

Anooraq Resources Corporation

Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended 31 December 2009

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1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Anooraq Resources Corporation for the year ended 31 December 2009 and are publicly available on SEDAR at www.sedar.com.

As of 1 January 2009, Anooraq Resources Corporation adopted International Financial Reporting Standards ("IFRS") and the following disclosure, as well as its associated consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The comparative periods for fiscal 2008 have been restated in accordance with IFRS.

This MD&A is prepared as of 30 March 2010.

All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified. This discussion includes certain statements that may be deemed "forward looking statements". All statements in this MD&A, other than statements of historical facts, that address potential acquisitions, future production, reserve potential, exploration drilling, exploitation activities and events or developments that Anooraq expects are forward looking statements. Anooraq believes that such forward looking statements are based on material factors and reasonable assumptions, including assumptions that: the Bokoni Platinum Mine will continue to achieve production levels similar to previous years; and the Ga-Phasha and Platreef Projects exploration results will continue to be positive, contracted parties provide goods and/or services on the agreed timeframes, that equipment necessary for construction and development is available as scheduled and does not incur unforeseen breakdowns, that no labour shortages or delays are incurred, that plant and equipment functions as specified, that geological or financial parameters do not necessitate future mine plan changes, and that no geological or technical problems occur. Forward looking statements however, are not guarantees of future performance. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or developments to differ materially from those in forward looking statements. Factors that could cause actual results to differ materially from those in forward looking statements include fluctuations in market prices, the levels of exploitation and exploration successes, changes in and the effect of government policies with respect to mining and natural resource exploration and exploitation and continued availability of capital and financing, general economic, market or business conditions, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes, industrial unrest and strikes, political instability, insurrection of war, the effect of HIV/AIDS on labour force availability and turnover, and delays in obtaining government approvals. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward looking statements. Anooraq undertakes no obligation to update these forward-looking statements except as required by law.

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Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This MD&A uses the terms “measured resources” and “indicated resources”. Anooraq advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Investors should refer to our Annual Report on Form 20-F available at <http://www.sec.gov/edgar.shtml>.

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This MD&A uses the term “inferred resources”. The Group advises investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable. Investors should refer to our Annual Report on Form 20-F available at <http://www.sec.gov/edgar.shtml>.

The following are the principal risk factors and uncertainties which, in management's opinion, are likely to most directly affect the conclusions of the technical review of the Bokoni Platinum Mine. Some of the mineralized material classified as a measured and indicated resource has been used in the cash flow analysis. For US mining standards, a full feasibility study would be required, which would require more detailed studies. Additionally all necessary mining permits would be required or their issue imminent in order to classify the project's mineralized material as an economically exploitable reserve. There can be no assurance that this mineralized material will become classifiable as a reserve and there is no assurance as to the amount, if any, which might ultimately qualify as a reserve or what the grade of such reserve amounts would be. Data is not complete and cost estimates have been developed, in part, based on the expertise of the individuals participating in the preparation of the technical review and on costs at projects believed to be comparable, and not based on firm price quotes. Costs, including design, procurement, construction and on-going operating costs and metal recoveries, could be materially different from those contained in the technical review. There can be no assurance that mining can be conducted at the rates and grades assumed in the technical review. There can be no assurance that these infrastructure facilities can be developed on a timely and cost-effective basis. Energy risks include the potential for significant increases in the cost of fuel and electricity, and fluctuation in the availability of electricity. Projected metal prices have been used for the technical review. The prices of these metals are historically volatile, and the Group has no control of or influence on the prices, which are determined in international markets. There can be no assurance that the prices of platinum, palladium, rhodium, platinum, copper and nickel will continue at current levels or that they will not decline below the prices assumed in the technical review. Prices for these commodities have been below the price ranges assumed in the technical review at times during the past ten years, and for extended periods of time. The projects will require major financing, probably through a combination of debt and equity financing. There can be no assurance that debt and/or equity financing will be available on acceptable terms. A significant increase in costs of capital could materially adversely affect the value and feasibility of constructing the expansions. Other general risks include those ordinary to large construction projects, including the general uncertainties inherent in engineering and construction cost, the need to comply with generally increasing environmental obligations, and accommodation of local and community concerns. The economics are sensitive to the currency exchange rates, which have been subject to large fluctuations in the last several years.

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1.2 Overview

Anooraq Resources Corporation (“Anooraq” or “the Company”) is engaged in mining, exploration and development of Platinum Group Metals (“PGM”) mineral deposits located in the Bushveld Igneous Complex (“BIC”), South Africa. The BIC is the world’s largest platinum producing geological region, producing in excess of 75% of annual primary platinum supply to international markets.

