

Consolidated financial statements of

Eastern Platinum Limited

September 30, 2008
(Unaudited)

Eastern Platinum Limited

September 30, 2008

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Eastern Platinum Limited

Consolidated statements of operations

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

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Revenue	\$ 9,291	\$ 31,452	\$ 115,842	\$ 85,108
Cost of operations				
Production costs	20,629	20,416	61,437	58,032
Depletion and depreciation	4,716	3,972	13,528	6,365
	25,345	24,388	74,965	64,397
Mine operating earnings (loss)	(16,054)	7,064	40,877	20,711
Expenses				
General and administrative	5,585	3,480	15,227	12,267
Stock-based compensation	278	54	1,845	14,278
	5,863	3,534	17,072	26,545
Operating income (loss)	(21,917)	3,530	23,805	(5,834)
Other income (expense)				
Interest income	1,975	2,188	6,285	3,769
Interest expense	(659)	(779)	(2,821)	(4,180)
Foreign exchange gain (loss)	(28)	(5,344)	1,100	(8,224)
Income (loss) before income taxes and non-controlling interests	(20,629)	(405)	28,369	(14,469)
Future income tax (expense) recovery	6,363	(376)	(7,417)	914
Non-controlling interests (Note 8)	3,705	(609)	1,154	(2,467)
Net earnings (loss) for the period	\$ (10,561)	\$ (1,390)	\$ 22,106	\$ (16,022)
Earnings (loss) per share				
Basic	\$ (0.02)	\$ (0.00)	\$ 0.03	\$ (0.03)
Diluted	\$ (0.02)	\$ (0.00)	\$ 0.03	\$ (0.03)
Weighted average number of common share outstanding				
Basic	680,245,010	667,834,880	675,978,818	598,287,756
Diluted	680,245,010	667,834,880	705,249,374	598,287,756

Eastern Platinum Limited

Consolidated balance sheets

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

	September 30, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 169,294	\$ 18,818
Short-term investments	2,766	171,038
Trade receivables	5,533	33,157
Inventories (Note 3)	6,771	6,888
Future income taxes	2,753	-
	187,117	229,901
Property, plant and equipment (Note 4)	766,611	813,461
Refining contract (Note 5)	14,226	18,467
Other assets	1,104	1,247
	\$ 969,058	\$ 1,063,076
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 30,688	\$ 22,967
Future income taxes	-	6,416
Current portion capital leases	681	
Current loans	3,195	3,837
	34,564	33,220
Asset retirement obligation (Note 6)	2,613	2,889
Capital leases	3,842	9,127
Future income taxes	133,227	143,616
	174,246	188,852
Non-controlling interests (Note 8)	18,495	23,402
Commitments (Note 11)		
Shareholders' equity		
Share capital (Note 7)	889,720	868,045
Contributed surplus	29,037	27,428
Accumulated other comprehensive income (loss)	(96,414)	23,481
Deficit	(46,026)	(68,132)
	(142,440)	(44,651)
	776,317	850,822
	\$ 969,058	\$ 1,063,076

Approved by the Board

"David Cohen"

David Cohen, Director

"Robert Gayton"

Robert Gayton, Director

Eastern Platinum Limited

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

	Common Shares Without Par Value		Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance, June 30, 2007	667,778,358	\$ 865,103	\$ 17,897	\$ (55,928)	\$ (23,024)	\$ 804,048
Warrants exercised	100,000	178	-	-	-	178
Stock options exercised	1,153,333	2,764	(720)	-	-	2,044
Stock-based compensation	-	-	10,251	-	-	10,251
Net earnings for the period	-	-	-	(12,204)	-	(12,204)
Currency translation adjustment	-	-	-	-	46,505	46,505
Balance, December 31, 2007	669,031,691	868,045	27,428	(68,132)	23,481	\$ 850,822
Warrants exercised	10,824,077	21,213	-	-	-	21,213
Stock options exercised	395,686	462	(236)	-	-	226
Stock-based compensation	-	-	1,845	-	-	1,845
Net earnings for the period	-	-	-	22,106	-	22,106
Currency translation adjustment	-	-	-	-	(119,895)	(119,895)
Balance, September 30, 2008	680,251,454	\$ 889,720	\$ 29,037	\$ (46,026)	\$ (96,414)	\$ 776,317

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

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net earnings (loss) for the period before other comprehensive loss	\$ (10,561)	\$ (1,390)	\$ 22,106	\$ (16,022)
Other comprehensive income (loss) - currency translation adjustment	(45,656)	42,290	(119,895)	72,020
Comprehensive income (loss)	\$ (56,217)	\$ 40,900	\$ (97,789)	\$ 55,998

Eastern Platinum Limited

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

	Three months ended		Nine months ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Operating activities				
Net earnings (loss) for the period	\$ (10,561)	\$ (1,390)	\$ 22,106	\$ (16,022)
Items not involving cash				
Accretion (Note 6)	67	87	233	546
Depletion and depreciation	4,716	3,972	13,528	6,365
Stock-based compensation	278	54	1,845	14,278
Foreign exchange (gain) loss	28	5,344	(1,100)	7,397
Future income tax expense (recovery)	(6,363)	376	7,417	(914)
Non-controlling interests	(3,705)	609	(1,154)	2,467
	(15,540)	9,052	42,875	14,117
Net changes in non-cash working capital items				
Trade receivables	37,226	(3,470)	23,905	1,492
Inventories	(832)	(1,556)	(1,188)	1,779
Accounts payable and accrued liabilities	6,229	1,058	12,462	5,399
	27,083	5,084	78,054	22,787
Financing activities				
Common shares issued for cash, net of share issue costs	-	181	21,440	228,596
Short-term debt	56	-	348	(31,410)
Other long-term liabilities	1,533	-	(1,737)	6,023
	1,589	181	20,051	203,209
Investing activities				
Purchase of debt	-	-	-	8,563
Acquisitions, net of cash acquired	-	-	-	(51,215)
Maturity of short-term investments	101,195	18,379	163,520	(120,646)
Property, plant and equipment expenditures	(42,896)	(12,417)	(101,245)	(51,459)
	58,299	5,962	62,275	(214,757)
Effect of exchange rate changes on cash and cash equivalents	(8,411)	(1,082)	(9,904)	463
Increase in cash and cash equivalents	78,560	10,145	150,476	11,702
Cash and cash equivalents, beginning of period	90,734	6,192	18,818	4,635
Cash and cash equivalents, end of period	\$ 169,294	\$ 16,337	\$ 169,294	\$ 16,337
Cash and cash equivalents are comprised of:				
Cash in bank	\$ 9,916	\$ 15,399	\$ 9,916	\$ 15,399
Short-term money market instruments	159,378	938	159,378	938
	\$ 169,294	\$ 16,337	\$ 169,294	\$ 16,337
Supplementary cash flow information				
Interest paid	\$ 2	\$ 504	\$ 365	\$ 695
Income taxes paid	\$ -	\$ -	\$ 69	\$ -

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

1. Nature of operations

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

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

2. Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements except as noted below. These unaudited interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the six months ended December 31, 2007, as they do not contain all disclosures required by Canadian GAAP for annual financial statements.

