

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

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at June 30, 2009 and for the three and six 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 six months ended June 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 August 13, 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.

2. Highlights for the quarter ended June 30, 2009 (“Q2 2009”)

- Eastplats recorded a net profit attributable to equity shareholders of the Company of \$317,000 (\$0.00 per share) compared to a net profit attributable to equity shareholders of \$12,148,000 (\$0.02 per share) in the second quarter of 2008 (“Q2 2008”).
- Production at the Crocodile River Mine (“CRM”) increased by 10% to 33,383 PGM ounces, from 30,311 PGM ounces in Q2 2008.
- The average delivered basket price per PGM ounce was \$679, a decrease of 59% compared to \$1,657 in Q2 2008, but an increase of 15% compared to \$590 in the first quarter of 2009.
- EBITDA was \$6,529,000 compared to \$28,259,000 in Q2 2008 and \$7,018,000 in the first quarter of 2009.
- Operating cash costs were \$554 per ounce, a decrease of 20% compared to the \$696 per ounce achieved in Q2 2008, but an increase of 3% compared to the \$536 per ounce achieved in the first quarter of 2009.
- Operating cash costs net of by-product credits were \$494 per ounce, a 29% decrease from \$696 per ounce achieved in Q2 2008.
- Rand operating cash costs per ounce have decreased by 25% since the fourth quarter of 2008 reflecting the success of the Company's operating cost cutting measures which had been implemented since December 2008. Rand operating cash costs per ounce decreased from R6,231

per ounce in the fourth quarter of 2008 to R5,326 per ounce in the first quarter of 2009, and to R4,673 per ounce in Q2 2009.

- Chrome penalties decreased by 76% percent from \$2,631,000 in Q2 2008 to \$621,000 this quarter.
 - Average recovery rates for the quarter improved to 80%, compared to 73% in Q2 2008.
 - Head grade increased to 4.2 grams per tonne this quarter compared to the 4.0 g/t that had been consistently achieved in the previous five quarters.
 - Stopping units increased by 16% and run-of-mine tonnes hoisted increased by 12% compared to the same quarter in 2008.
 - Run-of-mine ore processed decreased by 3% to 304,354 tonnes in Q2 2009 from 313,767 tonnes in Q2 2008.
 - The Company's Lost Time Injury Frequency Rate (LTIFR) was 1.94 this quarter compared to 1.85 in Q2 2008. The mine's safety record continues to compare favourably with other platinum producers in South Africa.
 - At June 30, 2009, the Company had a cash position (including cash, cash equivalents and short term investments) of \$21,910,000 (December 31, 2008 – \$61,063,000).
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3. Results of Operations for the three and six months ended June 30, 2009

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

Table 1

Condensed consolidated interim income statements				
(Expressed in thousands of U.S. dollars, except per share amounts)				
	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue	\$ 24,838	\$ 49,317	\$ 49,741	\$ 105,112
Cost of operations				
Production costs	18,309	21,058	36,194	40,808
Depletion and depreciation	4,286	4,480	7,803	8,874
Mine operating earnings	2,243	23,779	5,744	55,430
Expenses				
General and administrative	3,171	5,309	4,807	9,642
Share-based payments	203	480	335	1,829
Operating (loss) profit	(1,131)	17,990	602	43,959
Other income (expense)				
Interest income	495	2,877	989	5,684
Finance costs	(375)	(2,248)	(827)	(2,256)
Foreign exchange (loss) gain	(1,372)	71	(1,447)	1,128
(Loss) profit before income taxes	(2,383)	18,690	(683)	48,515
Deferred income tax recovery (expense)	1,609	(5,533)	2,289	(13,780)
Net (loss) profit for the period	\$ (774)	\$ 13,157	\$ 1,606	\$ 34,735
Attributable to				
Non-controlling interest	\$ (1,091)	\$ 1,009	\$ (1,875)	\$ 3,111
Equity shareholders of the Company	\$ 317	\$ 12,148	\$ 3,481	\$ 31,624
Earnings per share				
Basic	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.05
Diluted	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.04
Weighted average number of common share outstanding				
Basic	680,538	677,772	680,532	673,822
Diluted	687,181	713,615	685,597	716,095
Condensed consolidated statements of financial position	June 30,	December 31,		
	2009	2008		
Total assets	\$ 669,087	\$ 596,570		
Total long-term liabilities	\$ 54,388	\$ 47,685		