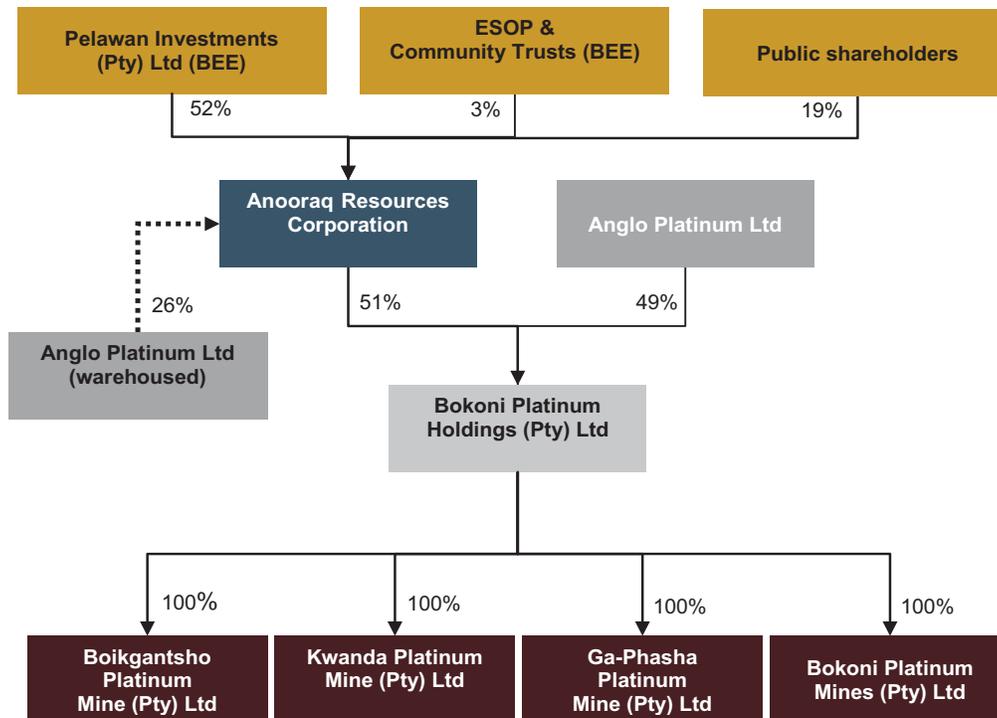
2009 represented the most important year in Anooraq’s history. With effect from 1 July 2009, the Company transformed from an exploration and development company into a PGM producer. Anooraq, through its wholly owned South African subsidiary Plateau Resources (Proprietary) Limited (“Plateau”), acquired an indirect 51% controlling interest and management control of Bokoni Platinum Mine (Proprietary) Limited (“Bokoni”) (formerly Lebowa Platinum Mine) and several PGM projects, including the advanced stage Ga-Phasha PGM Project (“Ga-Phasha Project”), the Boikgantsho PGM Project (“Boikgantsho Project”), and the early stage Kwanda PGM project (“Kwanda Project”) referred to as “the Bokoni Transaction”. These controlling interests were acquired through Plateau acquiring 51% of the shareholding of Bokoni Platinum Holdings (Proprietary) Limited (“Bokoni Holdco”), the holding company of Bokoni and the other project companies (“Bokoni Group”) on 1 July 2009.

Anooraq's objective is to become a significant PGM group with a substantial and diversified PGM asset base, including producing and exploration assets. The acquisition of the controlling interest in Bokoni Holdco is the first stage of advancing the Group’s PGM production strategy and has resulted in the Group controlling refined annual production of 147,600 4E ounces (based on 2008 production at Bokoni from 1.1 million tonnes of ore milled) and a significant mineral resource base of approximately 200 million PGM ounces, the third largest PGM mineral resource base in South Africa. Of this, approximately 110 million PGM ounces is directly attributable to Anooraq. On implementation of the Bokoni Transaction, Anooraq assumed management control over the Bokoni Group operations. Anglo Platinum Limited (“Anglo Platinum”), a subsidiary of Anglo American Plc, through its wholly owned subsidiary Rustenburg Platinum Mines Limited (“RPM”), retained a 49% minority equity interest in Bokoni Holdco. The resultant Group corporate structure is depicted below:-

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Anooraq Resources Corporate Structure



(The above corporate structure is illustrated on a fully diluted share basis, post conversion of the B preference shares)

Plateau is an indirect wholly owned South African subsidiary of Anooraq .Plateau owns the 51% shareholding in Bokoni Holdings (Pty) Ltd

Black Economic Empowerment

Pelawan Investments (Pty) Ltd (“Pelawan”), the majority shareholder in Anooraq, is a broad based Black Economic Empowerment (“BEE”) entity. Through the Pelawan shareholding, Anooraq and the Bokoni Group remains compliant with the BEE equity requirements as contemplated by South African legislation and its associated charters regarding BEE equity holding requirements.

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Environmental Matters

The South African National Environmental Management Act 107 of 1998 (NEMA), which applies to all prospecting and mining operations, requires that these operations are carried out in accordance with generally accepted principles of sustainable development. It is a NEMA requirement that an applicant for a mining right must make prescribed financial provision for the rehabilitation or management of negative environmental impacts, which must be reviewed annually. The financial provisions deal with anticipated costs for:

- Premature closure
- Planned decommissioning and closure
- Post closure management of residual and latent environmental impacts

In respect of Bokoni (discussed in section 1.2.1), an external assessment to determine the environmental closure liability was undertaken in August 2009. As at 31 December 2009, the total environmental rehabilitation liability for Bokoni, in current monetary terms, was estimated to be \$12.6 million.

Annual contributions are made to a dedicated rehabilitation trust fund to fund the estimated cost of rehabilitation during and at the end of the mine's life.

As at 31 December 2009 the amount invested in the environmental trust fund was \$2.6 million. The shortfall of \$10 million between the funds invested in the environmental trust fund and the estimated rehabilitation cost is funded through guarantees from third party banks that are currently in place and top up guarantees are expected to be arranged during 2010.

Anooraq's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The Group has incurred, and expects to incur in future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on current legal and regulatory requirements.

