008.

- Average recovery rates for the quarter improved to 76%, compared to 72% in Q4 2007.

- Hard rock ore processed increased by 8% to 298,514 tonnes in Q4 2008 from 275,972 tonnes in Q4 2007.

- The Company acquired an additional direct and indirect 2.47% interest in Barplats Investments Limited, the subsidiary that holds CRM and Kennedy's Vale.

- At December 31, 2008, the Company had a cash position (including cash, cash equivalents and short term investments) of $61,063,000 (December 31, 2007 – $189,856,000).

2.2 Highlights for the year ended December 31, 2008

- Eastplats recorded net earnings of $16,364,000 ($0.02 per share) compared to a net loss of $26,836,000 ($0.04 loss per share) for the year ended December 31, 2007.

- Production at the Crocodile River Mine ("CRM") increased by 9% to 117,909 PGM ounces, from 107,967 PGM ounces in 2007.

- Total provisional sales price adjustments were negative $25,162,000 for the year. (See Table 4 for reconciliation of revenue and provisional price adjustments.)

- The average delivered basket price per PGM ounce was $1,204, an increase of 4% compared to $1,158 in 2007.

- EBITDA was $36,237,000 compared to $40,343,000 in 2007.

- Operating cash costs were $674 per ounce, an improvement of 4% over the $699 per ounce in 2007. Operating cash costs net of by-product credits were $622 per ounce in 2008.

- Average recovery rates for the year improved to 76%, compared to 72% in 2007, following planned improvements to the concentrator circuit at the Crocodile River Mine.

- Hard rock ore processed increased by 15% to 1,175,519 tonnes in 2008 from 1,025,293 tonnes in 2007.

- The Company achieved an average grade for 2008 of 4.01 grams per tonne, up from 3.96 grams per tonne in 2007.

- During the year, the Company spent $143 million on capital expenditures primarily at Crocodile River and at Spitzkop.

3. Results of Operations for the quarter and year ended December 31, 2008

The following table sets forth selected consolidated financial information for the three months and years ended December 31, 2008 and 2007:

Table 1

Consolidated statements of operations

(Unaudited, expressed in thousands of U.S. dollars, except share and per share amounts)

	Three months ended December 31,		Twelve months ended Dec 31,	
	2008	2007	2008	2007
Revenue	$ 356	$ 34,126	$ 116,198	$ 119,234
Cost of operations				
Production costs	(18,524)	(20,947)	(79,961)	(78,979)
Depletion and depreciation	(1,071)	(5,148)	(14,599)	(11,513)
Mine operating earnings (loss)	(19,239)	8,031	21,638	28,742
Expenses				
General and administrative	(4,184)	(7,825)	(19,411)	(20,092)
Stock-based compensation	(2,445)	(10,197)	(4,290)	(24,475)
Operating loss	(25,868)	(9,991)	(2,063)	(15,825)
Other income (expense)				
Interest income	796	2,736	7,081	6,505
Interest expense	(730)	(1,231)	(3,551)	(5,411)
Foreign exchange loss	(3,255)	(260)	(2,155)	(8,484)
Loss before income taxes and non-controlling interests	(29,057)	(8,746)	(688)	(23,215)
Future income tax (expense) recovery	21,040	(1,263)	13,623	(349)
Non-controlling interests	2,275	(805)	3,429	(3,272)
Net income (loss) for the period	(5,742)	(10,814)	16,364	(26,836)
Basic and diluted income (loss) per share	$ (0.01)	$ (0.02)	$ 0.02	$ (0.04)
Weighted average common shares outstanding				
Basic	680,505,530	668,475,351	677,116,680	616,027,477
Fully diluted	680,505,530	668,475,351	687,581,138	616,027,477

Consolidated balance sheets	December 31, 2008	December 31, 2007
Total assets	$ 872,227	$ 1,063,076
Total long-term liabilities	$ 123,341	$ 155,632

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). All financial data previously reported in Canadian dollars have been converted to U.S. dollars.

Table 2

Selected quarterly data

	2008				**2007**			
	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31
Revenues	$ 356	$ 9,291	$ 50,143	$ 56,408	$ 34,126	$ 31,452	$ 22,324	$ 31,332
Cost of operations	(19,595)	(25,345)	(25,508)	(24,112)	(26,095)	(24,388)	(17,528)	(22,481)
Mine operating earnings (loss)	(19,239)	(16,054)	24,635	32,296	8,031	7,064	4,796	8,851
Expenses (G&A and stock-based compensation)	(6,629)	(5,863)	(5,649)	(5,560)	(18,022)	(3,534)	(6,691)	(16,320)
Operating income (loss)	(25,868)	(21,917)	18,986	26,736	(9,991)	3,530	(1,895)	(7,469)
Net income (loss)	$ (5,742)	$ (10,561)	$ 12,705	$ 19,962	$ (10,814)	$ (1,390)	$ (4,693)	$ (9,939)
Income (loss) per share - basic	$ (0.01)	$ (0.02)	$ 0.02	$ 0.03	$ (0.02)	$ -	$ (0.01)	$ (0.02)
Income (loss) per share - diluted	$ (0.01)	$ (0.02)	$ 0.02	$ 0.03	$ (0.02)	$ -	$ (0.01)	$ (0.02)
Average foreign exchange rates								
South African Rand to US dollar	0.1008	0.1285	0.1287	0.1328	0.1478	0.1409	0.1410	0.1381
Canadian dollar to US dollar	0.8252	0.9603	0.9901	0.9955	1.0189	0.9572	0.9102	0.8536
Period end foreign exchange rates								
South African Rand to US dollar	0.1076	0.1197	0.1280	0.1229	0.1453	0.1454	0.1416	0.1368
Canadian dollar to US dollar	0.8210	0.9397	0.9807	0.9742	1.0088	1.0052	0.9386	0.8661