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 2

Selected quarterly data (under IFRS unless otherwise noted)	2009		2008				2007	
	June 30	March 31	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30
							Under Canadian GAAP	
Revenues	\$24,838	\$24,903	\$ 355	\$ 9,214	\$ 49,317	\$ 55,795	\$ 34,126	\$ 31,452
Cost of operations	(22,595)	(21,402)	(19,580)	(25,360)	(25,539)	(24,144)	(26,095)	(24,388)
Mine operating earnings (loss)	2,243	3,501	(19,225)	(16,146)	23,778	31,651	8,031	7,064
Expenses (G&A and share-based payment)	(3,374)	(1,768)	(6,602)	(5,787)	(5,995)	(5,682)	(18,022)	(3,534)
Impairment of property, plant and equipment	-	-	(313,603)	-	-	-	-	-
Operating (loss) profit	(1,131)	1,733	(339,430)	(21,933)	17,783	25,969	(9,991)	3,530
Net (loss) profit attributable to equity shareholders of the Company	\$ 317	\$ 3,164	\$ (231,582)	\$ (9,490)	\$ 12,148	\$ 19,476	\$ (10,814)	\$ (1,390)
Earnings (loss) per share - basic	\$ 0.00	\$ 0.00	\$ (0.34)	\$ (0.01)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ 0.00
Earnings (loss) per share - diluted	\$ 0.00	\$ 0.00	\$ (0.34)	\$ (0.01)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ 0.00
Average foreign exchange rates								
South African Rand to US dollar	0.1185	0.1006	0.1008	0.1285	0.1287	0.1328	0.1478	0.1409
Canadian dollar to US dollar	0.8578	0.8038	0.8252	0.9603	0.9901	0.9955	1.0189	0.9572
Period end foreign exchange rates								
South African Rand to US dollar	0.1291	0.1048	0.1076	0.1197	0.1280	0.1229	0.1453	0.1454
Canadian dollar to US dollar	0.8598	0.7928	0.8210	0.9397	0.9807	0.9742	1.0088	1.0052

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

Quarter ended June 30, 2009 compared to the quarter ended June 30, 2008 ("Q2 2008")

The Company recorded revenue of \$24,838,000 in Q2 2009. This amount represents revenues recorded when PGM concentrates are physically delivered to the buyer, less adjustments made when final prices for these concentrates are settled. The Company settles its PGM sales three to five months following the physical delivery of the concentrates which are provisionally priced on the date of delivery. PGM prices declined sharply from August through December 2008 resulting in significant negative adjustments to the provisional prices for the second half of 2008 when these provisional prices were marked to market at December 31, 2008.

Between December 31, 2008 and March 31, 2009, PGM prices in U.S. dollar terms stabilized and rose by approximately 15% compared to the lows experienced in early December 2008. Since March 31, 2009, PGM prices have continued to strengthen and have risen by a further 15%. The Company recorded an average delivered basket price of \$679 per PGM ounce in Q2 2009, compared to \$590 in Q1 2009 and \$1,657 in Q2 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 \$2,853,000 and \$4,911,000 for the three and six months ended June 30, 2009 respectively.

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

Table 4

Crocodile River Mine				
Effect of provisional price adjustments on revenues				
(stated in thousands of U.S. dollars)				
	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Revenue before provisional price adjustments	\$ 21,985	\$ 48,784	\$ 44,830	\$ 95,290
Provisional price adjustments				
Adjustments to revenue upon settlement of prior periods' sales	1,060	(452)	1,493	2,194
Mark-to-market adjustment on sales not yet settled at end of period	1,793	985	3,418	7,628
Revenue as reported in the income statement	\$ 24,838	\$ 49,317	\$ 49,741	\$ 105,112

PGM ounces sold were up by 10% in Q2 2009 compared to Q2 2008 as a result of increased recovery rates (80% in Q2 2009 compared to 73% in Q2 2008) and increased grades (4.2 g/tonne in Q2 2009 compared to 4.0 g/tonne in Q2 2008). This was offset by a 3% decrease in ore tonnes processed (304,354 tonnes in Q2 2009 compared to 313,767 in Q2 2008), which, combined with a 16% increase in the stoping units and a 12% increase in the tonnes of run-of-mine rock hoisted, resulted in an increase in the amount of surface ore stockpiles at June 30, 2009. Total tonnage processed increased by 30% compared to Q2 2008 primarily due to the Q2 2009 recommencement of tailings retreatment at CRM. There were 135,934 tonnes of tailings processed in Q2 2009 (yielding 695 PGM ounces) versus 23,704 tonnes in Q2 2008.

Total development for the quarter was 4,326 metres, a 22% decrease compared to 5,575 metres achieved in Q2 2008, and on-reef development was 2,860 metres, an 11% decrease compared to 3,230 metres in Q2 2008. Since Q4 2008, the Company has focused on reducing development to a level that maintains mining flexibility while providing for the mine production build-up and minimizing cash outflows. On-reef development is expensed for accounting purposes.

Recovery rates increased from 73% in Q2 2008 to 80% in Q1 2009 and remained at 80% throughout Q2 2009 as the concentrator achieved steady state operating conditions subsequent to the upgrades made during Q2 2008.

