Condensed consolidated interim financial statements of

# Eastern Platinum Limited

September 30, 2009
(Unaudited)

# Eastern Platinum Limited

September 30, 2009

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# Eastern Platinum Limited

## Condensed consolidated interim income statements

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

| | Note | **September 30, 2009 (3 months)** | September 30, 2008 (3 months) (Note 15) | **September 30, 2009 (9 months)** | September 30, 2008 (9 months) (Note 15) |
|---|---|---|---|---|---|
| **Revenue** | | **$ 27,365** | $ 9,224 | **$ 77,106** | $114,336 |
| Cost of operations | | | | | |
| Production costs | | **22,394** | 20,629 | **58,588** | 61,437 |
| Depletion and depreciation | | **4,308** | 4,743 | **12,111** | 13,617 |
| | | **26,702** | 25,372 | **70,699** | 75,054 |
| Mine operating earnings (loss) | | **663** | (16,148) | **6,407** | 39,282 |
| Expenses | | | | | |
| General and administrative | | **2,336** | 5,585 | **7,143** | 15,227 |
| Share-based payments | 11 | **109** | 411 | **444** | 2,240 |
| | | **2,445** | 5,996 | **7,587** | 17,467 |
| Operating (loss) profit | | **(1,782)** | (22,144) | **(1,180)** | 21,815 |
| Other income (expense) | | | | | |
| Interest income | | **448** | 2,297 | **1,437** | 7,981 |
| Finance costs | | **(332)** | (701) | **(1,159)** | (2,957) |
| Foreign exchange gain (loss) | | **652** | (28) | **(795)** | 1,100 |
| (Loss) profit before income taxes | | **(1,014)** | (20,576) | **(1,697)** | 27,939 |
| Deferred income tax recovery (expense) | | **1,645** | 6,363 | **3,934** | (7,417) |
| **Net profit (loss) for the period** | | **$ 631** | $ (14,213) | **$ 2,237** | $ 20,522 |
| **Attributable to** | | | | | |
| Non-controlling interest | 4 | **$ (1,208)** | $ (3,384) | **$ (3,083)** | $ (273) |
| **Equity shareholders of the Company** | | **$ 1,839** | $ (10,829) | **$ 5,320** | $ 20,795 |
| Earnings (loss) per share | | | | | |
| Basic | | **$ 0.00** | $ (0.02) | **$ 0.01** | $ 0.03 |
| Diluted | | **$ 0.00** | $ (0.02) | **$ 0.01** | $ 0.03 |
| Weighted average number of common shares outstanding in thousands | | | | | |
| Basic | | **680,558** | 680,245 | **680,541** | 675,979 |
| Diluted | | **687,018** | 680,245 | **686,112** | 705,249 |

# Eastern Platinum Limited

Condensed consolidated interim statements of financial position
as at September 30, 2009 and December 31, 2008
(Expressed in thousands of U.S. dollars - unaudited)

| | Note | **September 30, 2009** | December 31, 2008 (Note 15) |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | | **$ 8,762** | $ 25,806 |
| Short-term investments | | **14,144** | 35,257 |
| Trade receivables | | **24,484** | 9,431 |
| Inventories | 5 | **4,066** | 3,881 |
| | | **51,456** | 74,375 |
| Property, plant and equipment | 6 | **627,437** | 508,685 |
| Refining contract | 7 | **14,315** | 12,493 |
| Other assets | 8 | **1,983** | 1,017 |
| | | **$ 695,191** | **$ 596,570** |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | **$ 18,049** | $ 35,003 |
| Provisions | | **2,086** | 1,726 |
| Current portion of finance leases | | **893** | 649 |
| Current loans | | **157** | 2,972 |
| | | **21,185** | 40,350 |
| Provision for environmental rehabilitation | 9 | **7,275** | 5,598 |
| Finance leases | | **3,644** | 3,261 |
| Deferred tax liabilities | | **43,506** | 38,826 |
| | | **75,610** | 88,035 |
| **Capital and reserves** | | | |
| Issued capital | 11 | **890,062** | 890,049 |
| Equity reserve | | **32,265** | 31,827 |
| Currency translation adjustment | | **(63,523)** | (169,577) |
| Deficit | | **(250,446)** | (255,766) |
| | | **608,358** | 496,533 |
| Non-controlling interest | 4 | **11,223** | 12,002 |
| | | **619,581** | 508,535 |
| | | **$ 695,191** | $ 596,570 |

Approved by the Board and authorized for issue on November 9, 2009.

*"David Cohen"*
David Cohen, Director

*"Robert Gayton"*
Robert Gayton, Director

# Eastern Platinum Limited

Condensed consolidated interim statements of changes in equity
(Expressed in thousands of U.S. dollars - unaudited)

| | Issued Capital Shares | Issued Capital Amount | Equity Reserve | Currency Translation Adjustment | Deficit | Subtotal | Non-controlling Interest | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance, January 1, 2008 (Note 15)** | **669,031,691** | **$868,045** | **$27,428** | **$ -** | **$ (46,385)** | **$849,088** | **$ 23,133** | **$872,221** |
| Warrants exercised | 10,824,077 | 21,213 | - | - | - | 21,213 | - | 21,213 |
| Stock options exercised | 395,686 | 462 | (236) | - | - | 226 | - | 226 |
| Share-based payments | - | - | 2,240 | - | - | 2,240 | - | 2,240 |
| Currency translation | - | - | - | (119,671) | - | (119,671) | - | (119,671) |
| Net profit for the period | - | - | - | - | 20,795 | 20,795 | - | 20,795 |
| Non-controlling interest for the period | - | - | - | - | - | - | (3,896) | (3,896) |
| **Balance, September 30, 2008 (Note 15)** | **680,251,454** | **$889,720** | **$29,432** | **$(119,671)** | **$ (25,590)** | **$773,891** | **$ 19,237** | **$793,128** |
| Warrants exercised | - | (60) | - | - | - | (60) | - | (60) |
| Stock options exercised | 275,000 | 389 | 10 | - | - | 399 | - | 399 |
| Share-based payments | - | - | 2,385 | - | - | 2,385 | - | 2,385 |
| Currency translation | - | - | - | (49,906) | - | (49,906) | - | (49,906) |
| Net loss for the period | - | - | - | - | (230,176) | (230,176) | - | (230,176) |
| Non-controlling interest for the period | - | - | - | - | - | - | (7,235) | (7,235) |
| **Balance, December 31, 2008 (Note 15)** | **680,526,454** | **$890,049** | **$31,827** | **$(169,577)** | **$(255,766)** | **$496,533** | **$ 12,002** | **$508,535** |
| Stock options exercised | 35,659 | 13 | (6) | - | - | 7 | - | 7 |
| Share-based payments | - | - | 444 | - | - | 444 | - | 444 |
| Currency translation adjustment | - | - | - | 106,054 | - | 106,054 | - | 106,054 |
| Net profit for the period | - | - | - | - | 5,320 | 5,320 | - | 5,320 |
| Non-controlling interest for the period | - | - | - | - | - | - | (779) | (779) |
| **Balance, September 30, 2009** | **680,562,113** | **$890,062** | **$32,265** | **$ (63,523)** | **$(250,446)** | **$608,358** | **$ 11,223** | **$619,581** |

See accompanying notes to the unaudited condensed consolidated interim financial statements

# Eastern Platinum Limited

Condensed consolidated interim statements of comprehensive income (loss)
(Expressed in thousands of U.S. dollars - unaudited)

| | **September 30, 2009 (3 months)** | September 30, 2008 (3 months) (Note 15) | **September 30, 2009 (9 months)** | September 30, 2008 (9 months) (Note 15) |
|---|---|---|---|---|
| Net profit (loss) for the period | **$ 631** | $ (14,213) | **$ 2,237** | $ 20,522 |
| Other comprehensive income (loss) - currency translation adjustment | **24,012** | (45,367) | **106,054** | (119,671) |
| Comprehensive income (loss) | **$ 24,643** | $ (59,580) | **$ 108,291** | $ (99,149) |
| | | | | |
| Attributable to | | | | |
| Non-controlling interest | **$ (1,208)** | $ (3,384) | **$ (3,083)** | $ (273) |
| Equity shareholders of the Company | **$ 25,851** | $ (56,196) | **$ 111,374** | $ (98,876) |

# Eastern Platinum Limited

Condensed consolidated interim statements of cash flows

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

| | Note | 3 months ended | | 9 months ended | |
|---|---|---|---|---|---|
| | | **September 30, 2009** | September 30, 2008 (Note 15) | **September 30, 2009** | September 30, 2008 (Note 15) |
| **Operating activities** | | | | | |
| Net profit (loss) for the period | | **$ 631** | $ (14,213) | **$ 2,237** | $ 20,522 |
| Adjustments to net profit for non-cash items | | | | | |
| Depletion and depreciation | | **4,308** | 4,743 | **12,111** | 13,617 |
| Refining contract amortization | 7 | **354** | 355 | **964** | 1,078 |
| Share-based payments | | **109** | 411 | **444** | 2,240 |
| Interest income | | **(448)** | (2,297) | **(1,437)** | (7,981) |
| Finance costs | | **332** | 701 | **1,159** | 2,957 |
| Foreign exchange (gain) loss | | **(652)** | 28 | **795** | (1,100) |
| Deferred income tax (recovery) expense | | **(1,645)** | (6,363) | **(3,934)** | 7,417 |
| Adjustments to net profit for cash items | | | | | |
| Interest income received | | **491** | 2,864 | **1,290** | 7,803 |
| Finance costs paid | | **-** | (35) | **(11)** | (398) |
| Income taxes paid | | **-** | - | **(2,422)** | - |
| | | **3,480** | (13,806) | **11,196** | 46,155 |
| Net changes in non-cash working capital items | | | | | |
| Trade receivables | | **(1,492)** | 35,806 | **(9,435)** | 22,457 |
| Inventories | | **1,348** | (832) | **708** | (1,188) |
| Accounts payable and accrued liabilities | | **333** | 6,229 | **(17,020)** | 12,462 |
| | | **3,669** | 27,397 | **(14,551)** | 79,886 |
| **Investing activities** | | | | | |
| Maturity of short-term investments | | **2,552** | 101,224 | **22,647** | 163,604 |
| Purchase of other assets | | **(256)** | (29) | **(665)** | (84) |
| Property, plant and equipment expenditures | | **(3,930)** | (42,896) | **(22,929)** | (101,245) |
| Sale of property, plant and equipment | | **-** | - | **1,552** | - |
| | | **(1,634)** | 58,299 | **605** | 62,275 |
| **Financing activities** | | | | | |
| Common shares issued for cash, net of share issue costs | | **-** | - | **12** | 21,440 |
| Repayment of current loans | | **-** | (74) | **(3,065)** | (1,030) |
| Payment of finance leases | | **(1)** | 42 | **(619)** | (3,842) |
| | | **(1)** | (32) | **(3,672)** | 16,568 |
| Effect of exchange rate changes on cash and cash equivalents | | **246** | (7,104) | **574** | (8,253) |
| Increase (decrease) in cash and cash equivalents | | **2,280** | 78,560 | **(17,044)** | 150,476 |
| Cash and cash equivalents, beginning of period | | **6,482** | 90,734 | **25,806** | 18,818 |
| **Cash and cash equivalents, end of period** | | **$ 8,762** | $ 169,294 | **$ 8,762** | $ 169,294 |
| Cash and cash equivalents are comprised of: | | | | | |
| Cash in bank | | **$ 4,022** | $ 9,916 | **$ 4,022** | $ 9,916 |
| Short-term money market instruments | | **4,740** | 159,378 | **4,740** | 159,378 |
| | | **$ 8,762** | $ 169,294 | **$ 8,762** | $ 169,294 |

## 1. Nature of operations

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

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

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

## 2. Basis of preparation

In February 2009, the British Columbia and Ontario Securities Commissions granted the Company exemptive relief to adopt International Financial Reporting Standards ("IFRS") with an adoption date of January 1, 2009 and a transition date of January 1, 2008.

These condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in Note 15.

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

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 3(e), 3(l), and 3(r).

The standards that will be effective or available for voluntary early adoption in the financial statements for the year ending December 31, 2009 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies will be finalized when the first annual IFRS financial statements are prepared for the year ending December 31, 2009.

## 3. Summary of significant accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The Company's principal accounting policies are outlined below:

**3. Summary of significant accounting policies (continued)**

*(a) Basis of consolidation*

These condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries, including special purpose entities). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

Special Purpose Entities (''SPE's'') as defined by the International Accounting Standards Board ("IASB") in SIC 12 *Consolidation – Special Purpose Entities* are entities which are created to accomplish a narrow and well-defined objective (e.g. to act as a Black Economic Empowerment ("BEE") partner). SPE's are subject to consolidation when there is an indication that an entity controls the SPE. The Company has determined that its investment in Gubevu Consortium Holdings (Pty) Ltd. ("Gubevu") is a SPE that the Company controls. The accounts of Gubevu are consolidated with those of the Company.

*(b) Business combinations*

Business combinations that occurred prior to January 1, 2008 were not accounted for in accordance with IFRS 3 *Business Combinations* or IAS 27 *Consolidated and Separate Financial Statements* in accordance with the IFRS 1 *First-time Adoption of International Financial Reporting Standards* exemption discussed in Note 15(a).

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

**3. Summary of significant accounting policies (continued)**

*(c) Presentation currency*

The Company's presentation currency is the U.S. dollar ("$"). The functional currency of Eastern Platinum Limited and its South African subsidiaries is the Canadian Dollar and South African Rand ("ZAR"), respectively. These condensed consolidated interim financial statements have been translated to the U.S. dollar in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Subsequent to the adoption of IFRS, all resulting exchange differences are reported as a separate component of shareholders' equity titled "Cumulative Translation Adjustment".

*(d) Foreign currency translation*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the condensed consolidated interim income statements.

*(e) Measurement uncertainty*

The preparation of financial statements in conformity with IFRS 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, inventories, property, plant and equipment, provision for environmental rehabilitations, share-based payments, allocation of the purchase price of acquisitions and income and mining taxes.

Depreciation and depletion of property, plant and equipment assets are dependent upon estimates of useful lives and reserve 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 recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Provisions for environmental rehabilitations 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.

**3. Summary of significant accounting policies (continued)**

*(f) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. The following specific criteria must be met before revenue is recognized:

*(i) Sale of goods*

Revenue from the sale of platinum group and other metals is recognized when all of the following conditions are satisfied:

- the specific risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

The sale of platinum group metals is provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue on these sales is initially recognized (when the conditions above are met) at the current market price. Subsequent to initial recognition but prior to settlement, sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark to market adjustment is recorded in revenue.

*(ii) Rental income*

Rental income from residential properties is recognized as other income on a straight-line basis over the term of the lease.

*(iii) Interest income*

Interest income is recognized in the income statement as it accrues, using the effective interest method.

*(g) Share-based payments*

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.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

**3. Summary of significant accounting policies (continued)**

*(h) Finance costs*

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses on foreign currency borrowings.

*(i) Income taxes*

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the income statement.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities that do not affect accounting or taxable profit
- goodwill

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*(j) 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.

**3. Summary of significant accounting policies (continued)**

*(k) Comprehensive income (loss)*

Comprehensive income (loss) 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 profit 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 (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the condensed consolidated interim statements of comprehensive income (loss) and the condensed consolidated interim statements of changes in equity.

*(l) Property, plant and equipment*

*(i) Mining assets*

Mining assets are recorded at cost less accumulated depreciation and accumulated impairment losses. 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 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. Interest on borrowings incurred to finance mining assets is capitalized until the asset is capable of carrying out its intended use.

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. Capital work-in-progress, which is included in mining assets, is not depreciated until the assets are ready for their intended use.

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.

*(ii) Other assets*

Other assets are depreciated using the straight-line method based on estimated useful lives, which generally range from 5 to 7 years, with the exception of residential properties and mine houses whose estimated useful lives are 50 years and office buildings whose estimated useful lives are 20 years. Land is not depreciated.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

**3. Summary of significant accounting policies (continued)**

*(l) Property, plant and equipment (continued)*

*(ii) Other assets (continued)*

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

*(iii) Leased assets*

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as discussed in Note 3(s).

*(iv) Subsequent Costs*

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

*(v) Impairment*

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

**3. Summary of significant accounting policies (continued)**

*(l) Property, plant and equipment (continued)*

*(v) Impairment (continued)*

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*(vi) Reversal of impairment*

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

*(m) Refining contract*

The Company sells substantially all its concentrate to one customer under the terms of an off-take or refining contract. The refining contract is amortized over the original life of the contract, estimated to be fifteen years, commencing in mid 2004. 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.

*(n) 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.

*(o) Short-term investments*

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

*(p) 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.

**3. Summary of significant accounting policies (continued)**

*(q) Financial assets*

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available for sale ("AFS"); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

*(i) FVTPL financial assets*

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

The Company has classified cash and cash equivalents as held for trading.

*(ii) AFS financial assets*

Short-term investments held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. To date, these gains and losses have not been significant due to the nature of the underlying investment. As a result, the assets' carrying values approximate their fair values. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences due to a change in amortized cost of the asset is recognized in profit or loss, while all other changes are recognized in equity.

*(iii) Effective interest method*

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

**3. Summary of significant accounting policies (continued)**

*(q) Financial assets (continued)*

*(iii) Effective interest method (continued)*

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

*(iv) Held-to-maturity investments*

Investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company has classified its other assets as held to maturity.

*(v) Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*(vi) Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

**3. Summary of significant accounting policies (continued)**

*(q) Financial assets (continued)*

*(vi) Impairment of financial assets (continued)*

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

*(vii) Derecognition of financial assets*

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and all risks and rewards of ownership to another entity.

*(r) Environmental rehabilitation*

The Company recognizes liabilities for statutory, contractual, constructive 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. The net present value of future rehabilitation cost estimates is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

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. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

*(s) Leases*

*(i) The Company as lessor*

Rental income from operating leases is recognized on a straight-line basis over the term of the corresponding lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

**3. Summary of significant accounting policies (continued)**

*(s) Leases (continued)*

*(ii) The Company as lessee*

Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

*(t) Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

*(u) Employee benefits*

*(i) Employee post-retirement obligations – defined contribution retirement plan*

The Company's South African subsidiaries operate a defined contribution retirement plan for its employees. The pension plans are funded by payments from the employees and the subsidiaries and payments are charged to profit and loss for the period as incurred. The assets of the different plans are held by independently managed trust funds. The South African Pension Fund Act of 1956 governs these funds.

*(ii) Leave pay*

Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at period end.

*(v) Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**3. Summary of significant accounting policies (continued)**

*(v) Financial liabilities and equity (continued)*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

*(i) Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company has classified trade and other payables, short-term financial liabilities and long-term financial liabilities as other financial liabilities.

*(ii) Derecognition of financial liabilities*

The group derecognizes financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

*(w) Accounting standards issued but not yet effective*

*(i) Effective for annual periods beginning on or after July 1, 2009*

- IFRS 2 *Share Based Payments* (revised) – revision of scope
- IFRS 3 *Business Combinations* (revised) – revision of scope and amendments to accounting for business combinations
- IAS 27 *Consolidated and Separate Financial Statements* (revised) – amendments due to IFRS 3 *Business Combinations* revisions
- IAS 38 *Intangible Assets* (revised) - amendments due to IFRS 3 *Business Combinations* revisions and measuring the fair value of an intangible asset acquired in a business combination

*(ii) Effective for annual periods beginning on or after January 1, 2010*

- IFRS 8 *Operating Segments* (revised) – disclosure of information about segment assets

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

## 4. Non-controlling interest

The non-controlling interests are comprised of the following:

| | | |
|---|---|---|
| Balance, January 1, 2008 | $ | 23,133 |
| Non-controlling interests' share of profit in Barplats | | 2,404 |
| Non-controlling interests' share of interest on advances to Gubevu | | (2,677) |
| Foreign exchange movement | | (3,623) |
| Balance, September 30, 2008 | $ | 19,237 |
| Non-controlling interests' share of loss in Barplats | | (3,121) |
| Non-controlling interests' share of interest on advances to Gubevu | | (341) |
| Foreign exchange movement | | (3,773) |
| Balance, December 31, 2008 | $ | 12,002 |
| Non-controlling interests' share of loss in Barplats | | (1,228) |
| Non-controlling interests' share of interest on advances to Gubevu | | (1,855) |
| Foreign exchange movement | | 2,304 |
| **Balance, September 30, 2009** | **$** | **11,223** |

## 5. Inventories

| | **September 30, 2009** | December 31, 2008 |
|---|---|---|
| Consumables | **$ 3,672** | $ 3,509 |
| Ore and concentrate | **394** | 372 |
| | **$ 4,066** | $ 3,881 |

## 6. Property, plant and equipment

| | Mining plant and equipment | Crocodile River Mine (a) | Kennedy's Vale Project (b) | Spitzkop PGM Project (c) | Mareesburg Project (c) | Other property plant and equipment | TOTAL |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **Balance as at January 1, 2008** | **$ 273,483** | **$ 149,618** | **$ 386,353** | **$ 121,443** | **$ 28,075** | **$ 118** | **$ 959,090** |
| Additions | | | | | | | |
| Assets acquired | 134,320 | 4,285 | - | 4,729 | 472 | 18 | 143,824 |
| Assets acquired through business combination | - | 12,033 | 53,754 | - | 36 | - | 65,823 |
| Disposals | - | - | - | - | - | (22) | (22) |
| Foreign exchange movement | (87,635) | (40,794) | (106,645) | (24,459) | (5,284) | (21) | (264,838) |
| **Balance as at December 31, 2008** | **$ 320,168** | **$ 125,142** | **$ 333,462** | **$ 101,713** | **$ 23,299** | **$ 93** | **$ 903,877** |
| Additions | | | | | | | |
| Assets acquired | 13,786 | 1,415 | - | 365 | 68 | - | 15,634 |
| Assets under construction capitalized | 7,295 | - | - | - | - | - | 7,295 |
| Disposals | (1,580) | - | - | - | - | - | (1,580) |
| Foreign exchange movement | 79,103 | 30,019 | 81,122 | 14,086 | 3,217 | 13 | 207,560 |
| **Balance as at September 30, 2009** | **$ 418,772** | **$ 156,576** | **$ 414,584** | **$ 116,164** | **$ 26,584** | **$ 106** | **$ 1,132,786** |
| | | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| **Balance as at January 1, 2008** | **$ 116,078** | **$ 11,932** | **$ 15,666** | **$ -** | **$ -** | **$ 24** | **$ 143,700** |
| Depreciation for the period | 7,842 | 6,768 | - | - | - | 52 | 14,662 |
| Impairment loss | - | - | 313,603 | - | - | - | 313,603 |
| Foreign exchange movement | (31,017) | (3,907) | (41,832) | - | - | (17) | (76,773) |
| **Balance as at December 31, 2008** | **$ 92,903** | **$ 14,793** | **$ 287,437** | **$ -** | **$ -** | **$ 59** | **$ 395,192** |
| Depreciation for the period | 8,585 | 3,525 | - | - | - | 1 | 12,111 |
| Foreign exchange movement | 23,031 | 4,657 | 70,353 | - | - | 5 | 98,046 |
| **Balance as at September 30, 2009** | **$ 124,519** | **$ 22,975** | **$ 357,790** | **$ -** | **$ -** | **$ 65** | **$ 505,349** |
| | | | | | | | |
| **Carrying amounts** | | | | | | | |
| At January 1, 2008 | $ 157,405 | $ 137,686 | $ 370,687 | $ 121,443 | $ 28,075 | $ 94 | $ 815,390 |
| At December 31, 2008 | $ 227,265 | $ 110,349 | $ 46,025 | $ 101,713 | $ 23,299 | $ 34 | $ 508,685 |
| **At September 30, 2009** | **$ 294,253** | **$ 133,601** | **$ 56,794** | **$ 116,164** | **$ 26,584** | **$ 41** | **$ 627,437** |

**6. Property, plant and equipment (continued)**

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

The Company holds directly and indirectly 87.5% of CRM, which is located on the eastern portion of the western limb of the Bushveld Complex. The Maroelabult and Zandfontein sections are currently in production, while development of the Crocette and Kareespriut sections was put on hold in the fourth quarter of 2008 until PGM prices improve.