3.1 Mining operations at Crocodile River Mine (“CRM”)

The following is a summary of CRM’s operations for each of the quarters of 2008 and 2007:

Table 3

Crocodile River Mine operations	Three months ended							
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	Dec 31, 2007	Sept 30, 2007	June 30, 2007	March 31, 2007
Key financial statistics								
(amounts stated in thousands of U.S. dollars, except per ounce data)								
Revenue	$ 356	$ 9,291	$ 50,143	$ 56,408	$ 34,126	$ 31,452	$ 22,324	$ 31,332
Cost of operations								
Production costs	(18,524)	(20,629)	(21,058)	(19,750)	(20,947)	(20,416)	(17,291)	(19,763)
Depletion and depreciation	1,998	(4,716)	(4,450)	(4,362)	(5,148)	(3,972)	(237)	(2,718)
Mine operating earnings (loss)	(16,170)	(16,054)	24,635	32,296	8,031	7,064	4,796	8,851
EBITDA (1)	$ (18,168)	$ (11,338)	$ 29,085	$ 36,658	$ 13,179	$ 11,036	$ 5,033	$ 11,569
Sales - PGM ounces	29,015	30,758	30,311	27,825	26,632	29,417	25,111	26,807
Average realized price per ounce (2)	$ 550	$ 1,193	$ 1,657	$ 1,621	$ 1,305	$ 1,088	$ 1,113	$ 1,130
Average basket price	$ 655	$ 1,438	$ 1,969	$ 1,927	$ 1,551	$ 1,293	$ 1,322	$ 1,343
Cash costs per ounce of PGM (1)	$ 628	$ 672	$ 696	$ 698	$ 774	$ 637	$ 702	$ 704
Key production statistics								
Total tonnes processed	298,514	317,602	337,471	349,497	383,159	399,022	369,453	415,112
Hard rock tonnes processed	298,514	305,490	313,767	257,748	275,972	277,348	258,927	213,046
Tailings tonnes processed	-	12,112	23,704	88,948	88,380	59,228	26,357	-
Third party ore processed	-	-	-	2,801	18,807	62,446	84,169	202,066
Development meters	4,604	5,599	5,575	4,409	4,759	4,868	4,807	3,687
On-reef development meters	2,922	3,556	3,230	2,343	2,814	2,570	1,767	2,391
Hard rock recovery at concentrator	76%	78%	73%	78%	72%	72%	69%	73%
Metal in concentrate sold (ounces)								
Platinum (Pt)	14,466	15,393	15,333	13,684	13,264	14,630	12,829	14,303
Palladium (Pd)	6,690	6,973	6,777	6,201	6,013	6,727	5,605	5,842
Rhodium (Rh)	2,451	2,581	2,543	2,335	2,182	2,418	2,002	1,782
Gold (Au)	121	123	132	121	154	166	137	715
Iridium (Ir)	979	1,083	994	1,078	955	1,056	885	787
Ruthenium (Ru)	4,308	4,605	4,532	4,405	4,064	4,420	3,654	3,378
Total PGM ounces	29,015	30,758	30,311	27,825	26,632	29,417	25,111	26,807

(1) These are non-GAAP 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.

<u>Quarter ended December 31, 2008 compared to the quarter ended December 31, 2007 (“Q4 2007”)</u>

The Company recorded revenue of $356,000 in Q4 2008. This amount represents revenues recorded when PGM concentrates are physically delivered to the buyer, less 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. Because of the sharp decline in PGM prices in Q4 2008, concentrate deliveries made prior to Q4 2008 were settled in Q4 2008 at much lower prices than those in effect on the dates of the deliveries. Certain Q3 2008 and all Q4 2008 deliveries which do not settle until 2009 have also been marked-to-market and recorded at the net basket prices for delivered PGM concentrates in December 2008. As a result, negative provisional price adjustments totalling $16,698,000 were recorded during the quarter against revenue of $17,054,000 prior to these adjustments.

The delivered price per ounce was $550 in Q4 2008 compared to $1,305 in Q4 2007 as a result of a sharp decline in PGM prices commencing in August 2008. The delivered price per ounce refers to the PGM prices in effect at the time the PGM concentrates are delivered.

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 December 31, 2008	Year ended December 31, 2008
Revenue before provisional price adjustments	$ 17,054	$ 141,360
Provisional price adjusments		
Adjustments to revenue upon settlement of prior periods' sales	(9,515)	6,315
Adjustments to revenue for PGM concentrate sold and settled in the current period	-	(24,294)
Mark-to-market adjustment on sales not yet settled at end of period	(7,183)	(7,183)
Revenue as reported in the income statement	$ 356	$ 116,198

PGM ounces sold were up by 9% in Q4 2008 compared to Q4 2007 as a result of increased recovery rates (76% in Q4 2008 compared to 72% in Q4 2007), an 8% increase in hard rock tonnes mined (298,514 tonnes in Q4 2008 compared to 275,972 tonnes in Q4 2007), and a slight increase in grades (3.98 g/tonne in Q4 2008 compared to 3.87 g/tonne in Q4 2007). Mill run time also improved from 83% in Q4 2007 to 87% in Q4 2008. Total tonnage processed decreased by 22% as a result of a planned reduction in the treatment of low grade tailings as the current tailings area was depleted. Planning is in progress to more effectively treat tailings from the existing dam.

Total development for the quarter was 4,604 metres, comparable to the 4,759 metres achieved in Q4 2007, and on-reef development increased by 4% to 2,922 metres from 2,814 metres in Q4 2007. The Company has experienced a continued improvement in mining operations as a result of increasing the level of on-reef development which has successfully enabled an improvement in mining flexibility necessary to maintain the planned production build-up at the mine. On-reef development is expensed for accounting purposes.

As expected, recovery rates increased from 72% in Q4 2007 to 76% in Q4 2008 as the concentrator achieved steady state operating conditions subsequent to its upgrades during Q2 2008.