Operating cash costs, a non-IFRS measure, improved from \$696 per ounce in Q2 2008 to \$554 per ounce in Q2 2009 partly due to a 10% increase in the number of ounces produced in Q2 2009 compared to Q2 2008 and partly due to a 9% rise in the value of the U.S. dollar relative to the Rand between Q2 2008 and Q2 2009 as the Company incurs these costs entirely in Rand.

In spite of a general annual inflation rate of 8%, Rand operating cash costs per ounce have improved by 25% since the fourth quarter of 2008 reflecting the success of the Company's operating cost cutting measures which have been implemented since December 2008. Rand operating cash costs per ounce have decreased from R 6,231 per ounce in the fourth quarter of 2008 to R 5,326 per ounce in the first quarter of 2009 to R 4,673 per ounce in Q2 2009. In comparison with Q2 2008, Rand cash operating costs have improved 14%. 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 were 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 Q2 2009, 82,760 tonnes of chrome were produced and 78,685 tonnes were sold for proceeds of \$1,995,000. Operating cash costs net of by-product credits increased to \$494 per ounce. Chrome penalties in the PGM concentrate dropped significantly, from \$2,631,000 in Q2 2008 to \$621,000 in Q2 2009.

In Q2 2009, CRM suffered seven lost time injuries (compared to five lost time injuries Q2 2008) resulting in a Lost Time Injury Frequency Rate ("LTIFR") of 1.94 (1.85 in Q2 2008). The Company's twelve month rolling LTIFR of 2.5 to June 30, 2009 compares favorably with other platinum producers in South Africa.

Six months ended June 30, 2009 ("6M 2009") compared to the six months ended June 30, 2008 ("6M 2008")

In 6M 2009, the Company sold 66,352 PGM ounces, an increase of 14% compared to 6M 2008, primarily as a result of higher volumes mined in 2009 (622,748 tonnes processed in 6M 2009 compared to 571,515 tonnes processed in 6M 2008), improved recovery rates (80% in 6M 2009 compared to 76% in 6M 2008), and a slight increase in on-reef development (5,605 meters in 6M 2009 compared to 5,573 meters in 6M 2008).

The realized price per ounce decreased from \$1,642 in 6M 2008 to \$635 in 6M 2009 due to significant decrease in PGM prices between July 2008 and November 2008.

Operating cash costs of \$545 per ounce were achieved in 6M 2009, compared to \$697 per ounce in 6M 2008, due to a 14% increase in the number of ounces produced in 2009 compared to 2008 and a 19% rise in the value of the U.S. dollar relative to the Rand between 2008 and 2009. Total cash operating costs in Rand were 7% higher in 6M 2009 compared to the same period in 2008 due to increased labour costs of 10% and general inflation on other supplies and services of 8% 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		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Mine operating earnings	\$ 2,243	\$ 23,779	\$ 5,744	\$ 55,430
Depletion and depreciation	4,286	4,480	7,803	8,874
EBITDA (1)	6,529	28,259	13,547	64,304
Production costs as reported	18,309	21,058	36,194	40,808
Adjustments for miscellaneous costs (2)	185	38	(29)	(285)
Cash operating costs	18,494	21,096	36,165	40,523
Less by-product credits - chrome revenues and adjustments	(1,994)	-	(6,889)	-
Cash operating costs net of by-product credits	16,500	21,096	29,276	40,523
Ounces sold	33,383	30,311	66,352	58,136
Cash cost per ounce sold	\$ 554	\$ 696	\$ 545	\$ 697
Cash cost per ounce sold net of by-product credits	\$ 494	\$ 696	\$ 441	\$ 697

(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 Q2 2009, the Company spent approximately \$5.0 million at CRM, primarily on continuing underground mine development, repairs to the mill gearbox and motor in the concentrator, and ongoing surface works at the vertical shaft at Zandfontein, including conveyor belts for the transport of ore hoisted up the vertical shaft and construction of change houses and other associated infrastructure. The shaft

hoisting capacity will be 120,000 tonnes of ore per month plus associated waste, and the shaft, along with the decline development, will allow access into the deeper parts of the ore body.

Due to the recent significant 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 put on hold since December 2008. During Q2 2009, the Company spent \$3.3 million on the Spitzkop/Kennedy's Vale project, primarily on mill refurbishment and flotation cells, which were long-lead items ordered in late 2008. The Company does not expect any further expenditures at Spitzkop/Kennedy's Vale other than 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 current market environment, development of the declines was suspended after about 180 metres. Equipment purchased will be stored and continuation of the declines will be suspended until PGM prices improve.