(a) Adoption of new accounting standards and accounting pronouncements

Effective January 1, 2008, the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

(i) Financial Instrument Disclosures and Presentation

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

(ii) Capital Disclosures

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

(iii) Inventories

CICA Handbook Section 3031 replaced the existing inventories standard. The new standard requires inventory to be valued on a first-in, first-out or weighted average basis, which is consistent with the Company's current treatment. The adoption of CICA 3031 did not have a significant impact on the Company's accounting for inventory or associated disclosures as at January 1, 2008 or for the nine months ended September 30, 2008.

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

2. Summary of significant accounting policies (continued)

(b) International Financial Reporting Standards

In February 2008, the CICA announced that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company expects the transition to IFRS to impact accounting, financial reporting, and IT systems and processes. The Company is currently assessing the impact of the transition to IFRS. Training and additional resources have been engaged to ensure the timely conversion to IFRS.

3. Inventories

	September 30, 2008	December 31, 2007
Consumables	\$ 6,316	\$ 5,446
Ore and concentrate	455	1,442
	\$ 6,771	\$ 6,888

4. Property, plant and equipment

	September 30, 2008		
	Cost	Accumulated depreciation/ depletion	Net book value
Mining plant and equipment	\$ 362,951	\$ 151,030	\$ 211,921
Mineral properties			
Crocodile River Mine (a)	123,743	15,666	108,077
Kennedy's Vale Project (b)	318,653	12,911	305,742
Spitzkop PGM Project (c)	114,338	-	114,338
Mareesburg JV (c)	26,426	-	26,426
Other property, plant and equipment	127	20	107
	\$ 946,238	\$ 179,627	\$ 766,611

	December 31, 2007		
	Cost	Accumulated depreciation/ depletion	Net book value
Mining plant and equipment	\$ 216,380	\$ 58,597	\$ 157,783
Mineral properties			
Crocodile River Mine (a)	138,163	9,711	128,452
Kennedy's Vale Project (b)	377,804	238	377,566
Spitzkop PGM Project (c)	121,442	-	121,442
Mareesburg JV (c)	28,076	-	28,076
Other property, plant and equipment	191	49	142
	\$ 882,056	\$ 68,595	\$ 813,461

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

4. Property, plant and equipment (continued)

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

The Company holds directly and indirectly 85% of CRM, which is located on the eastern portion of the western limb of the Bushveld Complex. The Maroelabult, Zandfontein, and Crocette sections are currently in production with the Kareespruit deposit and other potential near-surface opportunities being in the development stages.

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

The Company holds directly and indirectly 85% of KV, which is located on the eastern limb of the Bushveld Complex, near Steelpoort in the Province of Mpumalanga. It comprises PGM mineral rights on five farms in the Steelpoort Valley.

(c) *Spitzkop PGM Project and Mareesburg Joint Venture*

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

5. Refining Contract

As at September 30, 2008, the refining contract had a total aggregate value of \$14,226. The value of the contract is amortized on a units-of-production basis. The amortization expense for the three and nine months ended September 30, 2008 was \$355 and \$1,078 respectively. The accumulated amortization at September 30, 2008 was \$5,352.

6. Asset retirement obligation

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

The liability for the asset retirement obligation at September 30, 2008 is approximately ZAR21.8 million (\$2,613). The undiscounted value of this liability is approximately ZAR92 million (\$11,031). An accretion expense component of approximately \$67 for the three months ended September 30, 2008 and \$233 for the nine months ended September 30, 2008 (6 months ended December 31, 2007 - \$180) has been charged to operations for the corresponding period ended September 30, 2008 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 13%. Changes to the asset retirement obligation during the nine months ended September 30, 2008 are as follows:

Balance, December 31, 2007	\$ 2,889
Foreign exchange movement	(509)
Accretion	233
Balance September 30, 2008	\$ 2,613

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

7. Share capital

(a) Authorized

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

(b) Stock options

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

Under the 2008 Plan, each option granted shall be for a term not exceeding five years from the date of being granted and the vesting period is determined based on the discretion of the Board of Directors. The option exercise price is set at the date of the grant and cannot be less than the closing market price of the Company's common shares on the Toronto Stock Exchange on the day immediately preceding the day of the grant of the option. The changes in stock options during the nine months ended September 30, 2008 were as follows:

	September 30, 2008		December 31, 2007
	Number of options	Weighted average exercise price Cdn\$	Number of options
			Weighted average exercise price Cdn\$
Balance outstanding, beginning of period	46,360,000	1.94	32,450,000
Options granted	1,500,000	3.38	15,180,000
Options exercised	(570,000)	1.60	(1,153,333)
Options cancelled	(230,000)	2.76	(116,667)
Balance outstanding, end of period	47,060,000	1.99	46,360,000

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

7. Share capital (continued)

(b) Stock options (continued)

The following table summarizes information concerning outstanding and exercisable options at September 30, 2008:

Options outstanding	Options exercisable	Exercise price	Remaining Contractual Life (Years)	Expiry date
		Cdn\$		
550,000	550,000	0.56	0.10	November 28, 2008
187,500	187,500	1.00	0.90	August 26, 2009
7,475,000	7,475,000	1.70	2.65	May 24, 2011
250,000	250,000	1.70	3.16	November 27, 2011
22,187,500	22,187,500	1.82	3.44	March 7, 2012
14,880,000	12,880,000	2.31	9.02	October 5, 2017
90,000	30,000	2.50	9.21	December 12, 2017
1,000,000	600,000	3.38	9.40	February 20, 2018
440,000	180,000	3.38	9.49	March 27, 2018
47,060,000	44,340,000		5.22	

(c) Share purchase warrants

The changes in warrants during the nine months ended September 30, 2008 were as follows:

	September 30, 2008		December 31, 2007	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		Cdn\$		Cdn\$
Balance outstanding, beginning of period	71,248,050	1.83	71,348,050	1.83
Warrants exercised	(10,824,077)	1.97	-	-
Warrants expired	(1,937,977)	2.00	(100,000)	1.80
Balance outstanding, end of period	58,485,996	1.80	71,248,050	1.83

At September 30, 2008, the Company had 58,485,996 warrants outstanding, each warrant exercisable at Cdn\$1.80 per common share and expiring on March 28, 2009.