Operating cash costs, a non-GAAP measure, decreased 19% to $628 per ounce in Q4 2008 compared to $774 per ounce in Q4 2007 even as total cash operating costs in Rand were up by 29% compared to Q4 2007. The increase in Rand operating cash costs was due to a general 10% rate of inflation on labour and consumables, particularly steel, fuel-related expenditures and mine supplies, and increased costs associated with higher mining volumes and production throughout 2008. This was largely offset by a 46% rise in the value of the U.S. dollar relative to the Rand between Q4 2007 and Q4 2008. A reconciliation of production costs, as reported in the income statement, to cash operating costs, is shown under Section 3.2 below under CRM non-GAAP measures.

Since the end of the second quarter of 2008, the chrome recovery circuit at CRM has produced commercial quantities of chrome as a by-product of PGM production. A total of 69,900 tonnes of chrome was produced in Q4 2008, of which 13,000 tonnes were sold for total proceeds of $1,187,000. Operating cash costs dropped to $578 per ounce net of by-product credits. Operating cash costs net of by-product credits is also a non-GAAP measure. The chrome recovery circuit also significantly reduced chrome penalties in the PGM concentrate from $2,146,000 in Q4 2007 to $344,000 in Q4 2008.

In Q4 2008, CRM suffered six lost time injuries (an improvement from eight lost time injuries in Q3 2008) resulting in a Lost Time Injury Frequency Rate ("LTIFR") of 1.94 (3.07 in Q4 2007). The Company's twelve month rolling LTIFR of 2.35 to December 31, 2008 compares favorably with other platinum producers in South Africa.

In December 2008, the Company increased its direct shareholding in Barplats to 74.99% and at the same time increased its ownership in Gubevu to 49.9%, in each case by way of equity investments. The total net cost to the Company to effect these ownership increases was US$38,589,000.

Concurrent with these transactions, the majority interest in Gubevu, previously held by a consortium headed by Dr. Penuell Maduna, was acquired by Usiba Resources (Pty) Ltd. ("Usiba"), a South African company controlled by Mr. Zwelakhe Sisulu. Mr. Sisulu is a former Chairman of New Africa Investments Limited and a prominent businessman involved in South Africa's media, telecoms, agri-business, and manufacturing, as well as in the minerals sector through his shareholding in Savannah Resources, which has an approximate 20% shareholding in Aquarius Platinum Limited. Mr. Sisulu also controls Afriminerals, the Company's BEE partner in the Spitzkop PGM project.

Year ended December 31, 2008 compared to year ended December 31, 2007

In 2008, the Company produced 117,909 PGM ounces, an increase of 9% compared to 2007, primarily as a result of improved recovery rates (76% in 2008 compared to 72% in 2007), a 15% increase in hard rock tonnes processed (1,175,519 tonnes in 2008 compared to 1,025,293 tonnes in 2007), a 26% increase in on-reef development metres (12,051 metres in 2008 compared to 9,542 metres in 2007) and slightly higher grades (4.01 g/t in 2008 compared to 3.96 g/t in 2007). This is partially offset by lower tailings tonnes processed in 2008 and the elimination of third party ore purchases in late 2007. Ounces produced from third party ore in 2007 totalled 10,470 ounces. Excluding ounces from third party ore, the Company's production from its own ore increased by 21% over 2007.

The average delivered prices per ounce were $1,204 in 2008 and $1,158 in 2007.

Operating cash costs of $674 per ounce were achieved in 2008, compared to $699 per ounce in 2007. Total cash operating costs in Rand were up by 36% compared to 2007. The increase in Rand operating cash costs was due to a general 10% rate of inflation, and increased costs associated with higher mining volumes and production throughout 2008. A 17% rise in the value of the U.S. dollar relative to the Rand between 2007 and 2008, as well as a 21% increase in PGM ounces produced from CRM ore in 2008, both combined to offset the increase in total Rand operating cash costs. A reconciliation of production costs, as reported in the income statement, to cash operating costs, is shown under Section 3.2 below under CRM non-GAAP measures.

3.2 CRM non-GAAP measures

The Company believes that conventional measures of performance prepared in accordance with Canadian GAAP do not fully illustrate the ability of its operations to generate cash flow. Therefore, the Company has included certain non-GAAP measures in this MD&A to supplement its financial statements which are prepared in accordance with Canadian GAAP. These non-GAAP measures do not have any standardized

meaning prescribed under Canadian GAAP, 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") at CRM. This is a liquidity non-GAAP 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-GAAP measure which is a common performance measure used in the precious metals industry.

The following table provides a reconciliation of EBITDA and cash operating costs per ounce of PGM sold to the financial statements:

Table 5

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

	Three months ended		Year ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Mine operating earnings (loss)	$ (19,239)	$ 8,031	21,638	28,742
Depletion and depreciation	1,071	5,148	14,599	11,601
EBITDA (1)	(18,168)	13,179	36,237	40,343
Production costs as reported	18,524	20,947	79,961	79,280
Less overhead and miscellaneous costs (2)	(303)	(322)	(547)	(3,415)
Cash operating costs	18,221	20,625	79,414	75,865
Less by-product credits - chrome revenues and adjustments	(1,450)	-	(6,090)	-
Cash operating costs net of by-product credits	16,771	20,625	73,324	75,865
Ounces sold	29,015	26,632	117,909	107,967
Cash cost per ounce sold	$ 628	774	674	699
Cash cost per ounce sold net of by-product credits	$ 578	774	$ 622	699

(1) EBITDA includes provisional price adjustments, chrome revenues and chrome penalties, but does not include non-operating general and administrative expenses at CRM.

(2) Overhead costs include costs such as safety, housing, technical services and planning, net of residual revenues or adjustments.

During the quarter, the Company recorded a negative EBITDA of $18,168,000 as a result of negative provisional price adjustments of $16,698,000 arising from the settlement of PGM concentrate sales three to five months following their delivery dates and from the significant drop in PGM prices since June 30, 2008. Without the effect of negative price adjustments, EBITDA would have been negative $1,470,000.