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

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

(c) *Spitzkop PGM Project and Mareesburg Project*

The Company holds directly and indirectly a 93.4% interest in the Spitzkop PGM Project and a 75.5% interest in the Mareesburg Project. The Company currently acts as the operator of both the Mareesburg Platinum Project and Spitzkop PGM Project, both located on the eastern limb of the Bushveld Complex. The development of these projects was put on hold in the fourth quarter of 2008 until PGM prices improve.

**7. Refining Contract**

During the year ended June 30, 2006, the Company acquired a 69% interest in Barplats and assigned a portion of the excess of the purchase price over the fair value of the identifiable 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 allocation to the contract of $4,802 for a total aggregate value of $22,741. During the year ended December 31, 2008, the Company acquired an additional 2.47% interest in Barplats. The acquisition did not affect the aggregate value of the contract. The value of the contract is amortized over the remaining term of the contract which is 10 years.

| | |
|---|---|
| **Cost** | |
| Balance as at January 1, 2008 | $ 22,741 |
| Foreign exchange movement | (4,784) |
| Balance as at December 31, 2008 | $ 17,957 |
| Foreign exchange movement | 2,841 |
| **Balance as at September 30, 2009** | **$ 20,798** |
| | |
| **Accumulated depreciation** | |
| Balance as at January 1, 2008 | $ 4,274 |
| Depreciation for the period | 1,353 |
| Foreign exchange movement | (163) |
| Balance as at December 31, 2008 | $ 5,464 |
| Depreciation for the period | 964 |
| Foreign exchange movement | 55 |
| **Balance as at September 30, 2009** | **$ 6,483** |
| | |
| **Carrying amounts** | |
| At January 1, 2008 | $ 18,467 |
| At December 31, 2008 | $ 12,493 |
| **At September 30, 2009** | **$ 14,315** |

## 8. Other assets

Other assets consists of a money market fund investment that is classified as held-to-maturity and serves as security for a guarantee issued to the Department of Minerals and Energy of South Africa in respect of the environmental rehabilitation liability (Note 9). Changes to other assets for the nine months ended September 30, 2009 are as follows:

| | |
|---|---|
| Balance, January 1, 2008 | $ 1,247 |
| Additional investment | - |
| Service fees | (16) |
| Interest income | 122 |
| Foreign exchange movement | (336) |
| Balance, December 31, 2008 | $ 1,017 |
| Additional investment | 571 |
| Service fees | 5 |
| Interest income | 88 |
| Foreign exchange movement | 302 |
| **Balance, September 30, 2009** | **$ 1,983** |

## 9. Provision for environmental rehabilitation

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

The liability for the environmental rehabilitation provision at September 30, 2009 is approximately ZAR 54.8 million ($7,275). The liability was determined using an inflation rate of 5.78% (December 31, 2008 – 5.78%) and an estimated life of mine of 14 years for Zandfontein and Maroelabult (December 31, 2008 – 14 years), and 1 year for Kennedy's Vale (December 31, 2008 – 1 year). A discount rate of 7.09% was used (December 31, 2008 – 7.09%). A guarantee of $1,983 (December 31, 2008 - $1,017) has been issued to the Department of Minerals and Energy (Note 8). The guarantee will be utilized to cover expenses incurred to rehabilitate the mining area upon closure of the mine. The undiscounted value of this liability is approximately ZAR121 million ($16,031).

Changes to the environmental rehabilitation provision during the nine months ended September 30, 2009 are as follows:

| | |
|---|---|
| Balance, January 1, 2008 | $ 6,224 |
| Revision in estimates | 554 |
| Unwinding of interest | 491 |
| Foreign exchange movement | (1,671) |
| Balance, December 31, 2008 | $ 5,598 |
| Unwinding of interest | 319 |
| Foreign exchange movement | 1,358 |
| **Balance, September 30, 2009** | **$ 7,275** |

## 10. Commitments

The Company has committed to capital expenditures on projects of approximately ZAR31 million ($4,122) as at September 30, 2009.

**11. Issued capital**

*(a) Authorized*

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

- Unlimited number of common shares with no par value.

*(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.

The changes in stock options during the nine months ended September 30, 2009 and year ended December 31, 2008 were as follows:

| | **September 30, 2009** | | December 31, 2008 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| | | **Cdn$** | | Cdn$ |
| Balance outstanding, beginning of period | **64,746,000** | **1.52** | 46,360,000 | 1.94 |
| Options granted | **480,000** | **0.49** | 19,856,000 | 0.55 |
| Options exercised | **(64,333)** | **0.32** | (845,000) | 1.26 |
| Options forfeited | **(5,154,167)** | **2.02** | (625,000) | 1.76 |
| Balance outstanding, end of period | **60,007,500** | **1.47** | 64,746,000 | 1.52 |

**11. Issued capital (continued)**

*(b) Stock options (continued)*

The following table summarizes information concerning outstanding and exercisable options at September 30, 2009:

| Options outstanding | Options exercisable | Exercise price | Remaining Contractual Life (Years) | Expiry date |
|---|---|---|---|---|
| | | Cdn$ | | |
| 6,725,000 | 6,725,000 | 1.70 | 1.65 | May 24, 2011 |
| 250,000 | 250,000 | 1.70 | 2.16 | November 27, 2011 |
| 19,987,500 | 19,987,500 | 1.82 | 2.44 | March 7, 2012 |
| 18,045,000 | 16,201,667 | 0.32 | 4.22 | December 18, 2013 |
| 60,000 | 20,000 | 0.32 | 4.37 | February 11, 2014 |
| 400,000 | 400,000 | 0.52 | 4.75 | June 30, 2014 |
| 13,820,000 | 13,183,333 | 2.31 | 8.02 | October 5, 2017 |
| 90,000 | 60,000 | 2.50 | 8.21 | December 12, 2017 |
| 460,000 | 440,000 | 3.38 | 8.40 | February 20, 2018 |
| 170,000 | 130,000 | 3.38 | 8.49 | March 27, 2018 |
| 60,007,500 | 57,397,500 | | 4.26 | |

*(c) Share purchase warrants*

The changes in warrants during the nine months ended September 30, 2009 and year ended December 31, 2008 were as follows:

| | **September 30, 2009** | | December 31, 2008 | |
|---|---|---|---|---|
| | **Number of warrants** | **Weighted average exercise price** | Number of warrants | Weighted average exercise price |
| | | **Cdn$** | | Cdn$ |
| Balance outstanding, beginning of period | **58,485,996** | **1.80** | 71,248,050 | 1.83 |
| Warrants exercised | **-** | **-** | (10,824,077) | 1.97 |
| Warrants expired | **(58,485,996)** | **1.80** | (1,937,977) | 2.00 |
| Balance outstanding, end of period | **-** | **-** | 58,485,996 | 1.80 |

*(d) Share-based payments*

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:

| | **September 30, 2009** | | September 30, 2008 | |
|---|---|---|---|---|
| | **(3 months)** | **(9 months)** | (3 months) | (9 months) |
| Risk-free interest rate | N/A | 1.83% | N/A | 3.05% |
| Expected life | N/A | 3 years | N/A | 3 years |
| Annualized volatility | N/A | 79% | N/A | 49% |
| Dividend rate | N/A | 0% | N/A | 0% |
| Grant date fair value | N/A | Cdn$0.27 | N/A | Cdn$1.22 |

## 12. Related party transactions

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

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

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

| | Note | **September 30, 2009 (3 months)** | September 30, 2008 (3 months) | **September 30, 2009 (9 months)** | September 30, 2008 (9 months) |
|---|---|---|---|---|---|
| Consulting fees | (i) | **$ 27** | $ 20 | **$ 103** | $ 62 |
| General and administrative expenses | | **26** | 73 | **45** | 228 |
| Management fees | | **253** | 302 | **726** | 971 |
| | | **$ 306** | $ 395 | **$ 874** | $ 1,261 |

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

ii. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2009 included $Nil (December 31, 2008 - $35) which were due to private companies controlled by officers of the Company.

**13. 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 three and nine months ended September 30, 2009 and September 30, 2008 are as follows:

| | September 30, 2009 (3 months) | | |
|---|---|---|---|
| | **South Africa** | **Canada** | **Total** |
| Current assets | $ 34,632 | $ 16,824 | $ 51,456 |
| Property, plant and equipment | 627,396 | 41 | 627,437 |
| Refining contract | 14,315 | - | 14,315 |
| Other assets | 1,983 | - | 1,983 |
| Total assets | $ 678,326 | $ 16,865 | $ 695,191 |
| Property, plant and equipment expenditures | $ 3,930 | $ - | $ 3,930 |
| Sale of property, plant and equipment | - | - | - |
| Revenues | $ 27,365 | $ - | $ 27,365 |
| Production costs | (22,394) | - | (22,394) |
| Depletion and depreciation | (4,308) | - | (4,308) |
| General and administrative expenses | (1,457) | (879) | (2,336) |
| Share-based payments | (109) | - | (109) |
| Interest income | 380 | 68 | 448 |
| Finance costs | (332) | - | (332) |
| Foreign exchange gain (loss) | (6) | 658 | 652 |
| Loss before income taxes | $ (861) | $ (153) | $ (1,014) |

| | September 30, 2008 (3 months) | | |
|---|---|---|---|
| | South Africa | Canada | Total |
| Property, plant and equipment expenditures | $ 42,896 | $ - | $ 42,896 |
| Revenues | $ 9,224 | $ - | $ 9,224 |
| Production costs | (20,629) | - | (20,629) |
| Depletion and depreciation | (4,743) | - | (4,743) |
| General and administrative expenses | (4,269) | (1,316) | (5,585) |
| Share based payments | (417) | 6 | (411) |
| Interest income | 551 | 1,746 | 2,297 |
| Finance costs | (612) | (89) | (701) |
| Foreign exchange gain | (71) | 43 | (28) |
| Profit (loss) before income taxes | $ (20,966) | $ 390 | $ (20,576) |