8. Non-controlling interests

The non-controlling interests are comprised of the following:

Balance, December 31, 2007	\$	23,402
Non-controlling interests' share of income in Barplats		1,523
Non-controlling interests' share of interest on advances to Gubevu		(2,677)
Foreign exchange movement		(3,753)
Balance, September 30, 2008	\$	18,495

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

9. Related party transactions

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

	Three months ended		Nine months ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Consulting fees (a)	\$ 20	\$ 96	\$ 62	\$ 275
General and administrative expenses	73	-	228	99
Management fees (b)	302	115	971	334
Rent	-	-	-	305
	\$ 395	\$ 211	\$ 1,261	\$ 1,013

- (a) The Company paid fees to a private company controlled by a director of the Company for consulting services performed outside of his capacity as a director.
- (b) The Company paid management fees and expenses to private companies controlled by officers and directors of the Company.
- (c) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2008 included \$49 (Dec 31, 2007 - \$2,550) which were due to private companies controlled by officers of the Company.

10. Segmented information

- (a) Operating segment - The Company's operations are primarily directed towards the acquisition, exploration and production of Platinum Group Metals in South Africa.
- (b) Geographic segments - The Company's revenues and expenses by geographic areas for the three and nine months ended September 30, 2008 and 2007 are as follows:

	September 30, 2008 (3 months)		
	South Africa	Canada	Total
Property, plant and equipment	766,517	94	766,611
Total assets	783,884	185,174	969,058
Property, plant and equipment expenditures	42,896	-	42,896
Revenues	\$ 9,291	\$ -	\$ 9,291
Production costs	(20,629)	-	(20,629)
Depletion and depreciation	(4,716)	-	(4,716)
Expenses	(4,269)	(1,316)	(5,585)
Stock based compensation	(278)	-	(278)
Interest income	230	1,745	1,975
Interest expense	(570)	(89)	(659)
Foreign exchange gain (loss)	(70)	42	(28)
Income (loss) before income taxes and non-controlling interests	\$ (21,011)	\$ 382	\$ (20,629)

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

10. Segmented information (continued)

(b) Geographic segments (continued)

	September 30, 2007 (3 months)		
	South Africa	Canada	Total
Property, plant and equipment expenditures	12,417	-	12,417
Revenues	\$ 31,452	\$ -	\$ 31,452
Production costs	(20,416)	-	(20,416)
Depletion and depreciation	(3,972)	-	(3,972)
Expenses	(2,443)	(1,037)	(3,480)
Stock-based compensation	-	(54)	(54)
Interest income	-	2,188	2,188
Interest expense	(779)	-	(779)
Foreign exchange loss	(939)	(4,405)	(5,344)
Income (loss) before income taxes and non-controlling interests	\$ 2,903	\$ (3,308)	\$ (405)

	September 30, 2008 (9 months)		
	South Africa	Canada	Total
Property, plant and equipment expenditures	103,939	(2,694)	101,245
Revenues	\$ 115,842	\$ -	\$ 115,842
Production costs	(61,437)	-	(61,437)
Depletion and depreciation	(13,528)	-	(13,528)
Expenses	(11,227)	(4,000)	(15,227)
Stock-based compensation	(1,271)	(574)	(1,845)
Interest income	1,721	4,564	6,285
Interest expense	(2,821)	-	(2,821)
Foreign exchange gain	1,035	65	1,100
Income before income taxes and non-controlling interests	\$ 28,314	\$ 55	\$ 28,369

	September 30, 2007 (9 months)		
	South Africa	Canada	Total
Property, plant and equipment expenditures	51,356	103	51,459
Revenues	\$ 85,108	\$ -	\$ 85,108
Production costs	(58,032)	-	(58,032)
Depletion and depreciation	(6,358)	(7)	(6,365)
Expenses	(8,319)	(3,948)	(12,267)
Stock-based compensation	(144)	(14,134)	(14,278)
Interest income	(123)	3,892	3,769
Interest expense	(4,180)	-	(4,180)
Foreign exchange loss	(3,816)	(4,408)	(8,224)
Income (loss) before income taxes and non-controlling interests	\$ 4,136	\$ (18,605)	\$ (14,469)

Eastern Platinum Limited

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

(Unaudited)

10. Segmented information (continued)

(b) Geographic segments (continued)

	December 31, 2007		
	South Africa	Canada	Total
Property, plant and equipment	813,378	83	813,461
Total assets	871,790	191,286	1,063,076

For the period ended September 30, 2008 and 2007, 100% of the Company's PGM production was sold to one customer (Note 13(b)).

11. Commitments

The Company has committed to capital expenditures on projects of approximately 402 million Rand (\$48,144) as at September 30, 2008.

12. Management of capital risk

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

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

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

The Company is not subject to externally imposed capital requirements.

13. Management of financial risk

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

(a) *Price risk*

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

A sensitivity analysis has not been completed at September 30, 2008 as it would not be representative of the actual risk. The future costs of production are unknown and are expected to change frequently.

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

(Unaudited)

13. Management of financial risk (continued)

(b) Currency risk

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

At September 30, 2008, the Company is exposed to currency risk through the following financial instruments denominated in South African Rand and Canadian dollars:

	September 30, 2008		December 31, 2007	
	(000's Cdn\$)	(000's ZAR)	(000's Cdn\$)	(000's ZAR)
Cash and cash equivalents	\$ 161,756	144,441	\$ 18,107	3,326
Short-term investments	2,944	-	169,546	-
Trade receivables	1,653	33,237	1,880	215,195
Short-term liabilities	3,246	6,891	3,804	-
Long-term liabilities	-	32,095	3,294	39,958
Accounts payable and accruals	542	252,183	3,646	132,797

The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the Canadian dollar and the South African Rand is summarized in the tables below:

	3 months ended Sept. 30, 2008	
	10% increase in Canadian dollar	10% decrease in Canadian dollar
Increase (decrease) in net earnings	(2,367)	5,747
Increase (decrease) in other comprehensive income	1,682	(2,384)
Comprehensive income (loss)	(685)	3,363