Q3 2008 was the first full quarter that CRM's chrome recovery circuit was in full operation. As a result, chrome penalties present in PGM concentrates have been significantly reduced and commercial quantities of chrome were produced and sold as a by-product of PGM production. Cash cost per PGM ounce in Q4 2008 was $578 net of chrome by-product credits.

3.3 Development projects

3.3.1 CRM

In 2008, the Company spent approximately$131 million primarily on ongoing underground development at the Zandfontein section of CRM, the completion of the vertical shaft and the chrome recovery plant, development work at the Crocette and Kareespruit sections of CRM and a surface exploration drilling programme across all CRM properties which commenced in July 2007 and was completed in December 2008.

Vertical Shaft

At the Zandfontein section of the CRM, equipping of the vertical shaft was completed during 2008. The headgear, which previously stood over one of the two 1,000-metre deep shafts at Kennedy's Vale, was successfully repositioned over the Zandfontein shaft and all supporting infrastructure was installed. This work was carried out without any serious incidents.

The shaft has been used successfully for hoisting men and material, and in December 2008, hoisting of waste rock began. The shaft hoisting capacity will be 120,000 tonnes per month, andthe shaft, along with the concurrent decline development, will allow access into the lower parts of the ore body approximately 6 months earlier than would have otherwise been possible.

Chrome Recovery Plant

The concentrator produces a UG2 flotation concentrate which is sent, under a long term contract, to a third party for smelting and refining. PGM smelters typically charge penalties for concentrate which contains in excess of a specified percentage of chromite. The chrome recovery plant at CRM, which became fully integrated in June 2008 and is operating successfully, has provided three main benefits – a reduction in chrome penalties for concentrate sales, additional revenue from the sale of chromite and an increase in capacity in the secondary milling and flotation circuits resulting from the early removal of chromite in the concentration process. PGM losses to the chrome concentrate have been minimal.

Crocette

In March 2008, initial mine development commenced in the Crocette section at CRM, which would provide incremental production without the requirement for significant capital expenditure as the reefs can be accessed from surface and the ore treated at the nearby CRM concentrator. Underground development intersected the ore body in September 2008. However, following the recent significant downturn in the platinum group metals prices and the global economy, the development of the Crocette section was put on care and maintenance while the Company focused on increasing production from existing mining areas. At full production, the Crocette section is expected to produce up to 40,000 tonnes of ore per month enabling CRM to mine a total of 200,000 tonnes per month.

Drilling Programs

Delineation and evaluation drilling for the year was focused on completing the resource upgrade drilling at Crocette and the UG2 orebody has been confirmed to a depth of over 200 metres by exploration drilling which included 88 holes drilled over 17,385 metres with 79 UG2 intersections.

At Kareespruit, the previously announced drilling programme has progressed and between July 2007 and December 2008, 38,346 metres were drilled with 89 UG2 reef intersections. The Company is awaiting final assay results for this drilling programme. In Q4 2008, the pre-feasibility study on Kareespruit was suspended due to depressed PGM prices.

3.3.2 Spitzkop/Kennedy's Vale

The Company spent $50 million on the Spitzkop/Kennedy's Vale project during 2008.

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 updip 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.

During 2008, work on the basic engineering for trial mining was completed and long lead items such as mills and mining equipment were purchased or ordered. The box-cuts for both the Merensky Reef and UG2 declines were completed. Due to the current market environment, development of the declines was suspended at a depth of about 180 metres. Equipment purchased will be stored and continuation of the declines will be temporarily suspended until PGM prices improve.

A draft report on accessing the vertical shafts at Kennedy's Vale to conduct trial mining has been received and is being reviewed.

3.3.3 Mareesburg

A new order mining right application was submitted in December 2007 which supports the Company's intention to commence mining when PGM prices improve. An updated feasibility study for the Mareesburg open pit is expected to be completed in 2009.

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 and CRM administrative offices. Such costs include legal and accounting, regulatory, executive management fees, investor relations, travel and consulting fees. G&A decreased by 47% to $4,184,000 in Q4 2008 from $7,825,000 in Q4 2007. The decrease was primarily due to termination payments of $2,726,000 made to former executives and an officer of the Company as well as costs incurred in the delisting of Barplats shares from the Johannesburg Stock Exchange. For the years ended December 31, 2007 and 2008, G&A decreased from $20,092,000 to $19,411,000. Without the effect of the termination payments and the delisting of the Barplats shares, the Company experienced a slight increase in G&A compared to 2007, mainly due to the hiring of senior personnel in Vancouver and in Johannesburg in late 2007 to oversee the Company's expansion projects and operations, combined with the increase in outsourced services and insurance costs in South Africa. Given the current downturn in the economy and the curtailment and postponement of some of the Company's projects, the trend was for G&A expenses to decrease beginning in Q4 2008 and continuing into 2009.

During the year ended December 31, 2008, the Company's board of directors granted 19,856,000 stock options to employees, officers and directors. 18,356,000 of these options were granted in December 2008. Stock based compensation for the three months and for the year ended December 31, 2008 was $2,445,000 and $4,290,000, respectively. The Company had a 10% rolling stock option plan which expired on March 31, 2008. At the Company's annual general meeting on June 4, 2008, shareholders approved a new stock option plan which allows for the grant of options to purchase up to a maximum of 75,000,000 common shares of the Company.

Interest income recorded during the quarter ended December 31, 2008 was $796,000 compared with $2,736,000 in the same period in 2007. The decrease in interest income was due to lower average cash balances and lower interest rates in the three months ended December 31, 2008 compared to the same period in 2007. Interest income during the year ended December 31, 2008 was $7,081,000 compared with $6,505,000 in 2007. The increase in interest income was the result of the Company's higher average cash balances during the twelve months ended December 31, 2008 as compared with the same period in 2007. The Company raised Cdn$200 million from a financing completed in May 2007.