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

3.3.3 Mareesburg

Further work on the Mareesburg project has been put 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. Such 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 trend was for G&A expenses to decrease beginning in Q4 2008 and continuing into 2009, as the Company implemented cash preservation measures in late 2008. G&A decreased by 40% to \$3,171,000 in Q2 2009 from \$5,309,000 in Q2 2008. Similarly, G&A decreased by 50% to \$4,807,000 in 6M 2009 from \$9,642,000 in 6M 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. In addition, \$329,000 of the quarterly decrease was due to a drop in both the Canadian dollar and the Rand relative to the US dollar, as G&A costs were paid in Canadian dollars and in Rand.

Compared to the first quarter of 2009, G&A increased from \$1,636,000 to \$3,171,000 in Q2 2009 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 six months ended June 30, 2009 was \$495,000 and \$989,000 respectively compared with \$2,877,000 and \$5,684,000 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 six months ended June 30, 2009 the Company recorded an income tax recovery of \$1,609,000 and \$2,289,000 respectively, despite recording a minor loss in Q2 2009 and a profit in 6M 2009. 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 \$43,955,000 which arose primarily as a result of the step-up to fair value of the net assets acquired on the Barplats and Gubevu business acquisitions during the years ended June 30, 2006, June 30, 2007, and December 31, 2008.

4. Liquidity and Capital Resources

At June 30, 2009, the Company had working capital of \$29,402,000 (December 31, 2008 – \$34,025,000) and cash and cash equivalents and short-term investments of \$21,910,000 (December 31, 2008 – \$61,063,000) in highly liquid, fully guaranteed, bank sponsored instruments.

The Company had no long-term debt at June 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 unprecedented 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 has 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.

As a consequence, the Company's near-term goal has been, and continues to be, to preserve its cash balances to the greatest extent possible, by increasing production and minimizing operating costs without compromising safety, health and environmental standards, and by curtailing capital expenditures. This process began in December 2008, and the Company has successfully achieved cost improvements over the last two consecutive quarters. 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 disruptions to the production side.

On July 12, 2009, the Company announced that its subsidiary Barplats Mines Ltd. had served notice to immediately terminate the services of the contract mining companies whose employees were involved in an illegal sit-in at the Crocodile River Mine a few days earlier. As a result of this termination, the Company anticipates that production in the third quarter will be negatively impacted, but expects

production to return to budgeted levels in the fourth quarter as new mining crews complete their phase-in and training periods.

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 the possibility of their restart-up, with a view to determining an appropriate development schedule given the Company's current cash balances, its ability to generate sufficient cash flows, and its ability to obtain additional funding in the current market environment. Additional funding may 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 current market conditions and commodity prices worsen 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 June 30, 2009, the Company granted 400,000 stock options with an exercise price of Cdn\$0.52 and expiry date of June 30, 2014, giving rise to share-based payment expense of \$93,000 for the quarter. The total share-based payment expense for the quarter was \$203,000, which takes into account the vesting of options. During Q2 2009, 1,331,667 options were forfeited at a weighted average exercise price of Cdn\$2.43.

During the six months ended June 30, 2008, 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 \$99,000 for the period. The total share-based payment expense for the period was \$335,000, which takes into account the vesting of options. During the six months ended June 30, 2009, 4,681,667 options were forfeited at a weighted average exercise price of Cdn\$2.09.

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 August 13, 2009, the Company had:

- 680,557,369 common shares outstanding; and
- 60,295,000 stock options outstanding, which are exercisable at prices ranging from Cdn\$0.32 to Cdn\$3.38 most of which expire between 2011 and 2018.

4.4 Contractual Obligations and Commitments

The Company's major contractual obligations and commitments at June 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	\$ 15,588	\$ -	\$ -	\$ 15,588
Capital expenditure contracted at June 30, 2009 but not recognized on the condensed consolidated interim statement of financial position	4,236	4,236	-	-
Capital lease obligations	5,313	1,184	4,129	-
	\$ 25,137	\$ 5,420	\$ 4,129	\$ 15,588

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 six months ended June 30, 2009 the Company paid \$283,000 and \$549,000 respectively for management and consulting fees compared to \$336,000 and \$711,000 respectively during the same periods in 2008. During the three and six months ended June 30, 2009 the Company paid \$19,000 and \$19,000 respectively for reimbursements of expenses to private companies controlled by officers and directors of the Company, compared to \$82,000 and \$155,000 respectively during the same period in 2008. Management fees, which are paid in Canadian dollars, were lower during the three and six months ended June 30, 2009 compared to the same period in 2008 due to a weaker Canadian dollar in 2009. Reimbursements of expenses were lower during the three and six months ended June 30, 2009 compared to the same period 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 six months ended June 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 is 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.

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 quarter ended June 30, 2009 and June 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 June 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 June 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 June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

8. Cautionary Statement on Forward-Looking Information

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

August 13, 2009

Ian Rozier