**13. Segmented information (continued)**

(b) Geographic segments (continued)

| | September 30, 2009 (9 months) | | |
|---|---|---|---|
| | **South Africa** | **Canada** | **Total** |
| Property, plant and equipment expenditures | **$ 22,929** | **$ -** | **$ 22,929** |
| Sale of property, plant and equipment | **1,552** | **-** | **1,552** |
| Revenues | **$ 77,106** | **$ -** | **$ 77,106** |
| Production costs | **(58,588)** | **-** | **(58,588)** |
| Depletion and depreciation | **(12,111)** | **-** | **(12,111)** |
| General and administrative expenses | **(4,574)** | **(2,569)** | **(7,143)** |
| Share-based payments | **(351)** | **(93)** | **(444)** |
| Interest income | **1,150** | **287** | **1,437** |
| Finance costs | **(1,159)** | **-** | **(1,159)** |
| Foreign exchange loss | **(58)** | **(737)** | **(795)** |
| Profit (loss) before income taxes | **$ 1,415** | **$ (3,112)** | **$ (1,697)** |

| | September 30, 2008 (9 months) | | |
|---|---|---|---|
| | South Africa | Canada | Total |
| Property, plant and equipment expenditures | $ 101,227 | $ 18 | $ 101,245 |
| Revenues | $ 114,336 | $ - | $ 114,336 |
| Production costs | (61,437) | - | (61,437) |
| Depletion and depreciation | (13,617) | - | (13,617) |
| General and administrative expenses | (11,227) | (4,000) | (15,227) |
| Share based payments | (1,663) | (577) | (2,240) |
| Interest income | 3,416 | 4,565 | 7,981 |
| Finance costs | (2,957) | - | (2,957) |
| Foreign exchange gain | 1,035 | 65 | 1,100 |
| Profit before income taxes | $ 27,886 | $ 53 | $ 27,939 |

| | December 31, 2008 | | |
|---|---|---|---|
| | South Africa | Canada | Total |
| Current assets | $ 17,658 | $ 56,717 | $ 74,375 |
| Property, plant and equipment | 508,648 | 37 | 508,685 |
| Refining contract | 12,493 | - | 12,493 |
| Other assets | 1,017 | - | 1,017 |
| **Total assets** | **539,816** | **56,754** | **596,570** |

For the three and nine months ended September 30, 2009 and September 30, 2008, substantially all of the Company's PGM production was sold to one customer.

**14. Accounting estimates and judgments**

*(a) Useful life of assets*

The Company engaged an independent third party engineering company in South Africa to assess the life of mine ("LOM") of Barplats Mines Limited ("Barplats") in December 2007.

**14. Accounting estimates and judgments (continued)**

*(a) Useful life of assets (continued)*

At December 31, 2008 the remaining LOM for Barplats was assessed at 153 months (December 31, 2007 – 165 months). This estimate is based on proven and probable ore reserves. The change in remaining mine life will be evaluated each year as the reserves move to the proven and probable category.

*(b) Impairment of property, plant and equipment*

During the year ended December 31, 2008, the significant decline in platinum group metal prices triggered an impairment assessment which resulted in an impairment of $314 million on Kennedy's Vale. Future cash flows were discounted to present value at the weighted average cost of capital of 9%.

The foreign exchange rate utilized in the model is ZAR9.51 = US$1.00.

The average forecast prices utilized in the impairment model are:

| | | 2009 | 2010 | 2011 | 2012 | 2013 + |
|---|---|---|---|---|---|---|
| Platinum | US$/oz | 950 | 1,020 | 1,055 | 1,155 | 1,180 |
| Palladium | US$/oz | 210 | 225 | 305 | 385 | 380 |
| Rhodium | US$/oz | 1,000 | 980 | 2,785 | 2,895 | 2,830 |
| Gold | US$/oz | 870 | 815 | 650 | 695 | 680 |
| Iridium | US$/oz | 270 | 295 | 345 | 350 | 340 |
| Ruthenium | US$/oz | 190 | 215 | 240 | 250 | 245 |
| Nickel | US$/tonne | 13,850 | 15,875 | 16,210 | 16,285 | 15,915 |
| Copper | US$/tonne | 5,180 | 5,550 | 5,505 | 4,265 | 4,170 |
| Chrome | US$/tonne | 380 | 382 | 400 | 400 | 400 |

**15. IFRS**

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 statement of financial position 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 statement of financial position dated January 1, 2008:

*(a) 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 has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2008.

*(b) 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 has eliminated the cumulative translation difference and adjusted 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 will not affect the gain or loss on disposal.

**15. IFRS (continued)**

(c) *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.

(d) *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 has applied the following guidelines to its opening statement of financial position dated January 1, 2008:

(e) *Assets and liabilities of subsidiaries and associates*

In accordance with IFRS 1, if a parent company adopts IFRS subsequent to its subsidiary or associate adopting IFRS, the assets and the liabilities of the subsidiary or associate are to be included in the consolidated financial statements at the same carrying amounts as in the financial statements of the subsidiary or associate. The Company's principal operating subsidiary, Barplats Investments Limited, adopted IFRS in 2005.

(f) *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.

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 has not changed the Company's actual cash flows, it has resulted 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 statement of operations, statement of comprehensive income, statement of financial position and statement of cash flows for the three and nine months ended September 30, 2008 and the year ended December 31, 2008 have been reconciled to IFRS, with the resulting differences explained.

(g) *Revenue and interest income*

The Company settles its metal sales three or five months following the physical delivery of the concentrates.

**15. IFRS (continued)**

*(g) Revenue and interest income (continued)*

The present value of sales revenue expected to be received in three or five months is recognized on the date of sale. The difference between the present value and the future value is recognized as interest revenue over the term of settlement. In its Canadian GAAP financial statements for the year ended December 31, 2008, the Company recorded the future value as sales revenue, as opposed to recognizing the difference between the present value and the future value as interest revenue over the term of settlement. The difference in the treatment of revenue results in a timing difference in the recognition of income and is not material to these financial statements.

*(h) Property plant and equipment*

Due to the adjustments to the provision for environmental rehabilitation discussed in Note 15(j), the cost of property plant and equipment is different in accordance with IFRS than in accordance with Canadian GAAP. As a result, even though depreciation is calculated in the same manner, the amount of depreciation differs.

*(i) Share-based payments*

*IFRS*

- Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.
- Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

*Canadian GAAP*

- The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period.
- Forfeitures of awards are recognized as they occur.

*(j) Provision for environmental rehabilitation*

*IFRS*

- The provision for environmental rehabilitation must be adjusted for changes in the discount rate.

*Canadian GAAP*

- The provision for environmental rehabilitation is not adjusted for changes in the discount rate.

*(k) Deferred tax asset/liability*

*IFRS*

- All deferred tax assets and liabilities must be classified as non-current.

**15. IFRS (continued)**

*(k) Deferred tax asset/liability (continued)*

*Canadian GAAP*

- Deferred tax assets and liabilities can be classified as current or non-current as appropriate.

*(l) Accounts payable, accrued liabilities and provisions*

*IFRS* – a provision is a liability of uncertain timing or amount. Provisions are disclosed separately from liabilities and accrued liabilities and require additional disclosure.

*Canadian GAAP* – Accounts payable, accrued liabilities and provisions are disclosed on the statement of financial position as a single line item.

*(m) Other comprehensive income (loss)*

Other comprehensive income (loss) consists of the change in the cumulative translation adjustment ("CTA"). Due to other IFRS adjustments, the balances that are used to calculate the CTA are different in accordance with IFRS than in accordance with Canadian GAAP. As a result, CTA and other comprehensive income (loss) are different in accordance with IFRS than in accordance with Canadian GAAP.

*(n) Impairment*

*IFRS* – If indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

*Canadian GAAP* - If indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. If the undiscounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

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 carrying value of the Kennedy's Vale mineral property was less than the property's undiscounted cash flows, but greater than the property's discounted cash flows. As a result, the mineral property was concluded to be impaired in accordance with IFRS, but not impaired in accordance with Canadian GAAP. An impairment of $314 million and an income tax recovery of $87 million have been recorded relating to the Kennedy's Vale impairment.

*(o) Presentation*

The presentation of the cash flow statement in accordance with IFRS differs from the presentation of the cash flow statement in accordance with Canadian GAAP.

**15. IFRS (continued)**

The January 1, 2008 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

| | Note | January 1, 2008 | | |
|---|---|---|---|---|
| | | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | $ 18,818 | $ - | $ 18,818 |
| Short-term investments | | 171,038 | - | 171,038 |
| Trade receivables | (e)(g) | 33,157 | (597) | 32,560 |
| Inventories | | 6,888 | - | 6,888 |
| | | 229,901 | (597) | 229,304 |
| Property, plant and equipment | (e)(h)(j) | 813,461 | 1,929 | 815,390 |
| Refining contract | | 18,467 | - | 18,467 |
| Other assets | | 1,247 | - | 1,247 |
| | | $ 1,063,076 | $ 1,332 | $ 1,064,408 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | (e)(l) | $ 22,967 | $ (1,460) | $ 21,507 |
| Provisions | (e)(l) | - | 1,460 | 1,460 |
| Current portion of long-term liability | | 3,837 | - | 3,837 |
| Deferred tax | (k) | 6,416 | (6,416) | - |
| | | 33,220 | (6,416) | 26,804 |
| Provision for environmental rehabilitation | (e)(j) | 2,889 | 3,335 | 6,224 |
| Finance leases | | 9,127 | - | 9,127 |
| Deferred tax liabilities | (k) | 143,616 | 6,416 | 150,032 |
| | | 188,852 | 3,335 | 192,187 |
| **Capital and reserves** | | | | |
| Issued capital | | 868,045 | - | 868,045 |
| Equity reserve | | 27,428 | - | 27,428 |
| Currency translation adjustment | (b) | 23,481 | (23,481) | - |
| Deficit | | (68,132) | 21,747 | (46,385) |
| | | 850,822 | (1,734) | 849,088 |
| Non-controlling interest | | 23,402 | (269) | 23,133 |
| | | 874,224 | (2,003) | 872,221 |
| | | $ 1,063,076 | $ 1,332 | $ 1,064,408 |

**15. IFRS (continued)**

The Canadian GAAP income statement and statement of comprehensive income for the three months ended September 30, 2008 have been reconciled to IFRS as follows:

| | | 3 months ended September 30, 2008 | | |
|---|---|---|---|---|
| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Revenue** | (g) | $ 9,291 | $ (67) | $ 9,224 |
| Cost of operations | | | | |
| Production costs | | 20,629 | - | 20,629 |
| Depletion and depreciation | (h) | 4,716 | 27 | 4,743 |
| | | 25,345 | 27 | 25,372 |
| Mine operating loss | | (16,054) | (94) | (16,148) |
| Expenses | | | | |
| General and administrative | | 5,585 | - | 5,585 |
| Share-based payments | (i) | 278 | 133 | 411 |
| | | 5,863 | 133 | 5,996 |
| Operating loss | | (21,917) | (227) | (22,144) |
| Other income (expense) | | | | |
| Interest income | (g) | 1,975 | 322 | 2,297 |
| Finance costs | (j) | (659) | (42) | (701) |
| Foreign exchange gain | | (28) | - | (28) |
| Loss before income taxes | | (20,629) | 53 | (20,576) |
| Deferred income tax recovery | | 6,363 | - | 6,363 |
| **Net loss for the period** | | $ (14,266) | $ 53 | $ (14,213) |
| Attributable to | | | | |
| Non-controlling interest | | $ (3,705) | $ 321 | $ (3,384) |
| Equity shareholders of the Company | | $ (10,561) | $ (268) | $ (10,829) |

| | | 3 months ended September 30, 2008 | | |
|---|---|---|---|---|
| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS |
| Net loss for the period | | $ (14,266) | $ 53 | $ (14,213) |
| Other comprehensive loss - currency translation adjustment | (m) | (45,656) | 289 | (45,367) |
| Comprehensive loss | | $ (59,922) | $ 342 | $ (59,580) |
| Attributable to | | | | |
| Non-controlling interest | | $ (3,705) | $ 321 | $ (3,384) |
| Equity shareholders of the Company | | $ (56,217) | $ 21 | $ (56,196) |