Interest expense is comprised primarily of interest on advances from PGM sales, interest on equipment financing in South Africa, and interest on debt related to Gubevu Consortium Holdings (Pty) Ltd. Interest expense in the quarter ended December 31, 2008 was $730,000 compared with $1,231,000 in the same period in 2007. Interest expense for the year ended December 31, 2008 was $3,551,000 compared with $5,411,000 in 2007. The higher interest expense balances in 2007 were the result of higher interest rates in 2007, and higher debt and equipment lease balances in 2007.

During the three months ended December 31, 2008 the Company recorded an income tax recovery of $21,040,000. During the year ended December 31, 2008, the Company recorded an income tax recovery of $13,623,000. The recoveries were based on net losses generated at CRM during the period as well as to an expected reduction of future tax rates in South Africa, from 29% to 28%. The consolidated balance sheet reflects a total net future income tax liability of $117,234,000 which arose primarily as a result of the step-up to fair value of the net assets acquired on the Barplats and Gubevu business acquisitions during the years ended June 30, 2006, June 30, 2007, and December 31, 2008.

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4. Liquidity and Capital Resources

At December 31, 2008, the Company had working capital of $35,328,000 (December 31, 2007 – $196,681,000) and cash and cash equivalents and short-term investments of $61,063,000 (December 31, 2007 – $189,856,000) in highly liquid, fully guaranteed, bank sponsored instruments.

The Company had no long-term debt at December 31, 2008, other than asset retirement obligations relating primarily to its Crocodile River Mine, and capital lease obligations relating to mining vehicles with lease terms of five years with options to purchase for a nominal amount at the conclusion of the lease. See Contractual Obligations under Section 4.3 below.

4.1 Outlook

The significant decline in the prices of platinum group metals (PGMs) during the last four months of 2008 has had a negative impact on the Company's profitability. In Q4 2008, the strengthening of the U.S. dollar relative to the South African Rand partially offset this negative impact. With the current global economic uncertainty, the Company anticipates that PGM prices will remain depressed and the Rand-U.S. dollar exchange rate will remain volatile in the near term. Based on current PGM prices, the current value of the U.S. dollar, and planned production levels at CRM, and after the effects of negative price adjustments as discussed in Section 3.1, the Company expects to resume generating positive cash flows in the first half of 2009, albeit at significantly lower levels than earlier in 2008.

In light of the current market environment, the Company's near-term goal is to preserve its cash balances to the greatest extent possible, by minimizing operating costs and by curtailing capital expenditures. In that regard, the Company is currently reviewing its operations at CRM with a view to optimizing efficiencies and reducing costs wherever possible without compromising safety, health or environmental standards. The Company is also reassessing the project economics and the previously planned capital budget for the Crocette section at CRM and for the Spitzkop and Mareesburg projects on the Eastern Limb, with a view to determining an appropriate development schedule given 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 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 current market conditions persist for an extended time and PGM 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 tightening credit markets that may 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.

The Company has assessed the carrying values of its mineral properties as a result of the market downturn. In the last few months, declining PGM prices as a result of the global economic uncertainty, and negative market sentiment have lead to the Company's market capitalization dropping below its book value as at December 31, 2008. Based on current and expected PGM prices and cost structures, management has determined that the values of the Company's mineral properties have not been impaired at this time. However, should current market conditions and commodity prices worsen and/or persist for a prolonged period of time, an impairment of mineral properties may be required. See Section 6.1 for a further discussion on the Company's impairment evaluations.

4.2 Share Capital

During the three months ended December 31, 2008, the Company granted 18,356,000 stock options with an exercise price of Cdn$0.32 and expiry date of December 18, 2013, giving rise to stock based compensation expense of $2,445,000 for the quarter. During the same period, 275,000 options were exercised at a weighted average exercise price of Cdn$0.56.

During the year ended December 31, 2008, the Company granted 19,856,000 stock options with an average exercise price of Cdn$0.55 and expiry dates of December 18, 2013 to March 27, 2018. Stock based compensation expense during the year was $4,290,000. During the same period, 845,000 options were exercised at a weighted average exercise price of Cdn$1.26 for proceeds of Cdn$619,800. 260,000 of these options were exercised without cash payment under the "Share Appreciation Rights" clause in the Stock Option Plan. 10,824,077 warrants were exercised at a weighted average exercise price of Cdn$1.97 per common share for proceeds of Cdn$21,367,000.

On April 25, 2008, the Company's warrants that trade on the Toronto Stock Exchange under the symbol "*ELR.WT*" expired. A total of 1,937,977 warrants expired unexercised.

On March 28, 2009, the Company's warrants that trade on the Toronto Stock Exchange under the symbol *"ELR.WT.A"* expired. A total of 58,485,996 warrants expired unexercised.

As at March 31, 2009, the Company had:

- 680,526,454 common shares outstanding; and
- 61,476,000 stock options outstanding, which are exercisable at prices ranging from Cdn$0.32 to Cdn$3.38 most of which expire between 2011 and 2018.

4.3 Contractual Obligations and Commitments

The Company's major contractual obligations and commitments at December 31, 2008 were as follows:

Table 6

(in thousands of U.S. dollars)	Total	Less than 1 year	1-5 years	More than 5 years
Asset retirement obligations	$ 11,197	$ -	$ -	$ 11,197
Capital expenditure contracted at December 31, 2008 but not recognized on the balance sheet	23,174	22,725	449	-
Capital lease obligations	4,746	1,102	3,644	-
Obligations related to Gubevu acquisition	2,983	2,983	-	-
	$ 42,100	$26,810	$ 4,093	$ 11,197

Pursuant to the Company's acquisition of a 42.39% interest in Gubevu Consortium Holdings (Pty) Ltd. ("Gubevu") during the year ended June 30, 2007, the Company entered into an agreement to pay an unrelated third party certain amounts that existed in the underlying Gubevu agreements as an obligation of Gubevu. As at June 30, 2007, the total payable was R55.4 million of which half was paid in June 2008. The remaining amount, which is due in June 2009, has been recorded at a discounted value of $2,843,000 (27.7 million Rand) and has been included in current loans in the financial statements.