	9 months ended Sept. 30, 2008	
	10% increase in Canadian dollar	10% decrease in Canadian dollar
Increase (decrease) in net earnings	(4,459)	8,305
Increase (decrease) in other comprehensive income	(39,802)	48,602
Comprehensive income (loss)	(44,261)	56,907

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

13. Management of financial risk (continued)

(b) Currency risk (continued)

The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the Canadian dollar and the United States dollar is summarized in the tables below:

	3 months ended Sept. 30, 2008	
	10% increase in Canadian dollar	10% decrease in Canadian dollar
Increase (decrease) in net earnings	(1,058)	1,054
Increase (decrease) in other comprehensive income	80,517	(80,517)
Comprehensive income (loss)	79,459	(79,463)

	9 months ended Sept. 30, 2008	
	10% increase in Canadian dollar	10% decrease in Canadian dollar
Increase (decrease) in net earnings	2,209	(2,212)
Increase (decrease) in other comprehensive income	73,093	(73,093)
Comprehensive income (loss)	75,302	(75,305)

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash equivalents and short-term investments are held through large Canadian and South African financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian and South African banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company did not invest in any asset backed commercial paper.

The Company currently sells all of its concentrate production to one customer under an off-take contract. The loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The Company has not experienced any bad debts with this customer.

The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at September 30, 2008.

Eastern Platinum Limited

Notes to the consolidated financial statements

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

(Unaudited)

13. Management of financial risk (continued)

(d) *Liquidity risk*

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

(e) *Interest rate risk*

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

14. Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using a Black-Scholes model based on assumptions that are supported by observable current market conditions. Changes in these assumptions to reasonably possible alternative assumptions would not significantly affect the Company's results.

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

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

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

15. Subsequent events

From October 1, 2008 to November 13, 2008, 275,000 stock options were exercised at Cdn\$0.56 per common share for proceeds of Cdn\$154.

EASTERN PLATINUM LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at September 30, 2008 and for the three and nine months then ended in comparison to the same periods in 2007. This MD&A should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended September 30, 2008 and supporting notes that have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company reports certain non-GAAP measures such as EBITDA and cash costs per ounce which are explained in Section 1.2 of this MD&A.

All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is November 13, 2008. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Overview

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

The Company's primary operating asset is an 85% direct and indirect interest in Barplats Investments Limited ("Barplats"), whose main assets are the PGM producing Crocodile River Mine ("CRM") located on the western limb of the BC and the non-producing Kennedy's Vale Project located on the eastern limb of the BC. The Company also has a 75.5% direct and indirect interest in Mareesburg Platinum JV ("Mareesburg") and a 93.4% direct and indirect interest in Spitzkop PGM Project ("Spitzkop"), both located on the eastern limb of the BC.

Highlights for the quarter ended September 30, 2008 ("Q3 2008")

Eastplats recorded a **net loss of \$10,561,000 (\$0.02 loss per share)** compared to a net loss of \$1,390,000 (\$0.00 loss per share) in the third quarter of 2007 ("Q3 2007"). The Company's net loss increased over Q3 2007 primarily due to a significant decline in the price of PGMs during Q3 2008 which resulted in negative provisional price adjustments.

- **Production at the Crocodile River Mine ("CRM") increased by 5% to 30,758 PGM ounces**, from 29,417 PGM ounces in Q3 2007.
- **Negative provisional sales price adjustments of \$29,416,000** were recorded in the quarter, causing revenues from CRM to decrease by 70% to \$9,291,000 compared to \$31,452,000 in Q3 2007. (See Table 4 for reconciliation of revenue and provisional price adjustments.)
- **The average realized basket price per PGM ounce was \$1,193**, an increase of 10% compared to \$1,088 in Q3 2007, but a decrease of 28% compared to \$1,657 in the second quarter of 2008.

- **EBITDA was negative \$11,338,000** compared to \$11,036,000 in Q3 2007.
 - **Operating cash costs were \$672 per ounce**, an increase of 5% compared to \$637 per ounce in Q3 2007, but a decrease of 3% compared to \$696 per ounce in the second quarter of 2008.
 - **Operating cash costs net of by-product credits was \$521 per ounce, as the chrome recovery circuit became fully integrated at the end of the last quarter.**
 - **Recovery rates improved to 78%**, compared to 72% in Q3 2007, following planned improvements to the concentrator circuit at the Crocodile River Mine.
 - **Average grade was 3.99 grams per tonne (5PGE+Au)** compared to 4.10 grams per tonne (5PGE+Au) in Q3 2007.
 - **Stoping units for the quarter increased by 12% to 39,652 square meters**, compared to 35,262 square meters in Q3 2007.
 - **Total underground development increased by 15% to 5,599 meters** during the quarter (4,868 meters in Q3 2007).
 - **The average mining rate decreased by 1% to 106,487 tonnes per month** during Q3 2008 from 107,926 tonnes per month in Q3 2007.
 - **At September 30, 2008, the Company had a cash position** (including cash, cash equivalents and short term investments) **of \$172,060,000** (December 31, 2007 – \$189,856,000).
-

Contents of the MD&A

1. Results of operations for the three and nine months ended September 30, 2008
 - 1.1. Mining operations at the Crocodile River Mine (“CRM”)
 - 1.2. CRM non-GAAP measures
 - 1.3. Development projects – CRM
 - 1.4. Development projects – Spitzkop and Kennedy’s Vale
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 2. Liquidity and Capital Resources
 - 2.1. Outlook
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-

1. Results of Operations for the three and nine months ended September 30, 2008

The following table sets forth selected consolidated financial information for the three and nine months ended September 30, 2008 and 2007:

Table 1

Consolidated statements of operations (Unaudited, expressed in thousands of U.S. dollars, except share and per share amounts)	Three months ended Sept 30,		Nine months ended Sept 30,	
	2008	2007	2008	2007
Revenue	\$ 9,291	\$ 31,452	\$ 115,842	\$ 85,108
Cost of operations				
Production costs	(20,629)	(20,416)	(61,437)	(58,032)
Depletion and depreciation	(4,716)	(3,972)	(13,528)	(6,365)
Mine operating earnings (loss)	(16,054)	7,064	40,877	20,711
Expenses				
General and administrative	(5,585)	(3,480)	(15,227)	(12,267)
Stock-based compensation	(278)	(54)	(1,845)	(14,278)
Operating income (loss)	(21,917)	3,530	23,805	(5,834)
Other income (expense)				
Interest income	1,975	2,188	6,285	3,769
Interest expense	(659)	(779)	(2,821)	(4,180)
Foreign exchange gain (loss)	(28)	(5,344)	1,100	(8,224)
Income (loss) before income taxes and non-controlling interests	(20,629)	(405)	28,369	(14,469)
Future income tax (expense) recovery	6,363	(376)	(7,417)	914
Non-controlling interests	3,705	(609)	1,154	(2,467)
Net income (loss) for the period	(10,561)	(1,390)	22,106	(16,022)
Basic and diluted income (loss) per share	\$ (0.02)	\$ (0.00)	\$ 0.03	\$ (0.03)
Weighted average common shares outstanding				
Basic	680,245,010	667,834,880	675,978,818	598,287,756
Fully diluted	680,245,010	667,834,880	705,249,374	598,287,756
Consolidated balance sheets	September 30,	December 31,		
	2008	2007		
Total assets	\$ 969,058	\$ 1,063,076		
Total long-term liabilities	\$ 139,682	\$ 155,632		

