

Consolidated financial statements of

**Eastern Platinum Limited**

March 31, 2008  
(Unaudited)

# Eastern Platinum Limited

March 31, 2008

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# Eastern Platinum Limited

## Consolidated statements of operations

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

	<b>Three months ended March 31, 2008</b>	Three months ended March 31, 2007
<b>Revenue</b>	<b>\$ 56,408</b>	<b>\$ 31,332</b>
Cost of operations		
Production costs	19,750	19,763
Depletion and depreciation	4,362	2,718
	<b>24,112</b>	<b>22,481</b>
<b>Mine operating earnings</b>	<b>32,296</b>	<b>8,851</b>
Expenses		
General and administrative	4,333	3,738
Stock-based compensation	1,227	12,582
	<b>5,560</b>	<b>16,320</b>
Operating income (loss)	26,736	(7,469)
Other income (expense)		
Interest income	2,455	88
Interest expense	(227)	(484)
Foreign exchange (gain) loss	1,057	(942)
Income (loss) before income taxes and non-controlling interests	30,021	(8,807)
Future income tax (expense) recovery	(8,248)	314
Non-controlling interests (Note 8)	(1,811)	(1,446)
<b>Net earnings (loss) for the period</b>	<b>\$ 19,962</b>	<b>\$ (9,939)</b>
Basic and diluted earnings (loss) per share	<b>\$ 0.03</b>	<b>\$ (0.02)</b>
Weighted average number of common shares outstanding - basic	<b>669,872,192</b>	518,350,389
Weighted average number of common shares outstanding - diluted	<b>718,406,612</b>	518,350,389

# Eastern Platinum Limited

## Consolidated balance sheets

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

	March 31, 2008	December 31, 2007
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 58,199	\$ 18,818
Short-term investments	111,744	171,038
Trade receivables	56,869	33,157
Inventories (Note 3)	5,539	6,888
	<b>232,351</b>	229,901
Property, plant and equipment (Note 4)	723,117	813,461
Refining contract (Note 5)	15,289	18,467
Other assets	1,082	1,247
	<b>\$ 971,839</b>	<b>\$ 1,063,076</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 21,952	\$ 22,967
Future income taxes	11,950	6,416
Current portion of long-term liability	4,040	3,837
	<b>37,942</b>	33,220
Asset retirement obligation (Note 6)	2,525	2,889
Capital leases and other long-term liabilities	7,211	9,127
Future income taxes	122,662	143,616
	<b>170,340</b>	188,852
Non-controlling interests (Note 8)	21,769	23,402
Commitments (Note 11)		
<b>Shareholders' equity</b>		
Share capital (Note 7)	872,351	868,045
Contributed surplus	28,574	27,428
Accumulated other comprehensive income (loss)	(73,025)	23,481
Deficit	(48,170)	(68,132)
	<b>(121,195)</b>	<b>(44,651)</b>
	<b>779,730</b>	850,822
	<b>\$ 971,839</b>	<b>\$ 1,063,076</b>

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				
<b>Balance June 30, 2007</b>	<b>667,778,358</b>	<b>865,103</b>	<b>17,897</b>	<b>(55,928)</b>	<b>(23,024)</b>	<b>804,048</b>
Warrants exercised	100,000	178	-	-	-	178
Stock options exercised	1,153,333	2,764	(720)	-	-	2,044
Stock-based compensation	-	-	10,251	-	-	10,251
Net loss for the period	-	-	-	(12,204)	-	(12,204)
Currency translation adjustment	-	-	-	-	46,505	46,505
<b>Balance December 31, 2007</b>	<b>669,031,691</b>	<b>\$ 868,045</b>	<b>\$ 27,428</b>	<b>\$ (68,132)</b>	<b>\$ 23,481</b>	<b>\$ 850,822</b>
Warrants exercised	2,117,400	3,936	-	-	-	3,936
Stock options exercised	160,000	370	(81)	-	-	289
Stock-based compensation	-	-	1,227	-	-	1,227
Net earnings for the period	-	-	-	19,962	-	19,962
Currency translation adjustment	-	-	-	-	(96,506)	(96,506)
<b>Balance March 31, 2008</b>	<b>671,309,091</b>	<b>\$ 872,351</b>	<b>\$ 28,574</b>	<b>\$ (48,170)</b>	<b>\$ (73,025)</b>	<b>\$ 779,730</b>

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

	Three months ended March 31, 2008	Three months ended March 31, 2007
Net income (loss) for the period before other comprehensive loss	\$ 19,962	\$ (9,939)
Other comprehensive loss - currency translation adjustment	(96,506)	(7,560)
<b>Comprehensive loss</b>	<b>\$ (76,544)</b>	<b>\$ (17,499)</b>