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5. Related Party Transactions

A number of the Company's executive officers are engaged under contract with those officers' personal services companies. During the three months and year ended December 31, 2008 the Company paid $378,000 and $1,549,000 respectively for management fees, consulting fees and reimbursements of expenses to private companies controlled by officers and directors of the Company, compared to $3,149,000 and $3,805,000 respectively during the same three and twelve month periods in 2007. The decrease compared to the prior period is mostly due to the termination payment of $2,252,000 payable to an officer of the Company in 2007.

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

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6. Critical Accounting Policies and Estimates

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes to be reasonable under the circumstances, and require judgement on matters which are inherently uncertain. A summary of the Company's significant accounting policies is set forth in Note 2 of the consolidated financial statements for the year ended December 31, 2008.

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

6.1 Property, plant and equipment

Property, plant and equipment are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to operations. Capitalized costs are depreciated and depleted using either the unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives.

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

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the

Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

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

Based on impairment analyses, it was determined that none of the Company's mineral properties were impaired as of December 31, 2008. The PGM prices used in these analyses were based on the average future PGM price estimates of a number of independent industry and financial analysts. If price and other assumptions prove to be inaccurate, or if PGM prices remain at or below values which existed as at December 31, 2008 for a prolonged period, then material asset impairment charges may be required in the future.

6.2 Revenue recognition

Revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the PGMs transfers to the customer. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the metal prices on those dates. The actual amounts will be reflected in revenue upon final settlement, which are three and five months after the date of shipment. These adjustments reflect changes in metal prices and changes in qualities arising from final assay calculations. Prices of PGMs have declined significantly since August 2008, resulting in the Company recording negative price adjustments of $16,698,000 during the fourth quarter of 2008.

6.3 Stock-based compensation

The Company applies the fair-value method of accounting in accordance with the recommendations of CICA Handbook Section ("CICA 3870"), "*Stock-based Compensation and Other Stock-based Payments*". Under this method, stock-based compensation expense is calculated using the Black-Scholes option pricing model with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. During the year ended December 31, 2008, the Company's assumptions for the calculation included a risk-free interest rate of 1.54%, expected life of the options of 3 years, no dividends, and an annualized volatility of the Company's shares of 74%. The resulting weighted average option valuation was Cdn.$0.23 per share for a total stock-based compensation expense of $4,290,000in 2008 (2007 - $10,251,000).

6.4 Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an asset retirement obligation is recognized in the period incurred. The net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. The liability is accreted over time through periodic charges to operations and it is reduced by actual costs of reclamation.

The Company's estimates of reclamation costs are based on the Company's interpretation of current regulatory requirements and these estimates could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. A change in estimated discount rates is reviewed annually or as new information becomes available. Expenditures relating to ongoing environmental programs are charged against operations as incurred or capitalized and amortized depending on their relationship to future earnings. At December 31, 2008, the expected present value of future rehabilitation costs at the Crocodile River Mine was approximately $2.8 million using a discount rate of 13%. The undiscounted value was approximately $11.2 million. The Company has not recorded any future rehabilitation costs for its Spitzkop, Mareesburg and Kennedy's Vale projects as these costs are currently determined to be immaterial.

7. Adoption of New Accounting Standards and Pronouncements under Canadian GAAP

Effective January 1, 2008, the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants:

- CICA Handbook Sections 3862 *"Financial Instruments – Disclosures"* and Section 3863 *"Financial Instruments – Presentation"* replace Section 3861 *"Financial Instruments – Disclosure and Presentation"*. The new standards carry forward the presentation requirements for financial instruments and enhance the disclosure requirements by placing increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

- CICA Handbook Section 1535 requires the company to disclose (a) its objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with any capital requirements; and (d) if it has not complied, the consequences of such non-compliance.

- CICA Handbook Section 3031 replaced the existing inventories standard. The new standard requires inventory to be valued on a first-in, first-out or weighted average basis, which is consistent with the Company's current treatment.

8. Adoption of International Financial Reporting Standards

The Company's South African subsidiaries prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board. The subsidiaries' statements are adjusted to Canadian GAAP for the consolidated financial statements. In February 2008, the CICA announced that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises would be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Companies wishing to adopt earlier than 2011 may do so by application to their applicable securities commission.

In 2008, the Company's management assessed the impact of an early adoption to IFRS and concluded that early adoption would be beneficial to shareholders. An application for early adoption was submitted to the British Columbia and Ontario Securities Commissions (the "Commissions") in November 2008.

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 financial statements prepared under IFRS will be the interim

financial statements for the three months ended March 31, 2009, which will include full disclosure of all new IFRS policies.

8.1 IFRS conversion plan

In 2008, the Company designed a comprehensive IFRS conversion plan which addressed changes in accounting policies, restatement of comparative periods, organization, internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired a Manager of Financial Reporting to be responsible for the IFRS conversion project. In addition, the Company's Canadian accounting staff attended training courses on the adoption and implementation of IFRS. The Company's South African accounting staff is familiar with IFRS due to the local adoption of IFRS in 2005. Through in-depth training and preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its finance department has obtained a thorough understanding of IFRS.

In Q4 2008, the Company reviewed its existing accounting system along with its internal and disclosure control processes and concluded that they would not need significant modification as a result of the Company's conversion to IFRS.

The following discussion sets forth the process for the initial adoption of IFRS and its impact, to the extent known, on the Company's consolidated balance sheet as at January 1, 2008 and December 31, 2008, and the Company's consolidated statement of operations for the year ended December 31, 2008. The Company has presented reconciliations of the significant, identified Canadian GAAP to IFRS differences below. These reconciliations are unaudited.