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

Table 2

	2008			2007			2006	
	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31	Dec 31
Revenues	\$ 9,291	\$ 50,143	\$ 56,408	\$ 34,126	\$ 31,452	\$ 22,324	\$ 31,332	\$ 25,062
Cost of operations	(25,345)	(25,508)	(24,112)	(26,095)	(24,388)	(17,528)	(22,481)	(19,842)
Mine operating earnings (loss)	(16,054)	24,635	32,296	8,031	7,064	4,796	8,851	5,219
Expenses (G&A and stock-based compensation)	(5,863)	(5,649)	(5,560)	(18,022)	(3,534)	(6,691)	(16,320)	(4,020)
Operating income (loss)	(21,917)	18,986	26,736	(9,991)	3,530	(1,895)	(7,469)	1,199
Net income (loss)	\$ (10,561)	\$ 12,705	\$ 19,962	\$ (10,814)	\$ (1,390)	\$ (4,693)	\$ (9,939)	\$ 6,550
Income (loss) per share - basic	\$ (0.02)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ -	\$ (0.01)	\$ (0.02)	\$ 0.01
Income (loss) per share - diluted	\$ (0.02)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ -	\$ (0.01)	\$ (0.02)	\$ 0.01
Average foreign exchange rates								
South African Rand to US dollar	0.1285	0.1287	0.1328	0.1478	0.1409	0.1410	0.1381	0.1369
Canadian dollar to US dollar	0.9603	0.9901	0.9955	1.0189	0.9572	0.9102	0.8536	0.8784
Period end foreign exchange rates								
South African Rand to US dollar	0.1197	0.1280	0.1229	0.1453	0.1454	0.1416	0.1368	0.1418
Canadian dollar to US dollar	0.9397	0.9807	0.9742	1.0088	1.0052	0.9386	0.8661	0.8581

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

The following is a summary of CRM’s operations for the quarters ended September 30, 2008, June 30, 2008, March 31, 2008, and the four quarters in 2007:

Table 3

Crocodile River Mine operations	Three months ended						
	September 30, 2008	June 30, 2008	March 31, 2008	Dec 31, 2007	Sept 30, 2007	June 30, 2007	March 31, 2007
Key financial statistics							
(amounts stated in thousands of U.S. dollars, except per ounce data)							
Revenue	\$ 9,291	\$ 50,143	\$ 56,408	34,126	\$ 31,452	\$ 22,324	\$ 31,332
Cost of operations							
Production costs	(20,629)	(21,058)	(19,750)	(20,947)	(20,416)	(17,291)	(19,763)
Depletion and depreciation	(4,716)	(4,450)	(4,362)	(5,148)	(3,972)	(237)	(2,718)
Mine operating earnings (loss)	(16,054)	24,635	32,296	8,031	7,064	4,796	8,851
EBITDA (1)	\$ (11,338)	\$ 29,085	\$ 36,658	\$ 13,179	\$ 11,036	\$ 5,033	\$ 11,569
Sales - PGM ounces	30,758	30,311	27,825	26,632	29,417	25,111	26,807
Average realized price per ounce (2)	\$ 1,193	\$ 1,657	\$ 1,621	\$ 1,305	\$ 1,088	\$ 1,113	\$ 1,130
Average basket price	\$ 1,438	\$ 1,969	\$ 1,927	\$ 1,551	\$ 1,293	\$ 1,322	\$ 1,343
Cash costs per ounce of PGM (1)	\$ 672	\$ 696	\$ 698	\$ 774	\$ 637	\$ 702	\$ 704
Key production statistics							
Run of mine tonnes	319,462	305,134	279,036	335,263	323,777	244,275	211,830
Total tonnes processed	317,602	337,471	349,497	383,159	399,022	369,453	415,112
Stoping units (square meters)	39,652	44,277	38,349	37,374	35,262	35,315	26,441
Development meters	5,599	5,575	4,409	4,759	4,868	4,807	3,687
On-reef development meters	3,556	3,230	2,343	2,814	2,570	1,767	2,391
Recovery	78%	73%	78%	72%	72%	69%	73%
Metal in concentrate sold (ounces)							
Platinum (Pt)	15,393	15,333	13,684	13,264	14,630	12,829	14,303
Palladium (Pd)	6,973	6,777	6,201	6,013	6,727	5,605	5,842
Rhodium (Rh)	2,581	2,543	2,335	2,182	2,418	2,002	1,782
Gold (Au)	123	132	121	154	166	137	715
Iridium (Ir)	1,083	994	1,078	955	1,056	885	787
Ruthenium (Ru)	4,605	4,532	4,405	4,064	4,420	3,654	3,378
Total PGM ounces	30,758	30,311	27,825	26,632	29,417	25,111	26,807

(1) These are non-GAAP measures as described in Section 1.2

(2) Average realized price is the average basket price, net of associated smelter costs, under the Company’s primary off-take agreement.