1.2.1 Bokoni Mine

Bokoni is an operating mine located on the northeastern limb of the BIC, to the north of and adjacent to the Ga-Phasha Project. The Bokoni property consists of two "new order" mining licenses covering an area of 15,459.78 hectares. The mining operation consists of a vertical shaft and three decline shaft systems to access underground mine development on the Merensky and UG2 Reef horizons. Bokoni has installed road, water and power infrastructure, as well as two processing concentrators, sufficient to meet its operational requirements up to completion of its first phase growth plans to 2014. Bokoni has an extensive shallow ore body, capable of supporting a life of mine plan for the next 100 years. Current mining operations are being conducted at shallow depths of approximately 70 metres underground at the UG2 operations and 300 metres underground at the Merensky operations. This benefits Bokoni's operations as a result of the limited support and refrigeration (and consequent power) requirements at shallower mining depths.

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Bokoni is currently producing approximately 85,000 tonnes per month (tpm) of ore from its UG2 and Merensky reef horizons. UG2 production is exclusively from the Middlepunt Hill shaft (MPH) which consists of 4 adits and 2 underground levels. Merensky ore is produced from three shafts, namely: Vertical shaft, UM2 shaft and Brakfontein shaft. The Vertical shaft, which started in 1973, is the oldest of the three shafts and currently accounts for the bulk of the Merensky production. Production at Vertical shaft is expected to be maintained at 40,000 tpm for the medium term. Merensky production from the UM2 shaft is expected to decline from its current production levels of 12,500 tpm over the next two years. The new Brakfontein shaft is in a ramp up phase and will be increased from its current production levels of 10,000 tpm, to a steady state production level of 120,000 tpm by 2014. On completion of the initial ramp up phase to 2014, it is anticipated that Bokoni will produce 160,000 tpm of ore (270,000 PGM ounces per annum) consisting of 120,000 tpm from the Merensky reef and 40,000 tpm from the UG2 reef.

Given the magnitude of Bokoni's ore body, lying open at depth with its numerous attacking points, management is of the view that Bokoni has the potential to be developed into a 375,000 tpm (570,000 PGM ounces per annum) steady state operation in the medium to longer term.

The older Vertical and UM2 shafts make use of conventional mining methods for narrow tabular ore bodies. Ore broken in stopes is transported laterally by means of track bound equipment and then hoisted through a vertical shaft system at Vertical shaft and an incline shaft system at UM2 shaft. Bokoni will invest in maintenance of infrastructure at Vertical shaft to sustain mining at current rates for the next four to five years. Additional opportunities, such as vamping, will be employed to supplement volumes from these shafts. Further opportunities to increase the life-of-mine of these shafts will also be investigated in the short to medium term.

The new Brakfontein shaft is being developed on a semi-mechanized basis, using a hybrid mining method, whereby ore broken in stopes is loaded directly onto a strike conveyor belt and taken out of the mine through a main decline conveyer belt system. This results in less human intervention in the hoisting process and a resultant lower unit operating cost of production. Development of haulages and crosscuts are effected by means of mechanized mining methods and stoping is conducted using hand held electric drilling machines.

The MPH shaft is in the process of converting the transport of broken ore from its current mechanized hauling system to a conveyor belt transport system similar to that of Brakfontein shaft. Vamping opportunities in the older adit areas are being investigated to supplement underground mining production.

Bokoni, at current metal prices and exchange rates, is already at an operational cash flow positive position (before depreciation and capital expenditure) after the operational costs have been reduced by approximately 20% in absolute cost terms since 1 July 2009. Bokoni is expected to become cash flow positive after capital expenditure towards the end of 2010, if the current commodity prices for the PGM basket and exchange rates remain in place.

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Financing the Bokoni Transaction

The Company financed the Bokoni Transaction at the Plateau level through a combination of a senior term loan facility (the "Debt Facility") provided by Standard Chartered Bank ("Standard Chartered") and a vendor finance facility provided by Anglo Platinum, through its wholly owned subsidiary, RPM (the "Vendor Finance Facility"). In addition, the Company secured an agreement with RPM whereby RPM will provide Plateau with an operating cash flow shortfall facility (the "OCSF") of up to a maximum of \$106.4 million (ZAR 750 million) and access to RPM's attributable share of the Bokoni Holdco cash flows ("the standby facility") up to a maximum of 80% of all free cash flow generated from Bokoni to meet its repayment obligations in terms of the Debt Facility.

1. Debt Facility

Plateau secured the Debt Facility with Standard Chartered for an amount of up to \$111 million (ZAR 750 million), including capitalized interest up to a maximum of three years or \$37 million (ZAR 250 million). On 1 July 2009, Standard Chartered advanced \$74 million (ZAR 500 million) to Plateau and interest amounting to \$5.0 million has been rolled up for the period ended 31 December 2009.

The Debt Facility is repayable in 12 semi-annual instalments, with the first payment due on 31 January 2013. Interest is calculated at a variable rate linked to the 3 month JIBAR plus applicable margin and mandatory cost (13.049 % at 31 December 2009).

The total amount of the interest payable on the notional amount of the Debt Facility of \$74 million (ZAR 500 million) drawn down on 1 July 2009 (i.e. other than the rollup interest loan of up to \$37 million (ZAR 250 million) is hedged with effect from 1 July 2009 until 31 July 2012. The interest rate was fixed on 1 July 2009 and after 1 July 2009 the interest payable on \$74 million (other than the rollup interest loan of \$37 million (ZAR 250 million)), outstanding under the Debt Facility is hedged until the Debt Facility is repaid in full.

The Debt Facility has a term of 108 months from 1 July 2009. Pursuant to the Bokoni Holdco Shareholders Agreement (as defined below), if Plateau's cash flows derived from Bokoni Holdco are insufficient to meet its debt repayment obligations under the Debt Facility, RPM is obligated, pursuant to the standby loan facility, to provide Plateau a portion of its entitlement to the Bokoni Holdco cash flows such that Plateau can utilize up to 80% of all free cash flows generated from Bokoni Holdco for this purpose.