8.2 Initial adoption of International Financial Reporting Standards

IFRS 1 *"First-time Adoption of International Financial Reporting Standards"* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional balance sheet date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening balance sheet dated January 1, 2008:

(i) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company will take advantage of this election and will apply IFRS 3 to business combinations that occurred on or after January 1, 2008.

(ii) Cumulative translation differences

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and will eliminate the cumulative translation difference and adjust retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS shall not affect the gain or loss on disposal.

(iii) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2008.

(iv) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 *Business Combinations* retrospectively, IAS 27 *Consolidated and Separate Financial Statements* must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company will be applying the following guidelines to its opening balance sheet dated January 1, 2008:

(v) Assets and liabilities of subsidiaries, associates and joint ventures

In accordance with IFRS 1, if a parent company adopts IFRS subsequent to its subsidiary, associate or joint venture adopting IFRS, the assets and the liabilities of the subsidiary, associate or joint venture are to be included in the consolidated financial statements at the same carrying amounts as in the financial statements of the subsidiary, associate or joint venture. The Company will apply this guideline.

(vi) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2008 are consistent with its Canadian GAAP estimates for the same date unless evidence was obtained that indicated that the estimates were in error.

The January 1, 2008 Canadian GAAP balance sheet has been reconciled to IFRS. This reconciliation has not been audited.

(Stated in millions of U.S. dollars)

	Note	January 1, 2008 Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash and cash equivalents		$ 19	$ -	$ 19
Short-term investments		171	-	171
Trade receivables		33	-	33
Inventories		7	-	7
		230	-	230
Property, plant and equipment	(v)	813	2	815
Refining contract		18	-	18
Investments		1	-	1
Deferred tax asset	(b)	-	2	2
		$ 1,062	$ 4	$ 1,066
Liabilities				
Accounts payable and accrued liabilities	(v)	23	-	23
Current loans		4	-	4
		27	-	27
Provision for environmental rehabilitation	(v)	3	3	6
Capital leases		9	-	9
Deferred tax liability	(b)	150	2	152
		189	5	194
Shareholders' equity				
Issued capital		868	-	868
Equity reserve		27	-	27
Accumulated other comprehensive income	(ii)	23	(23)	-
Accumulated loss	(v)	(68)	22	(46)
Minority shareholder's interest		23	-	23
		(22)	(1)	(23)
		873	(1)	872
		$ 1,062	$ 4	$ 1,066

8.3 Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS will not change the Company's actual cash flows, it will result in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP income statement and balance sheet for the year ended December 31, 2008 have been reconciled to IFRS, with the resulting differences explained. The reconciliations have been presented in the same manner as the Canadian GAAP financial statements for the convenience of readers. The reconciliations presented herein are unaudited and do not show the presentation and disclosure required under IFRS.

(Stated in millions of U.S. dollars)

	Note	Year ended December 31, 2008 Canadian GAAP	Effect of Transition to IFRS	IFRS
Revenue		$ 116	$ -	$ 116
Cost of operations				
Production costs		80	-	80
Depletion and depreciation		15	-	15
		95	-	95
Mine operating earnings		21	-	21
Expenses				
General and administrative		19	-	19
Stock-based compensation		4	-	4
		23	-	23
Operating loss		(2)	-	(2)
Other income (expense)				
Interest income		7	-	7
Interest expense		(4)	-	(4)
Impairment loss	(a)	-	(314)	(314)
Foreign exchange loss		(2)	-	(2)
Loss before income taxes and non-controlling interests		(1)	(314)	(315)
Future income tax recovery	(b)	14	87	101
Non-controlling interests		3	-	3
Net earnings (loss) for the period		$ 16	$ (227)	$(211)

(a) Impairment

Canadian GAAP

- To determine if an asset is impaired, the asset's carrying value is compared to the undiscounted cash flows.

IFRS

- To determine if an asset is impaired, the asset's carrying value is compared to the discounted cash flows.

The Company completed an impairment review of its assets at January 1, 2008 and concluded that the assets were not impaired in accordance with IFRS. At December 31, 2008, the Kennedy's Vale mineral property was not impaired using undiscounted cash flows in accordance with Canadian GAAP, but was impaired in accordance with IFRS using discounted cash flows. An impairment of $314 million and an income tax recovery of $87 million has been recorded relating to the Kennedy's Vale impairment.

(Stated in millions of U.S. dollars)

	Note	December 31, 2008 Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash and cash equivalents		$ 26	$ -	$ 26
Short-term investments		35	-	35
Trade receivables		10	-	10
Inventories		4	-	4
Deferred tax asset		1	-	1
		76	-	76
Property, plant and equipment	(a) (c)	783	(275)	508
Refining contract		12	-	12
Investments		1	-	1
		$ 872	$ (275)	$ 597
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		37	-	37
Current portion of capital leases		1	-	1
Current loans		3	-	3
		41	-	41
Provision for environmental rehabilitation	(c)	3	3	6
Capital leases		3	-	3
Deferred tax liability		117	(77)	40
		164	(74)	90
Shareholders' equity				
Issued capital		890	-	890
Equity reserve		31	-	31
Accumulated other comprehensive income (loss)	(ii) (d)	(173)	4	(169)
Accumulated loss	(e)	(52)	(205)	(257)
Minority shareholder's interest		12	-	12
		(213)	(201)	(414)
		708	(201)	507
		$ 872	$ (275)	$ 597

(b) Deferred tax asset/liability

Canadian GAAP

- The sum of all subsidiaries' current future income tax assets and liabilities is equal to the net current future income tax asset/liability. The same is true for the consolidated non-current future income tax asset/liability.