Quarter ended September 30, 2008 compared to the quarter ended June 30, 2008 (“Q2 2008”)

The Company settles its PGM sales three to five months following the physical delivery of the concentrates. Because of the sharp decline in PGM prices in Q3 2008, concentrate deliveries made prior to Q3 2008 were settled at much lower prices than those in effect on the dates of the deliveries. As a result, negative provisional price adjustments of \$29,416,000 were recorded during the quarter. These adjustments also take into account all Q3 2008 deliveries which do not settle until the fourth quarter of 2008. These deliveries have been recorded at the net basket prices as 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		Nine months ended	
	Sept 30, 2008		Sept 30, 2008	
Revenue before provisional price adjustments	\$	38,707	\$	146,925
Provisional price adjustments				
Negative adjustments to revenue upon settlement of prior periods' sales		(17,069)		(18,225)
Mark-to-market adjustment on current period's sales		(12,347)		(12,858)
Revenue as reported in the income statement	\$	9,291	\$	115,842

PGM ounces sold were up by 2% in Q3 2008 compared to Q2 2008 as a result of increased recovery rates (78% in Q3 2008 compared to 73% in Q2 2008), and a 5% increase in the rate of underground mining (319,462 run of mine tonnes in Q3 2008 compared to 305,134 tonnes in Q2 2008), offset slightly by lower grades than those achieved in the previous quarter (3.99 g/tonne in Q3 2008 compared to 4.03 g/tonne in Q2 2008). Total tonnage processed decreased by 6% as a result of a planned reduction in the treatment of low grade tailings as the current tailings area was depleted. Planning is in progress to more effectively treat tailings from the existing dam.

Total development for the quarter was 5,599 meters, comparable to the 5,575 meters achieved in Q2 2008, and on-reef development increased by 10% to 3,556 meters from 3,230 meters in Q2 2008. The Company has experienced a continued improvement in mining operations as a result of increasing the level of on-reef development which has allowed an improvement in mining flexibility that is required to maintain the planned production build-up at the mine. On-reef development is expensed for accounting purposes.

As expected, recovery rates increased from 73% in Q2 2008 to 78% in Q3 2008 as the concentrator achieved steady state operating conditions subsequent to its upgrades during Q2 2008.

Operating cash costs, a non-GAAP measure, decreased 3% to \$672 per ounce in Q3 2008 compared to \$696 per ounce in Q2 2008 as total cash operating costs decreased by about 2% and ounces produced increased by about 2% compared to Q2 2008. Total cash operating costs decreased primarily as a result of cost savings achieved with operating efficiencies compared to Q2 2008. A reconciliation of production costs, as reported in the income statement, to cash operating costs, is shown under Section 1.2 below under CRM non-GAAP measures.

During the quarter, the chrome recovery circuit at CRM produced commercial quantities of chrome as a by-product of PGM production. A total of 65,536 tonnes of chrome was produced in Q3 2008, of which 44,079 tonnes were sold for total proceeds of \$4,640,000. Operating cash costs dropped to \$521 per ounce net of by-product credits. Operating cash costs net of by-product credits is also a non-GAAP measure. The chrome recovery circuit also significantly reduced chrome penalties in the PGM concentrate from \$1,719,000 in Q3 2007 to \$669,000 in Q3 2008.

In Q3 2008, CRM suffered eight lost time injuries (compared to five lost time injuries in Q2 2008) resulting in a Lost Time Injury Frequency Rate ("LTIFR") of 3.02 (1.85 in Q3 2007). The Company's

twelve month rolling LTIFR of 3.15 to September 30, 2008 compares favorably with other platinum producers in South Africa.

Quarter ended September 30, 2008 compared to quarter ended September 30, 2007

For the quarter ended September 30, 2008, PGM sales were 30,758 ounces compared with 29,417 ounces for the quarter ended September 30, 2007. This 5% increase is attributable to improved recovery rates (78% in Q3 2008 compared to 72% in Q3 2007), increased development work (5,599 development meters in Q3 2008 compared to 4,868 meters in Q3 2007), and increased on-reef development (3,556 meters in Q3 2008 compared to 2,570 meters in Q3 2007). Offsetting this was a 20% decrease in tonnes processed (317,602 tonnes in Q3 2008 compared to 399,022 in Q3 2007) as a result of the planned reduction of the treatment of low grade tailings, and a decrease in grades (3.99 grams per tonne in Q3 2008 compared to 4.10 grams per tonne in Q3 2007).

Operating cash costs increased to \$672 per ounce for the quarter ended September 30, 2008 compared to \$637 per ounce for the same quarter in 2007. A 38% increase in on-reef development, which is expensed for accounting purposes, and a general 10% to 12% inflationary cost increase lead to the increase in cash costs per ounce. This is offset by a 9% drop in the value of the Rand against the U.S dollar and a 5% increase in the number of ounces produced in Q3 2008 compared to Q3 2007.

The average mining rate in Q3 2008 decreased to 106,487 tonnes per month from 107,926 tonnes per month in Q3 2007 as a result of reduced tonnage generated from old underground areas which have been largely depleted, with grades also decreasing to an average of 3.99 g/t (5PGE+Au) during Q3 2008 from 4.10 g/t (5PGE+Au) during Q3 2007. "5PGE+Au" is defined as platinum, palladium, rhodium, iridium, ruthenium and gold.

Nine months ended September 30, 2008 ("9M 2008") compared to nine months ended September 30, 2007 ("9M 2007")

In 9M 2008, the Company sold 88,894 PGM ounces, an increase of 9% compared to 9M 2007, primarily as a result of higher volumes mined in 2008 (903,632 tonnes mined in 9M 2008 compared to 779,882 tonnes mined in 9M 2007), improved recovery rates (76% in 9M 2008 compared to 71% in 9M 2007), and an increase in on-reef development (9,129 meters in 9M 2008 compared to 6,728 meters in 9M 2007).

The realized price per ounce improved from \$1,110 in 9M 2007 to \$1,485 in 9M 2008 as a result of a strong increase in PGM prices between late 2007 and July 2008.

Operating cash costs of \$688 per ounce were achieved in 9M 2008, compared to \$681 per ounce in 9M 2007. The cash cost per ounce of these two periods were similar as higher total cash operating costs in 2008 were offset by an increase in the number of ounces produced in 2008. Total cash operating costs were higher in 9M 2008 due to increased wages, and inflationary cost increases for consumables, particularly steel, fuel related expenditures, and mine operating supplies.

1.2 CRM non-GAAP measures

In this MD&A, the Company has reported its share of earnings before interest, depletion, depreciation, amortization and tax ("EBITDA") at CRM. This is a liquidity non-GAAP measure which the Company believes is used by certain investors to determine the Company's ability to generate cash flows for investing and other activities. The Company also reports cash operating costs per ounce of PGM produced, another non-GAAP measure which is a common performance measure used in the precious metals industry. These non-GAAP measures do not have any standardized meaning prescribed under

Canadian GAAP, and therefore they may not be comparable to similar measures employed by other companies.