On 11 December 2009, 34% of the Debt Facility was syndicated to First Rand Bank Limited, acting through its Rand Merchant Bank division ("RMB").

2. Vendor Finance Facility

RPM provided the Vendor Finance Facility to Plateau consisting of a cash component of \$177.8 million (ZAR 1.2 billion) and a share settled component (the "Share-Settled Financing") amounting to \$162.9 million (ZAR 1.1 billion).

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Cash component

In terms of the cash component of the Vendor Finance Facility, RPM subscribed for cumulative redeemable preference shares in the capital of Plateau (the "Plateau Preferred A Shares") for an aggregate sum of \$177.8 million (ZAR 1.2 billion). These shares are cumulative mandatory redeemable shares which attract a fixed annual cumulative dividend of 12%. The Group is obligated to redeem the outstanding amount including undeclared dividends which should have been declared within six years (1 July 2015) of issue, to the extent that the Group is in the position to redeem the shares. Any preference shares not redeemed in six years must be redeemed after nine years (1 July 2018).

During the three year period prior to the initial maturity date, Plateau will be required to undertake a mandatory debt refinancing and use 100% of such external funding raised to settle the following amounts owing by Plateau to RPM at such time, in the following order: (i) any outstanding amounts of the standby facility (ii) any outstanding amounts of the OCSF and (iii) the Plateau Preferred A Shares. Plateau is obliged to undertake the refinancing process but if the debt is not re-financeable based upon the capital markets at that time then there is no sanction on Plateau.

Share Settled Financing – The B preference shares

In terms of the Share Settled Financing component, Pelawan, the majority shareholder of Anooraq, established a wholly owned subsidiary (the "Pelawan SPV") and transferred 56,691,303 Anooraq common shares to the Pelawan SPV. RPM subscribed for convertible preferred shares in the capital of the SPV (the "SPV Preferred Shares") for an aggregate sum of \$162.9 million (ZAR 1.1 billion). Pelawan encumbered its shareholding in the Pelawan SPV in favour of RPM as security for the obligations of the Pelawan SPV pursuant to the SPV Preferred Shares.

The Pelawan SPV subscribed for two different classes of convertible "B" preferred shares in Plateau for \$162.9 million (ZAR 1.1 billion), each such class being convertible into common shares in the capital of Plateau ("Plateau Common Shares") and entitling the holder to a special dividend in cash, which, upon receipt, will immediately be used to subscribe for additional Plateau Common Shares ("The "B" preference shares"). The "B" preference shares are zero coupon shares and carry no rights to preference dividends.

Pursuant to the agreement between the Pelawan SPV and Anooraq (the "Exchange Agreement"), upon Plateau issuing Plateau Common Shares to the SPV, Anooraq will take delivery of all Plateau Common Shares held by the SPV and, in consideration therefore, issue to the Pelawan SPV such number of Anooraq common shares that have a value equal to the value of such Plateau Common Shares. The total number of Anooraq common shares to be issued on implementation of the Share Settled Financing arrangement is 227.4 million common shares. Once the "B" preference shares have been converted in Anooraq common shares, the Company will have fully diluted shares outstanding equal to 453 million common shares of one class.

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The final result of the Share Settled Financing is that: (i) RPM funded a payment of \$162.9 million (ZAR 1.1 billion) to Plateau whereby RPM will ultimately receive a total of 115.8 million common shares in Anooraq; and (ii) Pelawan will receive 111.6 million common shares in Anooraq.

The SPV Preferred Shares are convertible in one or more tranches into common shares in the capital of the SPV ("SPV Common Shares") immediately upon demand by RPM, upon the earlier of (i) the date of receipt by the Pelawan SPV of a conversion notice from RPM and (ii) 1 July 2018. Upon such date, RPM will become entitled to a special dividend in cash, which will immediately be used to subscribe for SPV Common Shares. Upon the Pelawan SPV converting the SPV Preferred Shares to Pelawan SPV Common shares and RPM subscribing for additional SPV Common shares as a result of the special dividend, the SPV will immediately undertake a share buyback of all SPV Common shares held by RPM and will settle the buyback consideration by delivering 115.8 million Anooraq common shares to RPM.

As and when RPM issues a conversion notice as described above, in order to prevent the dilution of the Pelawan's interest in Anooraq below the minimum 51% threshold as required by South African law, the Pelawan SPV will require Plateau to convert sufficient convertible preferred shares in the capital of Plateau into Plateau Common shares. Immediately thereafter, Anooraq will take delivery of such Plateau Common shares and issue such number of common shares (in an aggregate amount of 111.6 million common shares) to the Pelawan SPV pursuant to the Exchange Agreement. Such common shares will be held by the Pelawan SPV and will be subject to a lock-in that will prevent the Pelawan SPV and Pelawan from disposing of such shareholding for so long as Pelawan is required to maintain a minimum 51% shareholding in Anooraq.

RPM will be able to trade its 115.8 million Anooraq common shares on an unrestricted basis. RPM is not bound by any contractual lock-ins or restrictions in respect of any of the Group's common shares which it will hold. It will, however, prior to disposing of any such common shares, engage in a consultative process with Anooraq, and endeavour to dispose of such common shares in Anooraq in a reasonable manner. Neither Pelawan nor any of shareholders of Pelawan have any pre-emptive rights in respect of RPM's common shares in Anooraq.