# Eastern Platinum Limited

## Consolidated statements of cash flows

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

	Three months ended March 31, 2008	Three months ended March 31, 2007
<b>Operating activities</b>		
Net income (loss) for the period	\$ 19,962	\$ (9,939)
Items not involving cash		
Accretion (Note 6)	80	186
Depletion and depreciation	4,362	2,718
Stock-based compensation	1,227	12,582
Foreign exchange (gain) loss	(1,057)	6,804
Future income tax expense (recovery)	8,248	(314)
Non-controlling interests	1,811	1,446
	<b>34,633</b>	<b>13,483</b>
Net changes in non-cash working capital items		
Trade receivables	(30,801)	(4,728)
Inventories	314	13,999
Accounts payable and accrued liabilities	2,362	(5,043)
	<b>6,508</b>	<b>17,711</b>
<b>Financing activities</b>		
Common shares issued for cash, net of share issue costs	4,224	5,308
Repayment of short-term debt	380	(335)
Other long-term liabilities	(300)	-
	<b>4,304</b>	<b>4,973</b>
<b>Investing activities</b>		
Purchase of debt	-	(114)
Maturity of short-term investments	54,567	10,996
Property, plant and equipment expenditures	(23,706)	(33,228)
	<b>30,861</b>	<b>(22,346)</b>
Effect of exchange rate changes on cash and cash equivalents	(2,292)	(164)
Increase in cash and cash equivalents	39,381	174
Cash and cash equivalents, beginning of period	18,818	4,635
<b>Cash and cash equivalents, end of period</b>	<b>\$ 58,199</b>	<b>\$ 4,809</b>
Cash and cash equivalents are comprised of:		
Cash in bank	\$ 17,839	\$ 2,864
Short-term money market instruments	40,360	1,945
	<b>\$ 58,199</b>	<b>\$ 4,809</b>
Supplementary cash flow information		
Interest paid	\$ 118	\$ 152
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 acquisition, development and mining 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. The accompanying 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 three months ended March 31, 2008.

### 3. Inventories

	March 31, 2008	December 31, 2007
Consumables	\$ 4,472	\$ 5,446
Ore and concentrate	1,067	1,442
	<b>\$ 5,539</b>	<b>\$ 6,888</b>

## 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

March 31, 2008			
	Cost	Accumulated depreciation/ depletion	Net book value
Mining plant and equipment	\$ 204,571	\$ 52,570	\$ 152,001
Mineral properties			
Crocodile River Mine (a)	116,924	10,188	106,736
Kennedy's Vale Project (b)	321,291	202	321,089
Spitzkop PGM Project (c)	116,062	-	116,062
Mareesburg JV (c)	27,123	-	27,123
Other property, plant and equipment	136	30	106
	<b>\$ 786,107</b>	<b>\$ 62,990</b>	<b>\$ 723,117</b>
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
	<b>\$ 882,056</b>	<b>\$ 68,595</b>	<b>\$ 813,461</b>

(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.

## 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)

#### 5. Refining Contract

As at March 31, 2008, the refining contract had a total aggregate value of \$15,289. The value of the contract is amortized on a units-of-production basis. The amortization expense for the three months ended March 31, 2008 was \$340 and the accumulated amortization at March 31, 2008 was \$4,614.

#### 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 March 31, 2008 is approximately 20.5 million Rand (\$2,525). The undiscounted value of this liability is approximately 84 million Rand (\$10,278). An accretion expense component of approximately \$80 (6 months ended December 31, 2007 - \$180) has been charged to operations in the three months ended March 31, 2008 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 13%. Changes to the asset retirement obligation during the three months ended March 31, 2008 are as follows:

Balance, December 31, 2007	\$	2,889
Foreign exchange movement		(444)
Accretion		80
<u>Balance, March 31, 2008</u>	<u>\$</u>	<u>2,525</u>

#### 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 ("Plan") 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 Plan, the aggregate number of common shares, which may be reserved for issuance under the Plan, shall not exceed 10% of the outstanding shares.

Each option granted shall be for a term not exceeding ten years from the date of being granted unless otherwise approved by the Board of Directors and is exercisable, in whole or in part, at any time during the term of the relevant option. 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.