**15. IFRS (continued)**

The Canadian GAAP income statement and statement of comprehensive income for the nine months ended September 30, 2008 have been reconciled to IFRS as follows:

| | Note | **9 months ended September 30, 2008** | | |
|---|---|---|---|---|
| | | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Revenue** | (g) | $ 115,842 | $ (1,506) | $114,336 |
| Cost of operations | | | | |
| Production costs | | 61,437 | - | 61,437 |
| Depletion and depreciation | (h) | 13,528 | 89 | 13,617 |
| | | 74,965 | 89 | 75,054 |
| Mine operating earnings | | 40,877 | (1,595) | 39,282 |
| Expenses | | | | |
| General and administrative | | 15,227 | - | 15,227 |
| Share-based payments | (i) | 1,845 | 395 | 2,240 |
| | | 17,072 | 395 | 17,467 |
| Operating profit | | 23,805 | (1,990) | 21,815 |
| Other income (expense) | | | | |
| Interest income | (g) | 6,285 | 1,696 | 7,981 |
| Finance costs | (j) | (2,821) | (136) | (2,957) |
| Foreign exchange gain | | 1,100 | - | 1,100 |
| Profit before income taxes | | 28,369 | (430) | 27,939 |
| Deferred income tax expense | | (7,417) | - | (7,417) |
| **Net profit for the period** | | $ 20,952 | $ (430) | $ 20,522 |
| Attributable to | | | | |
| Non-controlling interest | | $ (1,154) | $ 881 | $ (273) |
| Equity shareholders of the Company | | $ 22,106 | $ (1,311) | $ 20,795 |

| | Note | **9 months ended September 30, 2008** | | |
|---|---|---|---|---|
| | | Canadian GAAP | Effect of transition to IFRS | IFRS |
| Net profit for the period | | $ 20,952 | $ (430) | $ 20,522 |
| Other comprehensive loss - currency translation adjustment | (m) | (119,895) | 224 | (119,671) |
| Comprehensive loss | | $ (98,943) | $ (206) | $ (99,149) |
| Attributable to | | | | |
| Non-controlling interest | | $ (1,154) | $ 881 | $ (273) |
| Equity shareholders of the Company | | $ (97,789) | $ (1,087) | $ (98,876) |

**15. IFRS (continued)**

The Canadian GAAP income statement and statement of comprehensive income for the twelve months ended December 31, 2008 have been reconciled to IFRS as follows:

| | Note | 12 months ended December 31, 2008 | | |
|---|---|---|---|---|
| | | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Revenue** | (g) | $ 116,198 | $ (1,517) | $ 114,681 |
| Cost of operations | | | | |
| Production costs | | 79,961 | - | 79,961 |
| Depletion and depreciation | (h) | 14,599 | 63 | 14,662 |
| | | 94,560 | 63 | 94,623 |
| Mine operating earnings | | 21,638 | (1,580) | 20,058 |
| Expenses | | | | |
| Impairment | (n) | - | 313,603 | 313,603 |
| General and administrative | (e) | 19,411 | 30 | 19,441 |
| Share-based payments | (i) | 4,290 | 335 | 4,625 |
| | | 23,701 | 313,968 | 337,669 |
| Operating loss | | (2,063) | (315,548) | (317,611) |
| Other income (expense) | | | | |
| Interest income | (g) | 7,081 | 1,863 | 8,944 |
| Finance costs | (j) | (3,551) | (174) | (3,725) |
| Foreign exchange gain | | (2,155) | - | (2,155) |
| Loss before income taxes | | (688) | (313,859) | (314,547) |
| Deferred income tax recovery | (k) | 13,623 | 87,808 | 101,431 |
| **Net profit (loss) for the period** | | $ 12,935 | $ (226,051) | $ (213,116) |
| Attributable to | | | | |
| Non-controlling interest | | $ (3,429) | $ (306) | $ (3,735) |
| Equity shareholders of the Company | | $ 16,364 | $ (225,745) | $ (209,381) |

| | Note | 12 months ended December 31, 2008 | | |
|---|---|---|---|---|
| | | Canadian GAAP | Effect of transition to IFRS | IFRS |
| Net profit (loss) for the period | | $ 12,935 | $ (226,051) | $ (213,116) |
| Other comprehensive loss - currency translation adjustment | (m) | (197,052) | 27,475 | (169,577) |
| Comprehensive loss | | $ (184,117) | $ (198,576) | $ (382,693) |
| Attributable to | | | | |
| Non-controlling interest | | $ (3,429) | $ (306) | $ (3,735) |
| Equity shareholders of the Company | | $ (180,688) | $ (198,270) | $ (378,958) |

**15. IFRS (continued)**

The Canadian GAAP statement of financial position at September 30, 2008 has been reconciled to IFRS as follows:

| | | September 30, 2008 | | |
|---|---|---|---|---|
| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | $ 169,294 | $ - | $ 169,294 |
| Short-term investments | | 2,766 | - | 2,766 |
| Trade receivables | (g) | 5,533 | (309) | 5,224 |
| Inventories | | 6,771 | - | 6,771 |
| Future income taxes | (k) | 2,753 | (2,753) | - |
| | | 187,117 | (3,062) | 184,055 |
| Property, plant and equipment | (h)(j) | 766,611 | 1,502 | 768,113 |
| Refining contract | | 14,226 | - | 14,226 |
| Other assets | | 1,104 | - | 1,104 |
| | | $ 969,058 | $ (1,560) | $ 967,498 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | (l) | $ 30,688 | $ (1,203) | $ 29,485 |
| Provisions | (l) | - | 1,203 | 1,203 |
| Current portion of finance leases | | 681 | - | 681 |
| Current loans | | 3,195 | - | 3,195 |
| | | 34,564 | - | 34,564 |
| Provision for environmental rehabilitation | (j) | 2,613 | 2,877 | 5,490 |
| Capital leases | | 3,842 | - | 3,842 |
| Deferred tax liability | (k) | 133,227 | (2,753) | 130,474 |
| | | 174,246 | 124 | 174,370 |
| **Capital and reserves** | | | | |
| Issued capital | | 889,720 | - | 889,720 |
| Equity reserve | (i) | 29,037 | 395 | 29,432 |
| Currency translation adjustment | (m) | (96,414) | (23,257) | (119,671) |
| Deficit | | (46,026) | 20,436 | (25,590) |
| | | 776,317 | (2,426) | 773,891 |
| Non-controlling interest | | 18,495 | 742 | 19,237 |
| | | 794,812 | (1,684) | 793,128 |
| | | $ 969,058 | $ (1,560) | $ 967,498 |

**15. IFRS (continued)**

The Canadian GAAP statement of financial position at December 31, 2008 has been reconciled to IFRS as follows:

| | | December 31, 2008 | | |
|---|---|---|---|---|
| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | $ 25,806 | $ - | $ 25,806 |
| Short-term investments | | 35,257 | - | 35,257 |
| Trade receivables | (g) | 9,556 | (125) | 9,431 |
| Inventories | | 3,881 | - | 3,881 |
| Deferred tax asset | (k) | 1,178 | (1,178) | - |
| | | 75,678 | (1,303) | 74,375 |
| Property, plant and equipment | (h)(j)(n) | 783,039 | (274,354) | 508,685 |
| Refining contract | | 12,493 | - | 12,493 |
| Other assets | | 1,017 | - | 1,017 |
| | | $ 872,227 | $ (275,657) | $ 596,570 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | (l) | $ 36,729 | $ (1,726) | $ 35,003 |
| Provisions | (l) | - | 1,726 | 1,726 |
| Current portion capital leases | | 649 | - | 649 |
| Current loans | | 2,972 | - | 2,972 |
| | | 40,350 | - | 40,350 |
| Non-current liabilities | | | | |
| Provision for environmental rehabilitation | (j) | 2,846 | 2,752 | 5,598 |
| Capital leases | | 3,261 | - | 3,261 |
| Deferred tax liabilities | (k) | 117,234 | (78,408) | 38,826 |
| | | 163,691 | (75,656) | 88,035 |
| **Capital and reserves** | | | | |
| Issued capital | | 890,049 | - | 890,049 |
| Equity reserve | (i) | 31,491 | 336 | 31,827 |
| Currency translation adjustment | (m) | (173,571) | 3,994 | (169,577) |
| Deficit | | (51,768) | (203,998) | (255,766) |
| | | 696,201 | (199,668) | 496,533 |
| Non-controlling interest | | 12,335 | (333) | 12,002 |
| | | 708,536 | (200,001) | 508,535 |
| | | $ 872,227 | $ (275,657) | $ 596,570 |

**15. IFRS (continued)**

The reconciliation of the statement of cash flows for the three months ended September 30, 2008:

| | Note | September 30, 2008 (3 months) Canadian GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss for the period | | $ (14,266) | $ 53 | $ (14,213) |
| Adjustments to net profit for non-cash items | | | | |
| Depreciation | (h) | 4,783 | (40) | 4,743 |
| Refining contract amortization | (o) | - | 355 | 355 |
| Share-based payments | (i) | 278 | 133 | 411 |
| Interest income | (o) | - | (2,297) | (2,297) |
| Finance costs | (o) | - | 701 | 701 |
| Foreign exchange gain | | 28 | - | 28 |
| Deferred income tax expense | | (6,363) | - | (6,363) |
| Adjustments to net profit for cash items | | | | |
| Interest income received | (o) | - | 2,864 | 2,864 |
| Finance costs paid | (o) | - | (35) | (35) |
| | | (15,540) | 1,734 | (13,806) |
| Net changes in non-cash working capital items | | | | |
| Trade receivables | (g) | 37,226 | (1,420) | 35,806 |
| Inventories | | (832) | - | (832) |
| Accounts payable and accrued liabilities | | 6,229 | - | 6,229 |
| | | 27,083 | 314 | 27,397 |
| **Investing activities** | | | | |
| Maturity of short-term investments | (o) | 101,195 | 29 | 101,224 |
| Purchase of other assets | (o) | - | (29) | (29) |
| Property, plant and equipment expenditures | | (42,896) | - | (42,896) |
| | | 58,299 | - | 58,299 |
| **Financing activities** | | | | |
| Repayment of short-term debt | (o) | 56 | (130) | (74) |
| Other long-term liabilities | (o) | 1,533 | (1,491) | 42 |
| | | 1,589 | (1,621) | (32) |
| Effect of exchange rate changes on cash and cash equivalents | | (8,411) | 1,307 | (7,104) |
| Increase in cash and cash equivalents | | 78,560 | - | 78,560 |
| Cash and cash equivalents, beginning of period | | 90,734 | - | 90,734 |
| **Cash and cash equivalents, end of period** | | $ 169,294 | $ - | $ 169,294 |