Operating Cash Flow Shortfall Facility ("OCSF")

In order that Plateau is able to meet any required shareholder contributions in respect of operating or capital expenditure cash shortfalls at Bokoni during the initial three year ramp up phase at the mine, RPM provided Plateau with the OCSF which can be drawn up to a maximum of \$106.4 million (ZAR 750 million) and is subject to certain annual draw down restrictions, in terms of quantum, during the first three years. The OCSF bears fixed interest at a rate of 15.84%, compounded quarterly in arrears. As at 31 December 2009, Plateau had drawn \$27.5 million (ZAR 194 million) of the OCSF to meet its share of Bokoni's funding requirements.

In addition, Anglo Platinum made available to Plateau the standby facility for up to a maximum of 29% of Bokoni cash flows, which Plateau may use to fund any cash flow shortfalls that may arise in funding any accrued and capitalized interest and fund repayment obligations under the Debt Facility during its term. The standby facility will bear interest at the prime rate of interest in South Africa. As at 31 December 2009 no draw down was made on the standby facility.

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The shareholder loans in Bokoni Holdco and Bokoni acquired through the acquisition structures rank senior to other internal financing arrangements and are on consistent terms and conditions to the Debt Facility, in order to ensure that 51% of Bokoni's net cash flows are available to meet Plateau's Debt Facility obligations.

Security

The Debt facility is secured through various security instruments, guarantees and undertakings provided by the Group against 51% of the cash flows generated by Bokoni, together with 51% of Bokoni asset base. The standby facility, OCSF and Plateau Preferred "A" shares rank behind the Debt Facility for security purposes.

Management of the Bokoni Operations

Plateau and RPM entered into a shareholders' agreement ("the Bokoni Holdco Shareholders Agreement") to govern the relationship between Plateau and RPM, as shareholders of Bokoni Holdco, and to provide management to Bokoni Holdco and its subsidiaries, including Bokoni.

Plateau is entitled to nominate the majority of the directors of Bokoni Holdco and Bokoni, and has undertaken that the majority of such nominees will be Historically Disadvantaged Persons ("HDPs") in South Africa. Anooraq has given certain undertakings to Anglo Platinum in relation to the maintenance of its status as an HDP controlled group, pursuant to the Bokoni Holdco Shareholders Agreement.

Pursuant to the Bokoni Holdco Shareholders Agreement, the board of directors of Bokoni Holdco, which is controlled by Anooraq, has the right to call for shareholder contributions, either by way of a shareholder loan or equity. If a shareholder should default on an equity cash call, the other shareholder may increase its equity interest in Bokoni Holdco by funding the entire cash call, provided that, until the expiry of a period from the closing date of the Bokoni Transaction until the earlier of (i) the date on which the BEE credits attributable to the Anglo Platinum Ltd group and/or arising as a result of the Bokoni Transaction become legally secure, and (ii) the date on which 74% of the scheduled capital repayments due by Plateau to Standard Chartered, pursuant to the Debt Facility are made in accordance with the debt repayment profile of the Debt Facility (the "Initial Period"), Plateau's shareholding in Bokoni Holdco cannot be diluted for default in respect of equity contributions.

Pursuant to the terms of shared services agreements, Anglo Platinum provides certain services to Bokoni at a cost that is no greater than the costs charged to any other Anglo American plc group company for the same or similar services. It is anticipated that, as Anooraq builds its internal capacity and transforms into a fully operational PGM producer, these services will be phased out and will be replaced either with internal or third party services. The Group through Plateau provides certain management services to Bokoni pursuant to service agreements entered into with effect from 1 July 2009.

Sale of Concentrate

Bokoni produces a metal in concentrate, all of which is sold to RPM in terms of a sale of concentrate agreement entered into between Plateau and RPM. This agreement has an initial five year term to 1 July 2014 and Plateau has the right to extend this agreement for a further five year term to 1 July 2019.

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In terms of the sale of concentrate agreement, RPM receives metal in concentrate from Bokoni and pays for such metal based upon a formula equal to a percentage of the spot prices for the various metals contained in concentrate delivered, including precious and base metals, less certain treatment charges and penalties (if applied).

In addition, the Bokoni Holdco Shareholders Agreement also governs the initial sale of concentrate from the Ga-Phasha Project upon commencement of production.

Share Ownership Trusts

On 1 July 2009, Anglo Platinum donated \$15.4 million (ZAR 103.8 million) to the Anooraq Community Participation Trust, of which \$10.9 million was used to subscribe for 9,799,505 new common shares of Anooraq. The balance of Anglo Platinum Ltd's contribution will be used to assist the communities impacted by Bokoni over the forthcoming periods.

Anglo Platinum contributed an amount of \$6.8 million (ZAR 45.6 million) to the Bokoni Platinum Mine ESOP Trust ("ESOP Trust") to facilitate its establishment, and approximately \$5 million of this amount was utilized by the ESOP Trust to subscribe for 4,497,062 common shares of Anooraq. The ESOP Trust is consolidated by Anooraq as a special purpose entity.

The above mentioned trusts subscribed for the common shares at a subscription price equal to \$1.11, being the closing price of the common shares on the TSX Venture Exchange on the day prior to the announcement of the revised Bokoni Transaction terms. As a result of the subscription by these trusts, Anooraq received proceeds of approximately \$16 million. The trusts hold the common shares along with other investments for the purpose of making distributions to their beneficiaries in accordance with their governing trust deeds.

1.2.2 Ga-Phasha Project

Prior to 1 July 2009, Anooraq owned a 50% interest in the Ga-Phasha Project governed by a joint venture agreement with Anglo Platinum. As of 1 July 2009, the joint venture terminated and Ga-Phasha Platinum Mine Proprietary Limited, a wholly owned subsidiary of Bokoni Holdco, now owns the respective interest in and assets relating to the Ga-Phasha Project. As a result of the completion of the Bokoni Transaction, Anooraq effectively owns 51% of the Ga-Phasha Project.