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

Table 5

Crocodile River Mine non-GAAP measures (Expressed in thousands of U.S. dollars, except ounce and per ounce data)	Three months ended				
	September 30,	June 30,	March 31,	December 31,	September 30,
	2008	2008	2008	2007	2007
Mine operating earnings (loss)	\$ (16,054)	\$ 24,635	\$ 32,296	\$ 8,031	\$ 7,064
Depletion and depreciation	4,716	4,450	4,362	5,148	3,972
EBITDA (1)	(11,338)	29,085	36,658	13,179	11,036
Production costs as reported	20,629	21,058	19,750	20,947	20,416
Less overhead and miscellaneous (costs) credits (2)	40	38	(323)	(322)	(1,677)
Cash operating costs	20,669	21,096	19,427	20,625	18,739
Less by-product credits - chrome revenues	(4,640)	-	-	-	-
Cash operating costs net of by-product credits	16,029	21,096	19,427	20,625	18,739
Ounces sold	30,758	30,311	27,825	26,632	29,417
Cash cost per ounce sold	\$ 672	\$ 696	\$ 698	\$ 774	\$ 637
Cash cost per ounce sold net of by-product credits	\$ 521	N/A	N/A	N/A	N/A

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

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

During the quarter, the Company recorded a negative EBITDA of \$11,338,000 as a result of negative provisional price adjustments of \$29,416,000 arising from the settlement of PGM concentrate sales three to five months following their delivery dates and from the significant drop in PGM prices since June 30, 2008. Without the effect of negative price adjustments, EBITDA would have been \$18,078,000.

Q3 2008 was the first full quarter that CRM's chrome recovery circuit was in full operation. As a result, chrome penalties present in PGM concentrates have been significantly reduced and commercial quantities of chrome were produced and sold as a by-product of PGM production. Cash cost per PGM ounce in Q3 2008 was \$521 net of by-product credits.

1.3 Development projects – CRM

During the quarter ended September 30, 2008, the Company focused on development projects at CRM, which include the Zandfontein, Kareespruit and Crocette sections.

During the quarter, the existing vertical shaft was re-equipped and refurbished to allow more efficient mining and development operations to take place at deeper levels. Hoisting of mine workers commenced through the vertical shaft during the quarter. The shaft should be fully operational and hoisting ore by December 2008.

At the Crocette section, underground development intersected the ore body in September 2008. However, following the recent significant downturn in the platinum group metals prices and the global economy, the development of the Crocette section will be put on care and maintenance while the Company focuses on increasing production from existing mining areas.

Delineation and evaluation drilling for the quarter was focused on completing the resource upgrade drilling at Crocette, as well as deeper drilling in Zandfontein and Kareespruit project areas. As at September 30, 2008, 37 out of 51 planned boreholes were completed. All drilling is on target for completion by the fourth quarter of 2008 with assay results to follow thereafter. Planning for the 2009 exploration programme is under review, and, given the downturn in the PGM market, the programme is expected either to be postponed or to focus on areas that will allow the Company to maximize production from operating sections.

The geological model has been updated with drilling up to the end of the second quarter and the revised resource estimation is expected to be released in the first half of 2009.

The mining right for the Zandfontein extension and three new order prospecting rights were granted in August 2008. Preparation of the mining rights application for the Kareespruit area has commenced, and is expected to be submitted in 2009.

1.4 Development projects – Spitzkop and Kennedy’s Vale

During the quarter ended September 30, 2008, the Company continued work on the bulk sampling programme at Spitzkop. The box-cuts for both the Merensky Reef and UG2 have been completed and blasting of the declines is in progress. By the end of the quarter, 140 meters of decline development had taken place. Due to the current market environment, the continuation of the Merensky declines will be put on hold and under care and maintenance. Engineering design of the mine and Kennedy’s Vale concentrator is being finalized with an updated cost estimate and schedule for the project expected to be completed in the first quarter of 2009. The Company submitted a full Environmental and Impact Assessment to the Department of Minerals and Energy (“DME”) during the quarter. Discussion and interaction with the DME on the Social and Labour Plan has been ongoing.

1.5 Development projects - Mareesburg

At Mareesburg, work is continuing on updating the feasibility study and on obtaining a new order mining right from the DME. The feasibility study is expected to be available by the first quarter of 2009.

1.6 Corporate and other expenses

General and administrative expenses (“G&A”) are costs associated with the Company’s corporate head office in Vancouver and the Johannesburg and CRM administrative offices. Such costs include legal and accounting, regulatory, executive management fees, investor relations, travel and consulting fees. G&A for Q3 2008 is 60% higher than G&A for Q3 2007 with balances of \$5,585,000 and \$3,480,000 respectively. This increase was mainly due to an increase in outsourced services and insurance in South Africa. For the nine months ended September 30 2007 and 2008, G&A increased from \$12,267,000 to \$15,227,000. This increase was mainly due to the hiring of senior personnel in Vancouver and in Johannesburg in late 2007 to oversee the Company’s expansion projects and operations combined with the increase in outsourced services and insurance costs in South Africa.

During the nine months ended September 30, 2008, the Company’s board of directors granted 1,500,000 stock options to employees and a new director. All of these options were granted in March 2008. Stock based compensation for the nine months ended September 30, 2008 was \$1,845,000. The Company had a 10% rolling stock option plan which expired on March 31, 2008. At the Company’s annual general meeting on June 4, 2008, shareholders approved a new stock option plan which allows for the grant of options to purchase up to a maximum of 75,000,000 common shares of the Company.

Interest income recorded during the quarter ended September 30, 2008 was \$1,975,000 compared with \$2,188,000 in the same period in 2007. Interest income during the nine months ended September 30, 2008 was \$6,285,000 compared with \$3,769,000 in the same period in 2007. The increase in interest income was the result of the Company's higher average cash balances during the six months ended June 30, 2008 as compared with the same periods in 2007. The Company raised Cdn\$200 million from a financing completed in May 2007.

Interest expense is comprised primarily of interest incurred on equipment financing in South Africa and interest on debt related to Gubevu Consortium Holdings (Pty) Ltd. Interest expense in the quarter ended September 30, 2008 was \$659,000 compared with \$779,000 in the same period in 2007. Similarly, interest expense for the nine months ended September 30, 2008 was \$2,821,000 compared with \$4,180,000 in the same period in 2007. The higher interest expense balances in 2007 were the result of an accounting adjustment made to the financial statements for the year ended June 30, 2007. The Company changed its year-end to December 31 after the June 30, 2007 fiscal year-end.