## 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 changes in stock options during the period were as follows:

	March 31, 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	1.76
Options granted	1,500,000	3.38	15,180,000	2.31
Options exercised	(160,000)	1.81	(1,153,333)	1.79
Options expired	-	-	-	-
Options cancelled	(150,000)	2.57	(116,667)	1.70
Balance outstanding, end of period	47,550,000	1.98	46,360,000	1.94

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

Options outstanding	Options exercisable	Exercise price Cdn\$	Remaining Contractual Life (Years)	Expiry date
625,000	625,000	0.56	0.60	November 5, 2008
187,500	187,500	1.00	1.41	August 26, 2009
7,725,000	7,391,667	1.70	3.15	May 24, 2011
275,000	275,000	1.70	3.66	November 27, 2011
22,237,500	22,237,500	1.82	3.94	March 7, 2012
14,910,000	12,890,000	2.31	9.52	October 5, 2017
90,000	30,000	2.50	9.71	December 12, 2017
1,000,000	600,000	3.38	9.90	February 20, 2018
500,000	200,000	3.38	9.99	March 27, 2018
47,550,000	44,436,667		5.39	

#### (c) Share purchase warrants

The changes in warrants during the period were as follows:

	March 31, 2008		December 31, 2007	
	Number of warrants	Weighted average exercise price Cdn\$	Number of warrants	Weighted average exercise price Cdn\$
Balance outstanding, beginning of period	71,248,050	1.83	71,348,050	1.83
Warrants exercised	(2,117,400)	1.87	(100,000)	1.80
Balance outstanding, end of period	69,130,650	1.83	71,248,050	1.83

## 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)

(c) *Share purchase warrants (continued)*

The following table summarizes information concerning outstanding warrants at March 31, 2008:

Number of warrants	Exercise price Cdn\$	Expiry date
10,644,654	2.00	April 25, 2008
58,485,996	1.80	March 28, 2009
<u>69,130,650</u>		

### 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		(2,652)
Non-controlling interests' share of interest on advances to Gubevu		841
Foreign Exchange Movement		178
<u>Balance, March 31, 2008</u>	<u>\$</u>	<u>21,769</u>

### 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:

	March 31, 2008 (3 months)	March 31, 2007 (3 months)
Consulting fees (a)	\$ 17	\$ 88
General and administrative expenses	73	49
Management fees (b)	358	106
Rent	-	21
	<u>\$ 448</u>	<u>\$ 264</u>

- (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 March 31, 2008 included \$16 (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 PGMs in South Africa.

## 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 - The Company's revenues and expenses by geographic areas for the three months ended March 31 2008 and 2007 are as follows:

March 31, 2008 (3 months)			
	South Africa	Canada	Total
Property, plant and equipment	723,024	93	723,117
Total Assets	776,465	195,374	971,839
Property, plant and equipment expenditures	23,692	14	23,706
Revenues	\$ 56,408	\$ -	\$ 56,408
Production costs	(19,750)	-	(19,750)
Depletion and depreciation	(4,362)	-	(4,362)
Expenses	(2,847)	(1,486)	(4,333)
Stock based compensation	(1)	(1,226)	(1,227)
Interest income	586	1,869	2,455
Interest expense	(227)	-	(227)
Foreign exchange gain (loss)	1,058	(1)	1,057
Income (loss) before income taxes and non-controlling interests	\$ 30,865	\$ (844)	\$ 30,021
March 31, 2007 (3 months)			
	South Africa	Canada	Total
Property, plant and equipment	601,529	15	601,544
Total Assets	670,700	40,319	711,019
Property, plant and equipment expenditures	115,306	-	115,306
Revenues	\$ 31,332	\$ -	\$ 31,332
Production costs	(19,763)	-	(19,763)
Depletion and depreciation	(2,718)	-	(2,718)
Expenses	(2,511)	(1,227)	(3,738)
Stock based compensation	(144)	(12,438)	(12,582)
Interest income	(389)	477	88
Interest expense	(484)	-	(484)
Foreign exchange gain (loss)	(2,161)	1,219	(942)
Income (loss) before income taxes and non-controlling interests	\$ 3,162	\$ (11,969)	\$ (8,807)

For the period ended March 31 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 371 million Rand (\$45,600) as at March 31, 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.

## 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)

#### 12. Management of capital risk (continued)

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 currency risk, credit risk, liquidity risk, interest risk and commodity price risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

##### (a) 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 March 31, 2008, the Company is exposed to currency risk through the following financial instruments denominated in South African Rand and Canadian dollars:

	March 31, 2008 Cdn\$ (000's)	December 31, 2007 Cdn\$ (000's)	March 31, 2008 ZAR (000's)	December 31, 2007 ZAR (000's)
Cash and cash equivalents	7,841	18,107	80,718	3,326
Short-term investments	114,703	169,546	0	0
Trade receivables	2,945	1,880	443,979	215,195
Short-term liabilities	3,456	3,804	5,471	0
Long-term liabilities	2,992	3,294	34,940	39,958
Accounts payable and accruals	979	3,646	146,521	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 table below:

	As at March 31, 2008	
	10% increase in Canadian dollar	10% decrease in Canadian dollar
Increase (decrease) in net earnings	(1,313)	1,603
Increase (decrease) in other comprehensive income	(15,489)	70,919
Comprehensive income (loss)	(16,802)	72,522

# 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)

#### (a) 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 table below:

	As at March 31, 2008	
	10% increase in Canadian dollar	10% decrease in Canadian dollar
Increase (decrease) in net earnings	1,995	(1,997)
Increase (decrease) in other comprehensive income	(8,004)	7,569
Comprehensive income (loss)	(6,009)	5,572

#### (b) 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 March 31, 2008.

#### (c) 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.

#### (d) 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.

## 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)

(e) *Price risk*

The Company is exposed to price risk with respect to the revenues and costs of production. These costs 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 March 31, 2008 as it would not be representative of the actual risk. The future costs of production are unknown and are expected to change frequently.

#### 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.

#### 15. Subsequent events

From April 1, 2008 to May 15, 2008:

- (a) In April 2008, 8,706,677 trading warrants were exercised at Cdn.\$2.00 per share for proceeds of Cdn \$17,413. A total of 1,937,977 warrants remained unexercised. These warrants expired on April 25, 2008.
- (b) 75,000 options were exercised for Cdn \$42 on April 7, 2008.
- (c) On May 1, 2008, the Board of Directors of the Company approved the adoption of a Shareholder Rights Plan Agreement (the "Rights Plan"). Pursuant to the terms of the Rights Plan, any bid that meets certain criteria intended to protect the interests of all shareholders are deemed to be "Permitted Bids". A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws and, in addition to certain other conditions, must remain open for 60 days. In the event a take-over bid does not meet the Permitted Bid requirements of the Rights Plan, the rights issued under the plan will entitle shareholders, other than any shareholder or shareholders involved in the take-over bid, to purchase additional common shares of the Company at a significant discount to the market price of the common shares at that time.

The Rights Plan has been accepted by the Toronto Stock Exchange and will be presented for ratification by the shareholders at the Company's annual general meeting to be held on June 4, 2008. If ratified by shareholders, the Rights Plan will have a term of three years.

**EASTERN PLATINUM LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS**  
**AND RESULTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**

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*The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at March 31, 2008 and for the three months then ended in comparison to the same period in 2007. This MD&A should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2008 and supporting notes that have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company reports certain non-GAAP measures such as EBITDA and cash costs per ounce, which are explained in Section 1.2 of this MD&A.*

*All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is May 15, 2008. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

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#### **Overview**

Eastplats is an expanding platinum group metals ("PGM") producer engaged in the mining and development of PGM's 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.

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#### **Highlights for the quarter ended March 31, 2008 ("Q1 2008")**

Eastplats recorded **net earnings of \$19,962,000 (\$0.03 per share)** compared to a net loss of \$9,939,000 (\$0.02 loss per share) in the first quarter of 2007 ("Q1 2007"). The Company's results improved over Q1 2007 primarily due to a significant increase in revenues and increased PGM production.

- **Revenues from the Crocodile River Mine increased by 80% to \$56,408,000**, generated from the sale of 27,825 PGM ounces, compared to revenues of \$31,332,000 from the sale of 26,807 PGM ounces in Q1 2007.
- **EBITDA increased by 217% to \$36,658,000** from \$11,569,000 in Q1 2007.
- **The average sales price per PGM ounce increased by 44% to \$1,621** compared to \$1,130 in Q1 2007.

- **Operating cash costs decreased by 1% to \$698 per ounce**, compared to \$704 per ounce in Q1 2007.
  - **Recovery rates improved to 78%** compared to 73% in Q1 2007, due to improved plant operating efficiencies at the Crocodile River Mine.
  - **Grades improved to 4.04 grams per ton (5PGE+Au)** compared to 3.91 grams per ton (5PGE+Au) in Q1 2007.
  - **Stoping units for the quarter increased by 45% to a record 38,349 square meters**, compared to 26,441 square meters in Q1 2007.
  - **Total underground development increased by 20% to 4,409 meters** during the quarter (3,687 meters in Q1 2007) as the Company continues to make substantial progress in the development of the ore reserve at CRM.
  - **The average mining rate increased to 93,012 tons per month** during Q1 2008 from 70,610 tons per month in Q1 2007.
  - The chrome recovery plant was commissioned in March 2008. The chrome plant will effectively reduce chrome content, and as a result the chrome penalties, in the concentrate being sold under the Company's primary off-take agreement.
  - At March 31, 2008, the Company had a cash position (including cash and cash equivalents and short term investments) of \$169,943,000 (December 31, 2007 – \$189,856,000).
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## Contents of the MD&A