On completion of the Bokoni Transaction, Anooraq and Anglo Platinum decided to review the project development strategy. The acquisition of the adjacent Bokoni created a new assortment of synergies between the Ga-Phasha and Bokoni properties. Management decided to initiate a review of the prefeasibility study that was in progress at the Ga-Phasha Project. Furthermore, additional drilling conducted between 2008 and 2009 called for an update of the geological models and a revised mine plan for the Ga-Phasha Project.

From preliminary investigations it is envisaged that all or a part of the Klipfontein mineral property (a portion of the Ga-Phasha mining lease area) can be accessed and mined from the existing Brakfontein shaft infrastructure at Bokoni.

In order to finalise its prefeasibility study of the Ga-Phasha Project, the Group is in the process of compiling updated geological models and revising the mine plan for the Ga-Phasha mineral

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property. This study is expected to be completed in 2011 and will cost in the region of \$0.8 million.

1.2.3 Platreef Exploration Properties, Northern Limb

Anooraq holds interests in mineral rights (or “farms”) over 37,000 hectares that make up the Central Block, the Rietfontein Block, the Boikgantsho and Kwanda Projects (see below), collectively, known as the Platreef Properties.

Rietfontein Block

The Group has entered into a settlement agreement (the "Agreement") effective 11 December 2009 with Ivanhoe Nickel & Platinum Ltd. ("Ivanplats") to replace and supersede the 2001 agreement relating to the Rietfontein property located on the northern limb of the BIC in South Africa. The 2001 agreement granted Ivanplats the right to earn a 50% interest in the Rietfontein property through expenditure related to exploration activities undertaken in accordance with approved technical programs.

The Agreement settles the arbitration process relating to disagreements with respect to the exploration activities undertaken at the Rietfontein property. Salient terms of the Agreement are as follows:

- Both parties abandon their respective claims under dispute forming the subject matter of arbitration.
- The existing joint venture (“JV”) between the parties is amended such that the current Rietfontein JV is extended to incorporate a defined area of Ivanplats' adjacent Turfspruit mineral property. Both parties retain their existing prospecting rights in respect of mineral properties in their own names but make these rights and technical information available to the extended JV ("the Extended JV").
- Anooraq will be entitled to appoint a member to the Extended JV technical committee and all technical programmes going forward will be carried out with input from Anooraq.
- Anooraq is awarded a 6% free carried interest in the Extended JV, provided that the Extended JV contemplates an open pit mining operation, incorporating the Rietfontein mineral property. Anooraq has no financial obligations under the Extended JV terms and Ivanplats is required to fund the entire exploration programme to feasibility study with no financial recourse to Anooraq. On delivery of the feasibility study Anooraq may elect to either:-
 - Retain a participating interest in the Extended JV and finance its pro rata share of the project development going forward; or
 - Relinquish its participating interest in the Extended JV in consideration for a 5% net smelter return royalty in respect of mineral products extracted from those areas of the Rietfontein mineral property forming part of the Extended JV mineral properties.

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Central Block

The Central Block consists of eight farms or portions thereof, acquired by Anooraq, through its wholly-owned South African subsidiary, Plateau prior to its joint ventures with Anglo Platinum. It also includes one portion of the Dorstland farm acquired by way of an agreement with RPM. Dorstland 768LR was acquired through an agreement with Pinnacle Resources in 1999. Rights to the other farms or portions are administered by the Department of Mineral Resources (“DMR”).

The Group is currently evaluating its approach to properties on the Central Block, which may include potential joint venture relationships with third party exploration companies.

Kwanda Project

On 16 May 2002, the Group completed a joint venture agreement with RPM for the right to acquire up to an 80% interest in twelve PGM properties located on the Northern Limb of the Bushveld Complex. In terms of the agreement, the Group acquired an initial 50% interest in the PGM rights to the twelve farms.

As of 1 July 2009, the joint venture terminated and Kwanda Platinum Mine Proprietary Limited, a private company incorporated under the laws of South Africa, a wholly owned subsidiary of Bokoni Holdco, owns the respective interest in and assets relating to the Kwanda Project. As a result of the completion of the Bokoni Transaction, Anooraq effectively owns 51% of the Kwanda Project.

The Group intends to continue with its existing prospecting programs at the Kwanda mineral properties in 2010 at a cost of approximately \$0.2 million.

1.2.4 Boikgantsho Project

In November 2003, Anooraq, through its wholly-owned South African subsidiary, Plateau, entered into a joint venture agreement with Potgietersrus Platinum Limited (“PPL”) to explore and develop PGM, gold, nickel and copper mineralization on Anooraq’s Drenthe and Witrivier farms and the northern portion of Anglo Platinum’s adjacent Overysel farm.

As of 1 July 2009, the joint venture terminated and Boikgantsho Platinum Mine Proprietary Limited, a private company incorporated under the laws of South Africa and a wholly owned subsidiary of Bokoni Holdco, owns the interest in and assets relating to the Boikgantsho Project. As a result of the completion of the Bokoni Transaction, Anooraq effectively owns 51% of the Boikgantsho Project.