**15. IFRS (continued)**

The reconciliation of the statement of cash flows for the nine months ended September 30, 2008:

| | Note | September 30, 2008 (9 months) | | |
|---|---|---|---|---|
| | | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Operating activities** | | | | |
| Net profit for the period | | $ 20,952 | $ (430) | $ 20,522 |
| Adjustments to net profit for non-cash items | | | | |
| Depreciation | (h) | 13,761 | (144) | 13,617 |
| Refining contract amortization | (o) | - | 1,078 | 1,078 |
| Share-based payments | (i) | 1,845 | 395 | 2,240 |
| Interest income | (o) | - | (7,981) | (7,981) |
| Finance costs | (o) | - | 2,957 | 2,957 |
| Foreign exchange gain | | (1,100) | - | (1,100) |
| Deferred income tax expense | | 7,417 | - | 7,417 |
| Adjustments to net profit for cash items | | | | |
| Interest income received | (o) | - | 7,803 | 7,803 |
| Finance costs paid | (o) | - | (398) | (398) |
| | | 42,875 | 3,280 | 46,155 |
| Net changes in non-cash working capital items | | | | |
| Trade receivables | (g) | 23,905 | (1,448) | 22,457 |
| Inventories | | (1,188) | - | (1,188) |
| Accounts payable and accrued liabilities | | 12,462 | - | 12,462 |
| | | 78,054 | 1,832 | 79,886 |
| **Investing activities** | | | | |
| Maturity of short-term investments | (o) | 163,520 | 84 | 163,604 |
| Purchase of other assets | (o) | - | (84) | (84) |
| Property, plant and equipment expenditures | | (101,245) | - | (101,245) |
| | | 62,275 | - | 62,275 |
| **Financing activities** | | | | |
| Common shares issued for cash, net of share issue costs | | 21,440 | - | 21,440 |
| Repayment of short-term debt | (o) | 348 | (1,378) | (1,030) |
| Other long-term liabilities | (o) | (1,737) | (2,105) | (3,842) |
| | | 20,051 | (3,483) | 16,568 |
| Effect of exchange rate changes on cash and cash equivalents | | (9,904) | 1,651 | (8,253) |
| Increase in cash and cash equivalents | | 150,476 | - | 150,476 |
| Cash and cash equivalents, beginning of period | | 18,818 | - | 18,818 |
| **Cash and cash equivalents, end of period** | | $ 169,294 | $ - | $ 169,294 |

## 15. IFRS (continued)

The reconciliation of the statement of cash flows for the twelve months ended December 31, 2008:

| | Note | December 31, 2008 (12 months) Canadian GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net profit (loss) for the period | | $ 12,935 | $ (226,051) | $ (213,116) |
| Adjustments to net profit (loss) for non-cash items | | | | |
| Depreciation | (h) | 14,877 | (215) | 14,662 |
| Refining contract amortization | | 1,353 | - | 1,353 |
| Impairment | (n) | - | 313,603 | 313,603 |
| Share-based payments | (i) | 4,290 | 335 | 4,625 |
| Interest income | (o) | - | (8,944) | (8,944) |
| Finance costs | (o) | 2,845 | 880 | 3,725 |
| Foreign exchange loss | (o) | 5,731 | (3,576) | 2,155 |
| Realized foreign exchange gain | (o) | - | (1,157) | (1,157) |
| Deferred income tax recovery | (k) | (13,623) | (87,808) | (101,431) |
| Adjustments to net profit (loss) for cash items | | | | |
| Interest income received | (o) | - | 10,028 | 10,028 |
| Finance costs paid | (o) | - | (375) | (375) |
| | | 28,408 | (3,280) | 25,128 |
| Net changes in non-cash working capital items | | | | |
| Trade receivables | (g) | 10,765 | 3,266 | 14,031 |
| Inventories | | 1,391 | - | 1,391 |
| Accounts payable and accrued liabilities | | 12,962 | - | 12,962 |
| | | 53,526 | (14) | 53,512 |
| **Investing activities** | | | | |
| Acquisitions, net of cash acquired | | (39,589) | - | (39,589) |
| Maturity of short-term investments | (o) | 119,318 | 42 | 119,360 |
| Purchase of other assets | (o) | - | (42) | (42) |
| Property, plant and equipment expenditures | | (143,373) | - | (143,373) |
| | | (63,644) | - | (63,644) |
| **Financing activities** | | | | |
| Common shares issued for cash, net of share issue costs | | 22,004 | - | 22,004 |
| Repayment of short-term debt | (o) | (892) | 892 | - |
| Other long-term liabilities | (o) | (3,411) | (898) | (4,309) |
| | | 17,701 | (6) | 17,695 |
| Effect of exchange rate changes on cash and cash equivalents | | (595) | 20 | (575) |
| Increase in cash and cash equivalents | | 6,988 | - | 6,988 |
| Cash and cash equivalents, beginning of period | | 18,818 | - | 18,818 |
| **Cash and cash equivalents, end of period** | | $ 25,806 | $ - | $ 25,806 |

## 16. Subsequent events

From October 1, 2009 to November 12, 2009 there were no subsequent events.

# EASTERN PLATINUM LIMITED
# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
# FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

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*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 September 30, 2009 and for the three and nine months then ended in comparison to the same period in 2008.*

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

*This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and nine months ended September 30, 2009 and supporting notes. These condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting. A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS is set out in Note 15 to these condensed consolidated interim financial statements.*

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

*All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is November 12, 2009. Additional information relating to the Company is available on SEDAR at www.sedar.com.*

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## 1. Overview

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

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

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## 2. Highlights for the quarter ended September 30, 2009 ("Q3 2009")

- CRM reached two million fatality-free shifts in September.

- The Company's Lost Time Injury Frequency Rate (LTIFR) was 1.69 this quarter compared to 3.02 in the third quarter of 2008 ("Q3 2008").

- Eastplats recorded a net profit attributable to equity shareholders of the Company of $1,839,000 ($0.00 per share) compared to a net loss attributable to equity shareholders of $10,829,000 ($0.02 loss per share) in Q3 2008.

- Production at CRM was 29,986 PGM ounces compared to 30,758 PGM ounces in Q3 2008, despite the industrial action by contract mining company's workers in July.

- EBITDA was $4,971,000 compared to negative EBITDA of $11,405,000 in Q3 2008.

- The average delivered basket price per PGM ounce was $765, a decrease of 36% compared to $1,193 in Q3 2008.

- Operating cash costs net of by-product credits were $583 per ounce, a 12% increase from $521 per ounce achieved in Q3 2008 as a result of the industrial action in July. Operating cash costs were $758 per ounce, an increase of 13% compared to the $672 per ounce in Q3 2008.

- Rand operating cash costs net of by-product credits were R4,548 per ounce, an increase of 12% compared to R4,055 per ounce in Q3 2008. Rand operating cash costs were R5,915 per ounce, an increase of 13% compared to R5,233 per ounce in Q3 2008.

- Head grade increased to 4.1 grams per tonne in Q3 2009 from 4.0 grams per tonne in Q3 2008, and average concentrator recovery remained unchanged at 78%.

- Development meters decreased by 49% to 2,882 meters and on-reef development decreased by 56% to 1,562 meters compared to Q3 2008, partly due to the industrial action in July, and partly due to the planned reduction in reserve development that was initiated in November 2008.

- Stoping units decreased by 9% to 36,263 square meters and run-of-mine rock ore decreased by 23% to 244,959 tonnes compared to the same quarter in 2008 as a result of the industrial action in July.

- Run-of-mine ore processed decreased by 8% to 280,777 tonnes in Q3 2009 from 305,490 tonnes in Q3 2008.

- At September 30, 2009, the Company had a cash position (including cash, cash equivalents and short term investments) of $22,906,000 (December 31, 2008 – $61,063,000).

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The table below sets forth selected results of operations for the Company's eight most recently completed quarters (in thousands of U.S. dollars, except per share amounts). The quarters of 2007 have been presented in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All financial data previously reported in Canadian dollars have been converted to U.S. dollars.

*Table 1*

| Selected quarterly data | **2009** | **2009** | **2009** | | **2008** | | | **2007** |
|---|---|---|---|---|---|---|---|---|
| (under IFRS unless otherwise noted) | Sept 30 | June 30 | March 31 | Dec 31 | Sept 30 | June 30 | March 31 | Dec 31 |
| | ----------Under IFRS---------- | | | | | | | Under Canadian GAAP |
| Revenues | $ 27,365 | $ 24,838 | $ 24,903 | $ 345 | $ 9,224 | $ 49,317 | $ 55,795 | $ 34,126 |
| Cost of operations | (26,702) | (22,595) | (21,402) | (19,569) | (25,372) | (25,538) | (24,144) | (26,095) |
| Mine operating earnings (loss) | 663 | 2,243 | 3,501 | (19,224) | (16,148) | 23,779 | 31,651 | 8,031 |
| Expenses (G&A and share-based payment) | (2,445) | (3,374) | (1,768) | (6,599) | (5,996) | (5,789) | (5,682) | (18,022) |
| Impairment of property, plant and equipmen | - | - | - | (313,603) | - | - | - | - |
| Operating (loss) profit | (1,782) | (1,131) | 1,733 | (339,426) | (22,144) | 17,990 | 25,969 | (9,991) |
| Net profit (loss) attributable to equity shareholders of the Company | $ 1,839 | $ 317 | $ 3,164 | $ (230,176) | $ (10,829) | $ 12,148 | $ 19,476 | $(10,814) |
| Earnings (loss) per share - basic | $ 0.00 | $ 0.00 | $ 0.00 | $ (0.34) | $ (0.02) | $ 0.02 | $ 0.03 | $ (0.02) |
| Earnings (loss) per share - diluted | $ 0.00 | $ 0.00 | $ 0.00 | $ (0.34) | $ (0.02) | $ 0.02 | $ 0.03 | $ (0.02) |
| Average foreign exchange rates | | | | | | | | |
| South African Rand per US dollar | 7.80 | 8.44 | 9.94 | 9.92 | 7.78 | 7.77 | 7.53 | 6.76 |
| US dollar per Canadian dollar | 0.9114 | 0.8578 | 0.8038 | 0.8252 | 0.9603 | 0.9901 | 0.9955 | 1.0189 |
| Period end foreign exchange rates | | | | | | | | |
| South African Rand per US dollar | 7.53 | 7.75 | 9.54 | 9.29 | 8.35 | 7.81 | 8.14 | 6.88 |
| US dollar per Canadian dollar | 0.9340 | 0.8598 | 0.7928 | 0.8210 | 0.9397 | 0.9807 | 0.9742 | 1.0088 |

## 3. Results of Operations for the three and nine months ended September 30, 2009

The following table sets forth selected consolidated financial information for the three and nine months ended September 30, 2009 and 2008:

*Table 2*

**Condensed consolidated interim income statements**

| (Expressed in thousands of U.S. dollars, except per share amounts) | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| **Revenue** | **$ 27,365** | $ 9,224 | **$ 77,106** | $ 114,336 |
| Cost of operations | | | | |
| Production costs | **22,394** | 20,629 | **58,588** | 61,437 |
| Depletion and depreciation | **4,308** | 4,743 | **12,111** | 13,617 |
| Mine operating earnings (loss) | **663** | (16,148) | **6,407** | 39,282 |
| Expenses | | | | |
| General and administrative | **2,336** | 5,585 | **7,143** | 15,227 |
| Share-based payments | **109** | 411 | **444** | 2,240 |
| Operating (loss) profit | **(1,782)** | (22,144) | **(1,180)** | 21,815 |
| Other income (expense) | | | | |
| Interest income | **448** | 2,297 | **1,437** | 7,981 |
| Finance costs | **(332)** | (701) | **(1,159)** | (2,957) |
| Foreign exchange (loss) gain | **652** | (28) | **(795)** | 1,100 |
| (Loss) profit before income taxes | **(1,014)** | (20,576) | **(1,697)** | 27,939 |
| Deferred income tax recovery (expense) | **1,645** | 6,363 | **3,934** | (7,417) |
| **Net profit (loss) for the period** | **$ 631** | $ (14,213) | **$ 2,237** | $ 20,522 |
| Attributable to | | | | |
| Non-controlling interest | **$ (1,208)** | $ (3,384) | **$ (3,083)** | $ (273) |
| **Equity shareholders of the Company** | **$ 1,839** | $ (10,829) | **$ 5,320** | $ 20,795 |
| Earnings per share | | | | |
| Basic | **$ 0.00** | $ (0.02) | **$ 0.01** | $ 0.03 |
| Diluted | **$ 0.00** | $ (0.02) | **$ 0.01** | $ 0.03 |
| Weighted average number of common share outstanding | | | | |
| Basic | **680,558** | 680,245 | **680,541** | 675,979 |
| Diluted | **687,018** | 680,245 | **686,112** | 705,249 |

| **Condensed consolidated statements of financial position** | **September 30, 2009** | December 31, 2008 |
|---|---|---|
| Total assets | **$ 695,191** | $ 596,570 |
| Total long-term liabilities | **$ 54,425** | $ 47,685 |