During the three months ended September 30, 2008 the Company recorded an income tax recovery of \$6,363,000. During the nine months ended September 30, 2008, the Company recorded an income tax expense of \$7,417,000. Both of these expenses are based on net income generated at CRM during the period. Loss carry forwards and other tax assets were utilized such that no cash taxes were payable. The consolidated balance sheet reflects a total net future income tax liability of \$130,474,000 which arose primarily as a result of the step-up to fair value of the net assets acquired on business acquisitions during the years ended June 30, 2006 and June 30, 2007.

2. Liquidity and Capital Resources

At September 30, 2008, the Company had working capital of \$152,553,000 (December 31, 2007 – \$196,681,000) and cash and cash equivalents and short-term investments of \$172,060,000 (December 31, 2007 – \$189,856,000) in highly liquid, fully guaranteed, bank sponsored instruments. The Company is not exposed to financial instruments involving the US residential property markets or mortgages.

The Company had no long-term debt at September 30, 2008, other than asset retirement obligations relating primarily to its Crocodile River Mine, and capital lease obligations relating to mining vehicles with lease terms of five years with options to purchase for a nominal amount at the conclusion of the lease. See Contractual Obligations under Section 2.3 below.

2.1 Outlook

The significant decline in the prices of platinum group metals (PGMs) during the last four months has had a negative impact on the Company's profitability. More recently, the strengthening of the U.S. dollar relative to the South African Rand has partially offset this negative impact. With the current global financial crisis leading to a possible economic downturn, the Company anticipates that PGM prices will remain depressed and the Rand-U.S. dollar exchange rate will remain volatile in the near term. Based on current PGM prices, the current value of the U.S. dollar, and planned production levels at CRM, the Company expects to continue to generate positive cash flows, albeit at significantly lower levels than earlier in 2008.

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

Limb, with a view to determining an optimal development schedule given the Company's current cash balances, its ability to generate sufficient cash flows, and its ability to obtain additional funding in the current market environment. Additional funding may include external debt financing, joint venture or other third party participation in one or more of the projects, or the public or private sales of equity or debt securities of the Company.

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

The Company has assessed the carrying values of its mineral properties as a result of the market downturn. In the last few months, share prices of mining companies have declined significantly, resulting in the Company's market capitalization falling below its book value as at September 30, 2008. Based on current and expected PGM prices and cost structures, management has determined that the values of the Company's mineral properties have not been impaired at this time. However, should current market conditions and commodity prices worsen and/or persist for a prolonged period of time, an impairment of mineral properties may be required.

2.2 Share Capital

During the three months ended September 30, 2008, the Company did not grant any stock options. During the same period, 250,000 options were exercised at a weighted average exercise price of Cdn\$1.70. These options were exercised without cash payment under the "Share Appreciation Rights" clause in the Stock Option Plan.

During the nine months ended September 30, 2008, the Company granted 1,500,000 stock options with an exercise price of Cdn\$3.38 and expiry dates of February 20, 2018 to March 27, 2018. Stock based compensation expense during this period was \$1,845,000. During the same period, 570,000 options were exercised at a weighted average exercise price of \$1.60 for proceeds of \$466,000. 260,000 of these options were exercised without cash payment under the "Share Appreciation Rights" clause in the Stock Option Plan. 10,824,077 warrants were exercised at a weighted average exercise price of Cdn\$1.97 per common share for proceeds of \$Cdn21,367,000.

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

As at November 13, 2008, the Company had:

- 680,526,454 common shares outstanding;
- 46,785,000 stock options outstanding, which are exercisable at prices ranging from Cdn\$0.56 to Cdn\$3.38 most of which expire between 2011 and 2018; and
- 58,485,996 share purchase warrants outstanding, which are exercisable at Cdn\$1.80 per share and expire on March 28, 2009. These warrants are traded on the Toronto Stock Exchange under the symbol "ELR.WT.A".

2.3 Contractual Obligations and Commitments

The Company's major contractual obligations and commitments at September 30, 2008 were as follows:

Table 6

(in thousands of U.S. dollars)	Less than			
	Total	1 year	1-5 years	More than 5 years
Asset retirement obligations	\$ 11,031	\$ -	\$ -	\$ 11,031
Capital expenditure contracted at September 30, 2008 but not recognized on the balance sheet	48,144	48,144	-	-
Capital lease obligations	5,927	1,227	4,700	-
Obligations related to Gubevu acquisition	3,545	3,545	-	-
	<u>\$ 68,647</u>	<u>\$ 52,916</u>	<u>\$ 4,700</u>	<u>\$ 11,031</u>

Pursuant to the Company's acquisition of a 42.39% interest in Gubevu Consortium Holdings (Pty) Ltd. ("Gubevu") during the year ended June 30, 2007, the Company entered into an agreement to pay an unrelated third party certain amounts that existed in the underlying Gubevu agreements as an obligation of Gubevu. As at June 30, 2007, the total payable was R55.4 million of which half was paid in June 2008. The remaining amount, which is due in June 2009, has been recorded at a discounted value of \$3,051,000 (27.7 million Rand) and has been included in current loans in the financial statements.

3. 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, 2008 the Company paid \$395,000 and \$1,261,000 respectively for management fees, consulting fees and reimbursements of expenses to private companies controlled by officers and directors of the Company, compared to \$211,000 and \$1,013,000 respectively during the same three and nine month periods in 2007. The increase over the prior comparative period is mostly due to the hiring of two executive officers in November 2007.

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

4. Adoption of New Accounting Standards and Accounting Pronouncements

Effective January 1, 2008, the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

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

CICA Handbook Section 1535 requires the company to disclose (a) its objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity

has complied with any capital requirements; and (d) if it has not complied, the consequences of such non-compliance.

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

The Company's South African subsidiaries prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board. The subsidiaries' statements are adjusted to Canadian GAAP for the consolidated financial statements. In February 2008, the CICA announced that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company expects the transition to IFRS to impact accounting, financial reporting, and IT systems and processes. The Company is currently assessing the impact of the transition to IFRS. Training and additional resources have been engaged to ensure the timely conversion to IFRS.

5. Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company are responsible for the design of internal control over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the design of the Company's internal control and procedures over financial reporting as of the end of the period covered by these annual filings, and believes the design to be sufficient to provide such reasonable assurance.

The CEO and CFO have also evaluated the effectiveness of the Company's disclosure controls and procedures as of the quarter ended September 30, 2008 and have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which these annual filings were being prepared.

Management of the Company, including the CEO and CFO, do not expect that the Company's disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide reasonable but 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 the associated costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

During the quarter ended September 30, 2008, the Company engaged a major accounting firm to act as the Company's internal auditors in South Africa.

Other than described above, there were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

6. 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.

November 13, 2008

Ian Rozier