Historically, significant exploration drilling has been conducted at the project site which has led to the declaration of a Mineral Resource in the indicated and inferred categories. This Mineral Resource was the basis of a high level preliminary evaluation undertaken by Anooraq and published in February 2005. Though the preliminary evaluation was at a level where definitive economic evaluation could not be carried out, the results of the work undertaken showed that the project value was significant enough to warrant further study. A review of the scoping study has been initiated and is expected to be completed by the end of April 2010 at a cost of approximately \$0.1 million. Dependent on the outcome of the review, a prefeasibility study may

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be initiated in May 2010 and is expected to be completed by Quarter 4, 2011. The cost of the prefeasibility study is expected to be approximately \$1.0 million.

1.2.5 Mineral reserves and resources

The annual Mineral Reserve and Resource Statement for Bokoni has been updated on 31 December 2009 by qualified persons B. Reddy and P. Stevenson.

There has been no change in resources at the Ga-Phasha and Boikgantsho projects. A summary of the 2009 Reserve and Resource Statements for Bokoni is shown in the tables below:

Table 1: Ore Reserve Tabulation for Bokoni as at 31 December 2009

Category	Reef Type	Total			Attributable to Anooraq	
		Mt	4E Grade (g/t)	4E Oz (Moz)	Mt	4E Grade (g/t)
Proved	UG2	33.0	5.47	5.8	16.8	5.47
	Merensky	19.1	4.53	2.8	9.7	4.53
	Total	52.1	5.13	8.6	26.5	5.13
Probable	UG2	8.6	5.31	1.5	4.4	5.31
	Merensky	5.1	4.14	0.7	2.6	4.14
	Total	13.7	4.99	2.2	7.0	4.99

Notes: The qualified person responsible for the compilation of the Ore Reserve is B. Reddy.

The grade indicated is the mill delivered grade.

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Table 2: Mineral Resources Tabulation

Category	Reef Type	Total			Attributable to Anooraq	
		Mt	4E Grade (g/t)	4E Oz (Moz)	Mt	4E Grade (g/t)
Measured	Merensky	24.7	5.92	4.7	12.6	5.92
	UG2	108.9	6.75	23.6	53.5	6.75
	Total	133.6	6.59	28.3	68.1	6.59
Indicated	Merensky	29.0	5.73	5.3	14.8	5.73
	UG2	73.9	6.82	16.2	37.7	6.82
	Total	102.9	6.50	21.5	52.5	6.50
Measured + Indicated	All	236.5	6.55	49.8	120.6	6.55
Inferred	Merensky	92.0	5.55	16.4	46.9	5.55
	UG2	131.3	6.78	28.6	67.0	6.78
	Total	223.3	6.27	45.0	113.9	6.27

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Notes: The qualified person responsible for the compilation of the Mineral Resource is P. Stevenson. Resources are inclusive of Reserves.

The Merensky reserve has decreased by 8% year on year and the UG2 Reserve by 5% year-on-year, in terms of 4E ounces. The change in reserve is largely due to the decrease in resources, resulting in a lower conversion of resources to reserves. The changes in the mineral resource are explained below:

Merensky Reef:

During 2009 a new resource evaluation was completed. This resulted in overall decrease of the resource cut, but the total 4E Metric Ounces (“Moz”) content decreased only marginally. The total Merensky resource tonnage decreased from 156.2 Mt at 5.40 g/t (27.09 4E Moz) to 145.7 Mt at 5.65 g/t (26.4 4E Moz).

UG2 Reef:

During 2009 a new resource evaluation was completed..This resulted in overall decrease of the resource cut by 0.03m (1.01m to 0.98m) and the overall density over the resource cut decreased from 4.03g/cm³ to 3.98g/cm³. The total 4E Moz content decreased only marginally. The total resource tonnage decreases from 325.4 Mt at 6.06 g/t (69.0 4E Moz) to 314.1 Mt at 6.78g/t (68.4 4E Moz).

1.3. Market Trends and Outlook

2009 was highly volatile year for PGM metal prices. During the first half of 2009, PGM metal prices continued to suffer from the effects of the 2008 commodity market collapse and gains made in metal prices towards the latter part of 2009 were largely offset by currency gains made by the Rand against the US Dollar. This resulted in the Rand value of metal revenues remaining under pressure throughout 2009, which was a cause for concern, having regard to the inflation wage increases in the South African mining sector, as well as pending cost increases relating to power usage.

With respect to the impact of supply and demand, the negative effects of a sharp decrease in vehicle sales in the US and Europe were, to some extent, offset by an ever improving vehicle market in China, with Chinese new vehicle sales increasing significantly over 2009. Chinese jewelry demand also showed resilience over 2009, partially offsetting reduced demand in the automotive sector.

The outlook for 2010 remains cautiously optimistic for PGMs, but will to a large extent rely on a rebound in demand from the US and European automotive sectors, while it is anticipated that the Chinese auto sector demand will continue to grow through 2010. Brazil, Russia, India and Indonesia remain potential high growth areas for the sector, as we witness the continued emergence of an increasing middle class consumer base. Increased emission control standards within the automotive sector will add impetus to PGM usage in the automotive and industrial sectors going forward.

With certain potential new PGM development projects and operations having been delayed or shut down during 2008 and 2009, there exists the potential for supply side constraint should sector demand recover at a faster pace than originally anticipated.

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The introduction of new Exchange Traded Funds for platinum and palladium in the US will continue to add an element of volatility to metal pricing.

1.4 Selected Annual Information and results of operations

For the year ended 31 December 2009, the consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Comparative balances for the year ended 31 December 2007 have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). All figures are expressed in Canadian dollars.