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    - 1.1. Mining operations at the Crocodile River Mine ("CRM")
    - 1.2. CRM non-GAAP measures
    - 1.3. Development projects – CRM
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## 1. Results of Operations for the Quarter Ended March 31, 2008

The following table sets forth selected consolidated financial information for the quarters ended March 31, 2008 and 2007:

<b>Consolidated statements of operations</b>		
(Unaudited, expressed in thousands of U.S. dollars, except share and per share amounts)		
	Three months ended March 31,	
	2008	2007
Revenue	\$ 56,408	\$ 31,332
Cost of operations		
Production costs	(19,750)	(19,763)
Depletion and depreciation	(4,362)	(2,718)
Mine operating earnings	32,296	8,851
Expenses		
General and administrative	(4,333)	(3,738)
Stock-based compensation	(1,227)	(12,582)
Operating income (loss)	26,736	(7,469)
Other income (expense)		
Interest income	2,455	88
Interest expense	(227)	(484)
Foreign exchange gain (loss)	1,057	(942)
Income (loss) before income taxes and non-controlling interests	30,021	(8,807)
Future income tax (expense) recovery	(8,248)	314
Non-controlling interests	(1,811)	(1,446)
Net income (loss) for the period	19,962	(9,939)
Basic and diluted income (loss) per share	\$ 0.03	\$ (0.02)
Weighted average common shares outstanding		
Basic	669,872,192	518,350,389
Fully diluted	718,406,612	518,350,389
<b>Consolidated balance sheets</b>		
	March 31,	December 31,
	2008	2007
Total assets	\$ 971,839	\$ 1,063,076
Total long-term liabilities	\$ 132,398	\$ 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.

	2008		2007			2006		
	March 31	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30
Revenues	\$ 56,408	\$ 34,126	\$ 31,452	\$ 22,324	\$ 31,332	\$ 25,062	\$ 22,488	\$ 12,668
Cost of operations	(24,112)	(26,095)	(24,388)	(17,528)	(22,481)	(19,842)	(17,738)	(9,849)
Mine operating earnings	32,296	8,031	7,064	4,796	8,851	5,219	4,750	2,819
Expenses (G&A and stock-based compensation)	(5,560)	(18,022)	(3,534)	(6,691)	(16,320)	(4,020)	(3,365)	(8,457)
Operating income (loss)	26,736	(9,991)	3,530	(1,895)	(7,469)	1,199	1,385	(5,638)
Net income (loss)	\$ 19,962	\$ (10,814)	\$ (1,390)	\$ (4,693)	\$ (9,939)	\$ 6,550	\$ (2,190)	\$ (2,583)
Income (loss) per share - basic	\$ 0.03	\$ (0.02)	\$ -	\$ (0.01)	\$ (0.02)	\$ 0.01	\$ -	\$ (0.01)
Income (loss) per share - diluted	\$ 0.03	\$ (0.02)	\$ -	\$ (0.01)	\$ (0.02)	\$ 0.01	\$ -	\$ (0.01)

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

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

<b>Crocodile River Mine operations</b>	Three months ended				
	March 31, 2008	Dec 31, 2007	Sept 30, 2007	June 30, 2007	March 31, 2007
<b>Key financial statistics</b>					
(amounts stated in thousands of U.S. dollars, except per ounce data)					
Revenue	\$ 56,408	34,126	\$ 31,452	\$ 22,324	\$ 31,332
Cost of operations					
Production costs	(19,750)	(20,947)	(20,416)	(17,291)	(19,763)
Depletion and depreciation	(4,362)	(5,148)	(3,972)	(237)	(2,718)
Mine operating earnings	32,296	8,031	7,064	4,796	8,851
EBITDA (1)	\$ 36,658	\$ 13,179	\$ 11,036	\$ 5,033	\$ 11,569
Sales - PGM ounces	27,825	26,632	29,417	25,111	26,807
Average realized price per ounce (2)	\$ 1,621	\$ 1,305	\$ 1,088	\$ 1,113	\$ 1,130
Average basket price	\$ 1,927	\$ 1,551	\$ 1,293	\$ 1,322	\$ 1,343
Cash costs per ounce of PGM (1)	\$ 698	\$ 774	\$ 637	\$ 702	\$ 704
<b>Key production statistics</b>					
Run of mine tons	279,036	335,263	323,777	244,275	211,830
Total tons processed	349,497	383,159	399,022	369,453	415,112
Stoping units (square meters)	38,349	37,374	35,262	35,315	26,441
Development meters	4,409	4,759	4,868	4,807	3,687
On-reef development meters	2,343	2,814	2,570	1,767	2,391
<b>Metal in concentrate sold (ounces)</b>					
Platinum (Pt)	13,684	13,264	14,630	12,829	14,303
Palladium (Pd)	6,201	6,013	6,727	5,605	5,842
Rhodium (Rh)	2,335	2,182	2,418	2,002	1,782
Gold (Au)	121	154	166	137	715
Iridium (Ir)	1,078	955	1,056	885	787
Ruthenium (Ru)	4,405	4,064	4,420	3,654	3,378
Total PGM ounces	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 March 31, 2008 compared to quarter ended March 31, 2007