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

The following is a summary of CRM's operations for each of the quarters of 2009 and 2008:

*Table 3*

**Crocodile River Mine operations**

| | Three months ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | September 30, 2009 | June 30, 2009 | March 31, 2009 | December 31, 2008 | September 30, 2008 | June 30, 2008 | March 31, 2008 |
| **<u>Key financial statistics</u>** | | | | | | | |
| (dollar amounts stated in U.S. dollars) | | | | | | | |
| Sales - PGM ounces | 29,986 | 33,383 | 32,969 | 29,015 | 30,758 | 30,311 | 27,825 |
| Average delivered price per ounce (2) | $765 | $679 | $590 | $550 | $1,193 | $1,657 | $1,621 |
| Average basket price | $878 | $779 | $676 | $655 | $1,438 | $1,969 | $1,927 |
| Cash costs per ounce of PGM (1) | $758 | $554 | $536 | $628 | $672 | $696 | $698 |
| Cash costs per ounce of PGM, net of chrome by-product credits (1) | $583 | $494 | $388 | $578 | $521 | $696 | $698 |
| Rand cash costs per ounce of PGM (1) | R 5,915 | R 4,673 | R 5,326 | R 6,231 | R 5,233 | R 5,411 | R 5,258 |
| Rand cash costs per ounce of PGM, net of chrome by-product credits (1) | R 4,548 | R 4,169 | R 3,857 | R 5,734 | R 4,055 | R 5,410 | R 5,256 |
| **<u>Key production statistics</u>** | | | | | | | |
| Total tonnes processed | 471,743 | 440,288 | 318,394 | 298,514 | 317,602 | 337,471 | 349,497 |
| Run-of-mine ("ROM") rock tonnes processed | 280,777 | 304,354 | 318,394 | 298,514 | 305,490 | 313,767 | 257,748 |
| Tailings tonnes processed | 190,966 | 135,934 | - | - | 12,112 | 23,704 | 88,948 |
| Third party ore processed | - | - | - | - | - | - | 2,801 |
| Development meters | 2,882 | 4,326 | 4,573 | 4,604 | 5,599 | 5,575 | 4,409 |
| On-reef development meters | 1,562 | 2,860 | 2,745 | 2,922 | 3,556 | 3,230 | 2,343 |
| Stoping units (square meters) | 36,263 | 51,342 | 45,098 | 46,459 | 39,652 | 44,277 | 38,686 |
| Concentrator recovery from ROM ore | 78% | 80% | 80% | 76% | 78% | 73% | 78% |
| Chrome produced (tonnes) | 83,930 | 82,760 | 77,554 | 69,937 | 64,744 | 37,515 | 22,489 |
| **<u>Metal in concentrate sold (ounces)</u>** | | | | | | | |
| Platinum (Pt) | 15,080 | 16,721 | 16,499 | 14,466 | 15,393 | 15,333 | 13,684 |
| Palladium (Pd) | 6,613 | 7,406 | 7,399 | 6,690 | 6,973 | 6,777 | 6,201 |
| Rhodium (Rh) | 2,499 | 2,868 | 2,812 | 2,451 | 2,581 | 2,543 | 2,335 |
| Gold (Au) | 115 | 141 | 135 | 121 | 123 | 132 | 121 |
| Iridium (Ir) | 1,095 | 1,179 | 1,144 | 979 | 1,083 | 994 | 1,078 |
| Ruthenium (Ru) | 4,584 | 5,068 | 4,980 | 4,308 | 4,605 | 4,532 | 4,405 |
| Total PGM ounces | 29,986 | 33,383 | 32,969 | 29,015 | 30,758 | 30,311 | 27,825 |

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

*<u>Quarter ended September 30, 2009 compared to the quarter ended September 30, 2008</u>*

The Company recorded revenue of $27,365,000 in Q3 2009. This amount represents revenues recorded when PGM concentrates are physically delivered to the buyer, plus/minus adjustments made when final prices for these concentrates are settled. The Company settles its PGM sales three to five months following the physical delivery of the concentrates which are provisionally priced on the date of delivery.

After a period of sharp declines in late 2008, PGM prices in U.S. dollar terms have risen steadily throughout 2009 from its lows in December 2008. The Company recorded an average delivered basket price of $765 per PGM ounce in Q3 2009, compared to $679 in Q2 2009 and $1,193 in Q3 2008. The delivered price per ounce refers to the PGM prices in effect at the time the PGM concentrates are

delivered. As a result of the rise in prices, the Company recorded positive provisional price adjustments of $1,579,000 and $6,490,000 for the three and nine months ended September 30, 2009 respectively. In comparison, PGM prices declined sharply from August through December 2008 resulting in significant negative adjustments to the provisional prices in Q3 2008 when these were marked to market at September 30, 2008.

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 September 30, 2009 | Three months ended September 30, 2008 | Nine months ended September 30, 2009 | Nine months ended September 30, 2008 |
|---|---|---|---|---|
| Revenue before provisional price adjustments | $ 25,786 | $ 34,412 | $ 70,616 | $ 129,702 |
| Provisional price adjusments | | | | |
| Adjustments to revenue upon settlement of prior periods' sales | 20 | (4,749) | 4,931 | 5,073 |
| Mark-to-market adjustment on sales not yet settled at end of period | 1,559 | (20,439) | 1,559 | (20,439) |
| Revenue as reported in the income statement | $ 27,365 | $ 9,224 | $ 77,106 | $ 114,336 |

In Q3 2009, CRM suffered five lost time injuries (compared to eight lost time injuries in Q3 2008) resulting in a Lost Time Injury Frequency Rate ("LTIFR") of 1.69 (3.02 in Q3 2008). The Company's twelve month rolling LTIFR of 1.85 to September 30, 2009 compares favorably with other platinum producers in South Africa.

PGM ounces sold were down by 3% in Q3 2009 compared to Q3 2008 as a result of decreased run-of-mine rock tonnes processed (280,777 tonnes in Q3 2009 compared to 305,490 tonnes in Q3 2008). The decrease in run-of-mine tonnes was due to an illegal industrial action by personnel employed by two contract mining companies which severely interrupted production at the mine in July and August. By September, production levels had returned to those achieved in June 2009. The decrease in production was partially offset by an increase in grades from 4.0 grams per tonne in Q3 2008 to 4.1 grams per tonne in Q3 2009. Total tonnage processed increased by 49% compared to Q3 2008 primarily due to the Q3 2009 recommencement of tailings retreatment at CRM. There were 190,966 tonnes of tailings processed in Q3 2009 versus 12,112 tonnes in Q3 2008.

Total development for the quarter was 2,882 metres, a 49% decrease compared to 5,599 metres achieved in Q3 2008, and on-reef development was 1,562 metres, a 56% decrease compared to 3,556 metres in Q3 2008, again as a result of the industrial action. Since the industrial action, the Company's focus has been to return to production levels achieved in June 2009 in a safe, timely, and cost efficient manner. Going forward, development is planned at Q2 levels in order to ensure that the reserve immediately available for stoping can be maintained at about eighteen months.

Recovery rates increased from 78% in Q3 2008 to 80% in Q2 2009 and then decreased to 78% in Q3 2009 as a result of the industrial action causing sub-optimal concentrator operation during times of low feed from underground.

Operating cash costs, a non-IFRS measure, increased by 13% from $672 per ounce in Q3 2008 to $758 per ounce in Q3 2009 due to inefficiencies caused by the disruption of the industrial action, a 10% wage increase effective July 1, 2009, and a 30% increase in electricity costs. Operating cash costs are incurred

primarily in Rand. The average U.S. dollar-Rand exchange rate, which was R7.80:$1.00 in both Q3 2009 and Q3 2008, was not a factor in the comparison of 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-IFRS measures.

The chrome recovery circuit at CRM was fully operational at the end of the second quarter of 2008. As a result, penalties for excess chrome present in PGM concentrates have been significantly reduced and commercial quantities of chrome have been produced and sold as a by-product of PGM production. In July 2008, the Company commenced reporting cash costs net of chrome by-product credits, also a non-IFRS measure. In Q3 2009, 83,930 tonnes of chrome were produced and 76,900 tonnes were sold for proceeds of $5,255,000, reducing operating cash costs net of by-product credits to $583 per ounce.

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

Underground mining activities and production were significantly interrupted during the quarter as a result of the illegal industrial action in July. Development meters, on-reef development meters, and stoping units decreased by 33%, 45% and 29% respectively compared to Q2 2009. However, the decrease in run-of-mine ore processed was limited to 8% and the decrease in PGM ounces sold was limited to 10% due to the processing of 35,000 tonnes of surface ore stockpiles which had accumulated as at June 30, 2009.

The decrease in production ounces and production efficiencies led to a 37% increase in operating cash costs per ounce from $554 per ounce in Q2 2009 to $758 per ounce in Q3 2009. Other factors contributing to this increase was a 10% rise in wages effective July 1, 2009 and a 30% rise in electricity costs. An 8% weakening of the U.S. dollar from R8.44:$1.00 in Q2 2009 to R7.80:$1.00 in Q3 2009 also contributed to the increase in operating cash costs, which are incurred primarily in Rand.

Revenues were 10% higher compared to Q2 2009 as a result of a 13% rise in the average delivered price per PGM ounce, which also contributed to positive provisional price adjustments for the current quarter, and an increase in chrome production and sales.

*Nine months ended September 30, 2009 ("9M 2009") compared to the nine months ended September 30, 2008 ("9M 2008")*

In 9M 2009, the Company sold 96,338 PGM ounces, an increase of 8% compared to 9M 2008, primarily as a result of higher volumes mined in 2009 (1,230,425 tonnes processed in 9M 2009 compared to 1,004,570 tonnes processed in 9M 2008), and improved recovery rates (79% in 9M 2009 compared to 76% in 9M 2008). On-reef development decreased to 7,167 meters in 9M 2009 compared to 9,129 meters in 9M 2008.

The average delivered basket price per ounce decreased from $1,485 in 9M 2008 to $675 in 9M 2009 as PGM prices reached multi-year highs in March 2008 and decreased between August 2008 and December 2008.

Operating cash costs of $611 per ounce were achieved in 9M 2009, compared to $688 per ounce in 9M 2008, due to an 8% increase in the number of ounces produced in 2009 compared to 2008 and a 12% rise in the value of the U.S. dollar relative to the Rand between 2008 and 2009. However, total cash operating costs in Rand were 8% higher in 9M 2009 compared to the same period in 2008 due to increased labour costs and general inflation on other supplies and services during this period.

*3.2 CRM non-IFRS measures*

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

*Table 5*

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

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2009 | September 30, 2008 | September 30, 2009 | September 30, 2008 |
| Mine operating earnings (loss) | $ 663 | $ (16,148) | $ 6,407 | $ 39,282 |
| Depletion and depreciation | 4,308 | $ 4,743 | 12,111 | 13,617 |
| **EBITDA (1)** | 4,971 | (11,405) | 18,518 | 52,899 |
| Production costs as reported | 22,394 | 20,629 | 58,588 | 61,437 |
| Adjustments for miscellaneous costs (2) | 335 | 40 | 306 | (245) |
| Cash operating costs | 22,729 | 20,669 | 58,894 | 61,192 |
| Less by-product credits - chrome revenues and adjustments | (5,255) | (4,640) | (12,144) | (4,640) |
| Cash operating costs net of by-product credits | 17,474 | 16,029 | 46,750 | 56,552 |
| Ounces sold | 29,986 | 30,758 | 96,338 | 88,894 |
| **Cash cost per ounce sold** | $ 758 | $ 672 | $ 611 | $ 688 |
| **Cash cost per ounce sold net of by-product credits** | $ 583 | $ 521 | $ 485 | $ 636 |

(1) EBITDA includes provisional price adjustments, chrome revenues, chrome penalties, and foreign exchange adjustments to sales.
(2) Miscellaneous costs include costs such as housing, technical services and planning.