IFRS

- If one subsidiary has a current future income tax asset and another subsidiary has a current future income tax liability, they cannot be combined on the consolidated financial statements to result in a net asset or net liability. Both the current future income tax asset and the current future income tax liability must be disclosed as separate line items on the consolidated financial statements. The same is true for the consolidated non-current future income tax asset/liabilities.

(c) Provision for environmental rehabilitation

Canadian GAAP – The calculation of asset retirement obligation ("ARO") uses credit-adjusted discount rates and contractors' costs. When ARO is revalued, any difference between the current and previous ARO is recorded against the asset.

IFRS – The calculation of the provision for environmental rehabilitation uses risk-adjusted discount rates and owners' costs, or risk-free discount rates with provisions for contingent costs. When the provision for environmental rehabilitation is revalued, any difference between the current and previous provision is allocated between the environmental asset and the expense.

(d) Accumulated other comprehensive income or loss

The Company's net assets have a different value in accordance with IFRS than in accordance with Canadian GAAP. This affects the Company's cumulative translation difference which affect accumulated other comprehensive income or loss.

(e) Accumulated profit or loss

As discussed above, the transition to IFRS resulted in adjustments to net income and retained earnings. These adjustments resulted in a corresponding adjustment to accumulated profit or loss.

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9. Risk Factors

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

9.1 Risks associated with the mining industry

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

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

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

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

9.2 Risks associated with the current global economic uncertainty

Since August 2008, there has been a negative trend towards metals prices and shares of mining companies as a result of the global economic uncertainty, declining confidence in financial markets, failures of financial institutions and concerns over the availability of credit. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms that are favourable to the Company. If market volatility and uncertainty continue or worsen, the Company's operations could be adversely impacted and the value of the Company's common shares could continue to be adversely affected, making accessibility to public financing even more difficult.

9.3 Risks associated with foreign currencies

The Company currently uses the South African Rand and the Canadian dollar as its functional currencies, and the U.S. dollar as its reporting currency. Operations at the Company's Crocodile River Mine ("CRM") are predominately conducted in Rand, with costs paid in Rand and revenues received in Rand, even though PGM prices are based in U.S. dollars. The Company does not hedge or sell forward any of its PGM production and is therefore exposed to exchange rate fluctuations. A deterioration of the U.S. dollar against the Rand could have an adverse effect on the earnings of CRM. Fluctuations in the exchange rate between the Canadian dollar and the Rand may also have a significant impact on the Company's results of operations and financial condition.

9.4 Risks associated with metals prices

Metals prices, particularly platinum prices, have a direct impact on the Company's earnings and the commercial viability of the Company's other mineral properties. Platinum is both a precious metal and an industrial metal. The most important industrial application of platinum is in automobiles as a catalytic converter. The current fundamentals of the platinum market are volatile – demand has decreased as a result of the slowdown in the auto sector in North America and Europe, and supplies are limited, as mining companies reduce exploration and development to preserve cash. Platinum prices experienced significant volatility in the last 18 months, and if the current imbalance between supply and demand continues, price volatility can be expected to continue. Some of the other key factors that may influence platinum prices are policies in the most important producing countries, namely South Africa and the Russian Federation, the amount of stockpiled platinum, economic conditions in the main consuming countries, international economic and political trends, fluctuations in the U.S. dollar and other currencies, interest rates, and inflation.

Prices for platinum and most of the other PGMs increased to all-time highs in early 2008, and as a result, the Company achieved record margins for its PGM sales during the first two quarters of the year. There is no assurance that PGM prices will return to these levels in the future.

The marketability of metals is also affected by numerous other factors beyond the control of the Company, including but not limited to government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted. A decline in the market price of PGMs mined by the Company may render ore reserves containing relatively low grades of mineralization uneconomic and may in certain circumstances lead to a restatement of reserves.

9.5 Risks associated with foreign operations

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

The Government of South Africa has promulgated the Mineral and Petroleum Resources Royalty Act, 2008. This act allows for a revenue based royalty on South African mining companies with an effective date of March 1, 2009. The royalty rate for unrefined minerals is based on a formula that references EBIT margins and is estimated to be approximately 2.55% of gross mining revenues. The effective date of the royalty has however been delayed to March 1, 2010. This delay was enacted in response to the impact of the global economic fallout on mining companies. The royalty is expected to have a negative impact on CRM's earnings in 2010.

9.6 Risks associated with the granting of exploration, mining and other licences

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

The Company's exploration and mining activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be granted for a defined period of time, or may not be granted, or may be withdrawn or made subject to limitations. There can be no assurance that such authorizations will be renewed following expiry or granted (as the case may be) or as to the terms of such grants or renewals. There is also no assurance that the issue of a reconnaissance, prospecting or exploration licence will ensure the subsequent issue of a mining licence. All 'old order' mineral rights in South Africa are subject to conversion into 'new order' mineral rights. New order prospecting rights for both the Spitzkop and the Mareesburg PGM Projects have been issued by the Department of Minerals and Energy ("DME"). CRM has been awarded three additional new order mining rights and now holds a total of 5 new order mining rights. Both the Kennedy's Vale Project and CRM have had new order prospecting rights granted on certain farms (currently holds 21 in total). Two new order prospecting right applications has been lodged for CRM. These applications are still pending approval. Application for new order mining rights for the Mareesburg and Spitskop projects have been made in the appropriate manner and such applications are currently being processed by the DME. The Company and its independent South African legal counsel are not aware of any reasons why the new order mining rights will not be issued by the DME.

10. Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with the Company's management, are responsible for the information disclosed in this MD&A and in the Company's other external disclosure documents. For the years ended December 31, 2008 and 2007, 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 as of the year ended December 31, 2008 and have concluded that the design and operation of the Company's DCP were effective as of December 31, 2008 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 Canadian GAAP. During 2008, 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 December 31, 2008.

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 variable interest entity.

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 December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

11. Cautionary Statement on Forward-Looking Information

This MD&A, which contains certain forward-looking statements, are 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.

March 31, 2009

Ian Rozier