For the quarter ended March 31, 2008, PGM sales were 27,825 ounces compared with 26,807 ounces for the quarter ended March 31, 2007. The 4% increase over 2007 is attributable to improved recovery rates (78% in Q1 2008 compared to 73% in Q1 2007) and an increase in grades (4.04 grams per ton in Q1 2008 compared to 3.91 grams per ton in Q1 2007), even though tons processed decreased by 16% (349,497 tons in Q1 2008 compared to 415,112 in Q1 2007). Over the past year, the Company has experienced an improvement in mining operations at CRM mainly as a result of a significant investment in on-reef and off-reef development which has allowed for an increase in the number of stoping crews with subsequent production and efficiency improvement. Stopping units for the quarter were 38,349 square meters, a record quarterly achievement.

Operating cash costs decreased to \$698 per ounce for the quarter ended March 31, 2008 compared to \$704 per ounce for the same quarter in 2007 mostly as a result of a drop in the value of the Rand against the U.S dollar and a 3.8% increase in the number of ounces sold. However, this is offset by cost increases due to a number of factors including an increase in consumable costs, particularly steel and fuel related expenditures, and general cost increases as a result of inflation. A reconciliation of production costs, as reported in the income statement, to cash operating costs is shown under Section 1.2 below.

The average mining rate in Q1 2008 increased to 93,010 tons per month from 70,610 tons per month in Q1 2007, with grades maintaining a consistent average of 4.04 g/t (5PGE+Au) during the quarter. "5PGE+Au" is defined as platinum, palladium, rhodium, iridium, ruthenium and gold.

The Company continues to make substantial progress with underground development at CRM to generate an 18 to 24 month reserve base necessary to support the production build up towards the target production rate of 200,000 tons of ore per month. Underground development increased 20% to 4,409 meters in Q1 2008 compared with 3,687 meters in the same quarter in 2007.

In Q1 2008, CRM suffered two lost time injuries (compared to three lost time injuries in Q1 2007) resulting in a Lost Time Injury Frequency Rate ("LTIFR") of 2.81 (3.22 in Q1 2007). The Company's twelve month rolling LTIFR of 2.27 to March 31, 2008 compares favorably against most of the other platinum producers in South Africa, whose average LTIFR was above 8.00, according to information compiled by the Bushveld Safety Forum.

#### Quarter ended March 31, 2008 compared to the quarter ended December 31, 2007

PGM ounces sold were up by 4.5% in Q1 2008 compared to the quarter ended December 31, 2007 despite unexpected power shut-downs that affected the South African mining industry throughout January 2008. The Company experienced complete power shut-downs totalling nine days plus additional periods of intermittent power interruptions throughout the month. Resulting production stops and starts also contributed to lost production time. The Company estimates that these shut-downs and interruptions caused a loss of production of approximately 6,000 PGM ounces, which would have been 17% of the quarter's production. Similarly, the development meters (including on-reef development) and tons mined and processed were below the December quarter's operations by 7 to 17 %. As a result of the power issues in South Africa and the Company's current expectations of future availability and reliability of power, the Company now estimates that production will be 128,500 PGM (5PGE+Au) ounces in 2008.

Operating cash costs decreased to \$698 per ounce in Q1 2008 compared to \$774 per ounce in the December quarter. The decrease is mostly attributable to an 11% drop in the value of the Rand compared to the U.S dollar and a 4.5% increase in the number of ounces sold, offset by increases in fuel related costs and a general annual wage increase to mine workers awarded in March 2008.

Recovery rates increased to 78% in Q1 2008 compared to 72% in the quarter ended December 31, 2007 as a result of improved operating efficiencies at the CRM plant.

The Company continued to focus on the quality of the concentrate produced in order to minimize the level of chromitite in concentrate and the associated chrome penalties under its primary off-take agreement. The Company commenced operation of a chrome recovery plant in March 2008 and is expected to realize the benefits of the chrome plant during the remainder of 2008.

### Recent developments at CRM

In April 2008, the processing plant at CRM was shut down for approximately 10 days for a planned debottlenecking. A significant ore stockpile was built up during this period. The Company anticipates that the plant shut-down will not have a significant impact on second quarter production.