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

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

*3.3 Development projects*

*3.3.1 CRM*

In Q3 2009, the Company spent approximately $3.9 million at CRM, primarily on continuing underground mine development, concentrator instrumentation upgrades, underground high tension electricity expansion and upgrades, and ongoing surface and underground works at the Zandfontein vertical shaft, including conveyor belts for the transport of ore hoisted up the vertical shaft and

construction of dams for underground water control. The shaft hoisting capacity will be 100,000 tonnes of ore per month plus associated waste, and the shaft, along with additional decline development, will allow access into the deeper parts of the ore body.

Due to the recent downturn in the global economy and platinum group metals prices, the development of the Crocette and Kareespruit sections at CRM has been put on hold while the Company focused on increasing production from existing mining areas.

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

Development of Spitzkop and Kennedy's Vale has been on hold since December 2008. During Q3 2009 the only expenditures at Spitzkop/Kennedy's Vale related to care and maintenance costs.

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

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 market environment, development of the declines was suspended after about 180 metres and equipment purchased is being stored for future use.

The new order mining right for Spitzkop was executed in October 2009.

### *3.3.3 Mareesburg*

Further work on the Mareesburg project has been on hold since December 2008. A new order mining right application was submitted in December 2007 which supports the Company's intention to commence mining 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 administrative office and costs associated with care and maintenance at Spitzkop, Kennedy's Vale and Mareesburg. Corporate office costs include legal and accounting, regulatory, executive management fees, investor relations, travel and consulting fees. Given the current downturn in the economy and the curtailment and postponement of some of the Company's projects, the Company has made considerable efforts to reduce G&A expenses beginning in Q4 2008. G&A decreased by 58% to $2,336,000 in Q3 2009 from $5,585,000 in Q3 2008. Similarly, G&A decreased by 53% to $7,143,000 in 9M 2009 from $15,227,000 in 9M 2008. The decrease in G&A was due to a reduction in certain senior level staff in Johannesburg in late 2008, and a general reduction in corporate travel and investor relations activities.

Compared to the second quarter of 2009, G&A decreased from $3,171,000 to $2,336,000 in Q3 2009 mainly due to the Q2 2009 settlement of two long-standing legal proceedings which originated at CRM in 2004 and 2006 respectively. The costs to settle these proceedings totaled $1,407,000.

Interest income recorded during the three and nine months ended September 30, 2009 was $448,000 and $1,437,000 respectively compared with $2,297,000 and $7,981,000 in the same period in 2008. The

decrease in interest income was due to lower average cash balances and lower interest rates in 2009 compared to the same period in 2008.

During the three and nine months ended September 30, 2009 the Company recorded an income tax recovery of $1,645,000 and $3,934,000 respectively. The recoveries were based on net losses generated at CRM during the period as well as changes in the Company's net assets that resulted in a deferred tax recovery. The consolidated statement of financial position reflects total deferred tax liabilities of $43,506,000 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 September 30, 2009, the Company had working capital of $30,271,000 (December 31, 2008 – $34,025,000) and cash and cash equivalents and short-term investments of $22,906,000 (December 31, 2008 – $61,063,000) in highly liquid, fully guaranteed, bank sponsored instruments.

The Company had no long-term debt at September 30, 2009, other than a provision for environmental rehabilitation 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 4.4 below.

### *4.1 Outlook*

The sharp decline in the prices of platinum group metals (PGMs) during the last five months of 2008 had a negative impact on the Company's profitability and the Company's development projects which have been put on hold until a sustained recovery of PGM prices takes place. PGM prices in U.S. dollar terms have recovered since the beginning of 2009, but this has been negated by the recent strength of the Rand against the U.S. dollar. As a result, the realized basket prices that the Company is receiving have not improved significantly since their lows of December 2008 and are still more than 50% below those recorded in July 2008. In light of 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 short term.

Furthermore, the illegal industrial action at CRM in July and the hiring and training of new personnel resulted in lower production levels in the third quarter. Despite the negative impact of this disruption, the Company anticipates production to return to budgeted levels in the fourth quarter as new mining crews complete their phase-in and training periods.

As a consequence of the global economic uncertainty and the industrial action at CRM, the Company's near-term goal has been, and continues to be, to preserve its cash balances to the greatest extent possible, by finding ways to increase production and minimize operating costs without compromising safety, health and environmental standards, and by curtailing capital expenditures. This process began in December 2008, and until the industrial action took place, the Company was successful in achieving significant cost improvements over the first two quarters of 2009. The Company will continue to manage costs as a priority and expects the lower cost structure to be maintained, as long as there are no further unanticipated disruptions in production.

The Company's three primary development projects, at the Crocette section at CRM and at Spitzkop and Mareesburg on the Eastern Limb, have remained on care and maintenance since the end of 2008. The Company continually assesses their status, with a view to determining an appropriate development schedule given the market conditions, the Company's current cash balances, its ability to generate

sufficient cash flows, and its ability to obtain additional funding in the current market environment. Additional funding may be required and may include external debt financing, joint venture or other third party participation in one or more of the projects, or the public or private sales of equity or debt securities of the Company.

If 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 the current tight 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.

### *4.2 Impairment*

The Company has assessed the carrying values of its mineral properties as a result of the market downturn. Since late 2008, declining PGM prices and negative market sentiment have led to the Company's market capitalization dropping below its book value as at December 31, 2008 and throughout 2009. Based on the then-current and expected PGM prices and cost structures as at December 31, 2008, management determined that the values of the Company's mineral properties have not been impaired as of December 31, 2008, with the exception of the Kennedy's Vale Project, which was impaired by $313,603,000 as determined under IFRS. This impairment has been recorded in the year ended December 31, 2008. Should market conditions and commodity prices deteriorate for a prolonged period of time, an impairment of the Company's other mineral properties may be required.

### *4.3 Share Capital*

During the three months ended September 30, 2009, the Company did not grant any stock options. Share-based payment expense for the quarter was $109,000, which takes into account the vesting of options. During Q3 2009, 472,500 options were forfeited at a weighted average exercise price of Cdn$1.35.

During the nine months ended September 30, 2009, the Company granted 480,000 stock options with a weighted average exercise price of Cdn$0.49 and expiry dates of February 11, 2014 and June 30, 2014, giving rise to share-based payment expense of $101,000 for the period. The total share-based payment expense for the period was $444,000, which takes into account the vesting of options. During the nine months ended September 30, 2009, 5,154,167 options were forfeited at a weighted average exercise price of Cdn$2.02.

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

As at November 12, 2009, the Company had:

- 680,570,958 common shares outstanding; and

- 60,157,500 stock options outstanding, which are exercisable at prices ranging from Cdn$0.32 to Cdn$3.38 and expire between 2011 and 2018.

### *4.4 Contractual Obligations and Commitments*

The Company's major contractual obligations and commitments at September 30, 2009 were as follows:

*Table 6*

| (in thousands of U.S. dollars) | Total | Less than 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|
| Provision for environmental rehabilitation | $ 16,031 | $ - | $ - | $ 16,031 |
| Capital expenditure contracted at September 30, 2009 but not recognized on the condensed consolidated interim statement of financial position | 4,122 | 4,122 | - | - |
| Capital lease obligations | 4,817 | 1,202 | 3,614 | - |
| | $ 24,970 | $ 5,324 | $ 3,614 | $ 16,031 |

## 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 and nine months ended September 30, 2009 the Company paid $280,000 and $829,000 respectively for management and consulting fees compared to $322,000 and $1,033,000 respectively during the same periods in 2008. During the three and nine months ended September 30, 2009, the Company paid $26,000 and $45,000 respectively for reimbursements of expenses to private companies controlled by officers and directors of the Company, compared to $73,000 and $228,000 respectively during the same period in 2008. Management fees were lower during the three and nine months ended September 30, 2009 compared to the same periods in 2008 due to cost-cutting measures and a lower Canadian dollar. Reimbursements of expenses were lower during the three and nine months ended September 30, 2009 compared to the same periods in 2008 due to less travel to South Africa.

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

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

In 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 second financial statements prepared under IFRS are the interim financial statements for the three and nine months ended September 30, 2009, which includes full disclosure of its new IFRS policies in Note 3 to these financial statements. These financial statements also include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") to IFRS as set out in Note 15.

### *6.1 Significant differences between IFRS and Canadian GAAP in the Company's financial statements*

During the year ended December 31, 2008, the Company recorded an impairment of its Kennedy's Vale ("KV") Project of $313,603,000 under IFRS, as the discounted cash flows of the KV Project were below its carrying value. The amount of the impairment was the difference between the discounted cash flows and the carrying value. Deferred tax liabilities associated with the KV Project were also written off as a result. The effect of the impairment was a decrease in property, plant and equipment of $274,354,000, from $783,039,000 under Canadian GAAP, to $508,685,000 under IFRS. An impairment was not required under Canadian GAAP, as the undiscounted cash flows of the KV Project were higher than its carrying value. Since the valuation of the KV Project was based on a production start date of 2020, discounted and undiscounted cash flows varied significantly, creating a difference in the impairment determination under IFRS and under Canadian GAAP.

Tests for impairment are based on certain assumptions on metal prices, production rates, project start-up dates, operating costs, capital costs, and discount rates. Should any of these assumptions change and cause an adverse effect on the valuation of a project, additional impairment charges may be required.

At January 1, 2008, the Company elected to eliminate its currency translation adjustment balance in the statement of financial position, as allowed for first-time IFRS adopters. The effect of this elimination was a decrease in the deficit of $21,747,000, from $68,132,000 under Canadian GAAP to $46,385,000 under IFRS.

### *6.2 Accounting standards issued but not yet effective*

*(i) Effective for annual periods beginning on or after July 1, 2009*

- IFRS 2 *Share Based Payments* (revised) – revision of scope
- IFRS 3 *Business Combinations* (revised) – revision of scope and amendments to accounting for business combinations
- IAS 27 *Consolidated and Separate Financial Statements* (revised) – amendments due to IFRS 3 *Business Combinations* revisions
- IAS 38 *Intangible Assets* (revised) - amendments due to IFRS 3 *Business Combinations* revisions and measuring the fair value of an intangible asset acquired in a business combination

*(ii) Effective for annual periods beginning on or after January 1, 2010*

- IFRS 8 *Operating Segments* (revised) – disclosure of information about segment assets

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

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## 7. Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with the Company's management, are responsible for the information disclosed in this MD&A and in the Company's other external disclosure documents. For the quarters ended September 30, 2009 and September 30, 2008, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures ("DCP") to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in

accordance with regulatory requirements and good business practices and that the Company's DCP will enable the Company to meet its ongoing disclosure requirements.

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the design and operation of the Company's DCP were effective as of September 30, 2009 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). During 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 September 30, 2009.

The scope of the Company's design of DCP and ICFR excluded Gubevu Consortium Holdings (Pty) Ltd., a subsidiary which is accounted for as a special purpose entity under IFRS (previously a variable interest entity under Canadian generally accepted accounting principles).

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 September 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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## 8. 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.

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November 12, 2009

Ian Rozier