In April 2008, a fatality involving an underground contract miner occurred at the Zandfontein section.

### **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:

	Three months ended				
	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Mine operating earnings	\$ 32,296	\$ 8,031	\$ 7,064	\$ 4,796	\$ 8,851
Depletion and depreciation	4,362	5,148	3,972	(237)	2,718
<b>EBITDA (1)</b>	<b>36,658</b>	<b>13,179</b>	<b>11,036</b>	<b>4,559</b>	<b>11,569</b>
Production costs as reported	19,750	20,947	20,416	18,154	19,763
Less overhead costs (2)	(323)	(322)	(525)	(525)	(891)
Cash operating costs	19,427	20,625	19,891	17,629	18,872
Ounces sold	27,825	26,632	29,417	25,111	26,807
<b>Cash cost per ounce sold</b>	<b>\$ 698</b>	<b>\$ 774</b>	<b>\$ 676</b>	<b>\$ 702</b>	<b>\$ 704</b>

(1) EBITDA does not include non-operating general and administrative expenses at CRM.

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

### EBITDA during the quarter ended March 31, 2008

Based on sales of 27,825 PGM ounces at an average realized price of \$1,621 per ounce with a cash cost of \$698 per ounce, revenues and EBITDA in Q1 2008 were expected to be approximately \$45 million and \$26 million, respectively. However, as PGM prices were higher than \$1,305 per ounce (being the average realized price for PGM sales during the quarter ended December 31, 2007) through most of Q1 2008 and as the U.S. dollar appreciated 11% against the Rand, the Company recorded positive provisional sales price adjustments on sales recognized in the quarter ended December 31, 2007. The Company estimates that the rise in PGM prices added \$8 million to expected revenues and EBITDA and the appreciation in the U.S. dollar added \$3 million to expected revenues and EBITDA.

### ***1.3 Development projects – CRM***

During the quarter ended March 31, 2008, the Company spent a total of \$15.4 million on development projects at CRM, which include the Zandfontein, Kareespruit, and Crocette sections.

At the Zandfontein section, the re-equipping and refurbishment of an existing vertical shaft, which will allow for more efficient mining operations and development at deeper levels, is scheduled to be commissioned in the second quarter of 2008.

At the Crocette section of CRM, underground development commenced in April 2008 following the Department of Minerals and Energy's ("DME") granting of a new order mining right which CRM received on March 31, 2008. The Crocette section is anticipated to build up to full production by the second half of 2010 with mining and production reaching 40,000 tons per month and an estimated 55,000 PGM ounces per year, respectively.

Additional delineation and evaluation drilling is in progress with the objective of upgrading the current resource base. The resource upgrade drilling programme has been initiated for Kareespruit and the down dip extension areas of Zandfontein and Crocette, with a planned drilling campaign of approximately 20,000 meters in 25 holes. This programme is expected to be completed at the end of 2008. Preliminary indications are that the Kareespruit section has the potential to become a standalone operation capable of mining up to 200,000 tonnes per month.

### ***1.4 Development projects – Spitzkop and Kennedy's Vale***

During the quarter ended March 31, 2008, the Company received an amended new order prospecting permit from the DME allowing for bulk sampling of the orebody. An EPCM contract for the detailed engineering, design and construction of the mine and concentrator was awarded in March 2008 and tenders for long lead items have been sought. Development towards underground trial mining and bulk sampling commenced at Spitzkop in April 2008. A new order mining right application was submitted to the DME during the quarter.

### ***1.5 Development projects - Mareesburg***

At Mareesburg, work is continuing on updating a feasibility study and on obtaining a new order mining right from the DME. RSV, an independent consultant, has been engaged to prepare the updated feasibility study based upon a study prepared in 2007 by another independent consultant, SRK. The study is scheduled to be completed by late 2008.

### ***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 increased from \$3,738,000 in Q1 2007 to \$4,333,000 in Q1 2008 mainly due to the hiring of senior personnel in Vancouver and in Johannesburg in late 2007 to oversee the Company's projects and expansion of operations.

During the quarter ended March 31, 2008, the Company's board of directors granted 1,500,000 stock options to employees and a new director, resulting in a stock based compensation expense of \$1,227,000. The Company had a 10% rolling stock option plan which expired on March 31, 2008. The board is proposing an amended stock option plan with a fixed reserve for approval at the Company's annual

general meeting to be held on June 4, 2008. The Company believes that a significant part of its future success is dependent upon attracting and retaining appropriately qualified and talented employees in a very competitive global labour market, especially in the mining industry. Offering equity participation in the Company through incentive stock options is an effective means to ensure that the Company can compete in this market.

Interest income recorded during the quarter ended March 31, 2008 was \$2,455,000 compared with \$88,000 in the same period in 2007. The increase was due to a higher average cash balance during the quarter ended March 31, 2008 as compared with the same quarter in 2007.

Interest expense is comprised primarily of interest incurred on equipment financing in South Africa and interest on debt related to Gubevu. Interest expense in the quarters ended March 31, 2008 and 2007 was not significantly different.

During the quarter ended March 31, 2008, the Company recorded an income tax expense of \$8,248,000 mostly 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 future income tax liability of \$134,612,000 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.

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## **2. Liquidity and Capital Resources**

At March 31, 2008, the Company had working capital of \$194,410,000 (December 31, 2007 – \$196,681,000) and cash and cash equivalents and short-term investments of \$169,943,000 (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 March 31, 2008, other than asset retirement obligations relating primarily to its Crocodile River Mine, 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, and payments in connection with the Company's acquisition of 42.39% of the shares of Gubevu during the year ended June 30, 2007. See Contractual Obligations under Section 2.3 below.

### **2.1 Outlook**

The Company anticipates prices of the platinum group metals will remain strong at least through the next two years. Based on this outlook and planned production levels at CRM, the Company expects to receive significant cash flows from CRM for the next several years. Together with the Company's current cash balances and cash from the anticipated exercise of its Cdn\$1.80 warrants, which expire in 2009, a significant part of the cash required for the Company to develop the Crocette deposit at CRM and the Spitzkop and Mareesburg projects can be funded. However, the Company may require additional funding in order to bring all these projects into commercial production. Additional funding may include external 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.

However, if volatile global and market conditions result in a significant decline in PGM prices, then the cash flows from CRM and current cash balances may be insufficient to advance any of the Company's projects to the production stage. This, along with deteriorating market conditions, could result in the Company having difficulty in obtaining equity financing, external financing or third party participation. If so, over the long-term, there can be no assurance that any 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 its activities to bring any or all of its development projects into commercial production.

## 2.2 Share Capital

During the quarter ended March 31, 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, giving rise to a stock-based compensation expense of \$1,227,000. During the same period, 160,000 options were exercised at a weighted average exercise price of Cdn\$1.81 for proceeds of \$290,300 and 2,117,400 warrants were exercised at a weighted average exercise price of Cdn\$1.87 per common share for proceeds of \$3,953,600.

On April 25, 2008, the Company's warrants that trade on the Toronto Stock Exchange under the symbol "ELR.WT" expired. Prior to the expiry, 8,706,677 of these warrants were exercised in April 2008 at Cdn\$2.00 per share for proceeds of Cdn\$17,413,000. A total of 1,937,977 warrants expired unexercised.

As at May 15, 2008, the Company had:

- 680,090,604 common shares outstanding;
- 47,550,000 stock options outstanding, which are exercisable at prices ranging from Cdn\$0.56 to Cdn\$3.38 and expire mostly 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 March 31, 2008 were as follows:

(in thousands of U.S. dollars)	Total	Less than		More than
		1 year	1-5 years	5 years
Asset retirement obligations	\$ 2,525	\$ -	\$ -	\$ 2,525
Capital expenditure contracted at March 31, 2008 but not recognized on the balance sheet	45,608	45,608	-	-
Capital lease obligations	4,960	666	4,294	-
Obligations related to Gubevu acquisition	6,808	3,404	3,404	-
	\$ 59,901	\$49,678	\$ 7,698	\$ 2,525

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 an amount of R55.4 million that existed in the underlying Gubevu agreements as an obligation of Gubevu. This amount has been recorded at a discounted value of \$6,282,000 in long-term liabilities, of which \$3,367,000 (27.7 million Rand) is payable on June 12, 2008.

## 3. Related Party Transactions

A number of the Company's executive officers are engaged under contract with those officers' personal services companies. The Company paid \$375,000 for management fees, consulting fees and reimbursements of expenses to private companies controlled by officers and directors of the Company in

the quarter ended March 31, 2008, compared to \$194,000 in the same quarter in 2007. The increase over the prior comparative period is 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.

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#### **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 2006, Canada’s Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with IFRS over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As the International Accounting Standards Board currently has projects underway that should result in new pronouncements and since this Canadian convergence initiative is very much in its infancy as of the date of these statements, the Company has not yet assessed the impact of the ultimate adoption of IFRS on the Company.

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#### **5. Internal Control over Financial Reporting**

The Chief Executive Officer (“CEO”) and 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 March 31, 2008 and as a result of the changes described above, 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.

Other than described above, there were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

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## **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.

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May 15, 2008

Ian Rozier