Consolidated statements of financial position	IFRS	IFRS	As per Canadian
	As at 31 December 2009	As at 31 December 2008	GAAP As at 31 December 2007
Total assets	1,014,215,005	12,898,793	16,953,363
Non-current liabilities	777,605,509	12,967,753	9,806,636

Consolidated statements of comprehensive loss	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Revenue	62,627,868	-	-
Cost of sales	(80,966,467)	-	-
Gross loss	(18,338,599)	-	-
Loss for the year	(51,780,529)	(13,970,096)	(14,296,131)
Basic and diluted loss per share	\$ 0.12	\$ 0.08	\$ 0.08

Weighted average number of common shares outstanding	305,971,455	185,775,361	168,377,927
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With effect from 1 July 2009, Anooraq transformed from an exploration and development company into a PGM producer. This transformation was achieved through the Bokoni Transaction. The Bokoni Transaction is discussed in detail in the “Overview” section (Section 1.2).

As a result of the acquisition of Bokoni on 1 July 2009, the financial position and results of operations of the Group have changed significantly. In prior years, the Group was an exploration company whereas it is now managing an operating mine.

Statement of Financial Position

The net of total assets and non-current liabilities increased from negative \$0.1 million as at 31 December 2008 to \$236.6 million at 31 December 2009.

The major reason for the increase was due to assets and liabilities acquired in the Bokoni Transaction. A summary of the assets acquired and liabilities assumed at the acquisition date are as follows:

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	<u>Fair Value</u>
Property, plant and equipment	725,226,891
Capital work-in-progress	216,194,965
Cash deposits held in Platinum Producers Environmental Trust	2,356,993
Other non-current assets	741
Trade and other receivables	22,477,941
Cash and cash equivalents	3,576,912
Loans and borrowings (owing to RPM)	(493,666,666)
Deferred taxation	(231,040,913)
Provisions	(4,308,137)
Current tax payable	(123,034)
Trade and other payables	(30,845,374)
Total identifiable net assets	209,850,319

Goodwill and a non-controlling interest of \$ 12.4 million and \$102.8 million, respectively, were recognized on acquisition. Also refer to section 1.2.1 for a discussion on the financing of the Bokoni Transaction.

Statement of Comprehensive Income

The loss for the year ended 31 December 2009 increased from \$14 million in the previous year to \$51.8 million. The loss per share increased from 8 cents, for the year ended 31 December 2008, to 12 cents for the year ended 31 December 2009. The increase in the loss per share was diluted by the effect of the change in the weighted number of common shares from 185.8 million, as at 31 December 2008, to 305.9 million as at 31 December 2009.

The major contributors to the increase in the loss to \$51.8 million for the year ended 31 December 2009 were:

- A gross loss from mining activities of \$18.3 million (2008 – nil).
Due to the Bokoni Transaction in 2009, the Company had revenue and cost of sales for the first time and made a gross loss for the first six months of trading.
- Transaction costs of \$10.4 million (2008 – nil).
These transaction costs included consulting and legal expenses relating to the Bokoni Transaction, which is discussed in detail in the “Overview” section (Section 1.2). During the year the Group adopted IFRS 3, *Business Combinations (2008)*, which resulted in \$1.6 million being expensed on 1 January 2009 relating to previously capitalised transaction costs. (Refer to section 1.12, “Changes in Accounting Policies including Initial Adoption”)
- Finance expenses of \$20.3 million (2008 - \$1.8 million).
The Bokoni Transaction was funded through a number of interest bearing loans, as discussed in section 1.2, resulting in increased finance expenses for the year. Refer to

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note 27 of the notes to the consolidated financial statements for details of the individual liabilities to which the finance expenses relate.

- Income tax (income) of \$7.6 million (2008 – nil).
Due to the taxable losses and deductible expenditure incurred by the Group in 2009, a portion of the deferred tax liabilities acquired in the Bokoni Transaction were reversed to profit or loss. Refer to note 29 of the notes to the consolidated financial statements for a reconciliation of the Income tax for the periods.

Also refer to section 1.9 for a discussion of the quarterly results.

1.5 Liquidity

At 31 December 2009, the Group had available working capital of \$28.4 million compared to available working capital of \$0.6 million as at 31 December 2008. The RPM bridging loan was settled as part of the funding arrangements associated with the Bokoni Transaction.

As at 1 July 2009, all outstanding regulatory approvals were obtained by the Group and all outstanding conditions fulfilled and the Bokoni Transaction was completed. As a result of the completion of the Bokoni Transaction, the Group secured additional financial resources and long term funding (as discussed under *Financing the Bokoni Transaction – 1.2.1*). The Group expects that the cash flows from the acquired mining operations and the additional financing secured through the OCSF will be sufficient to meet its ongoing operational and capital cash requirements to fund Bokoni through its high growth phase to 2014.

The Group has the following long-term contractual obligations as at 31 December 2009:

	Payments due by period				
	Total	Less than one year	2 to 3 years	4 to 5 years	Later than 5 years
Capital commitments	10.3	10.3	-	-	-
Long-term debt	555.5	-	4.0	23.7	527.8
Operating lease commitments	1.2	0.4	0.8	-	-
Purchase obligations	11.7	11.7	-	-	-
Derivative liability	1.6	-	1.6	-	-
Total	580.3	22.4	6.4	23.7	527.8

The Group's major cash commitments for the next year relate to its obligation to fund project expansion capital requirements at Bokoni (to the extent that internal cash flows from mine operations at Bokoni are insufficient for this purpose).

Default on borrowings would occur, if legal obligations according to loan agreements are not met. Defaults would include:

- Failure to make scheduled payments.
- Violation of loan covenants.

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Based on the Group's business plan with production outputs increasing to 270 000 PGM ounces per annum and costs reducing to US\$801 per PGM ounce, cash flows are expected to be positive, and the Group would be able to service its loan obligations during the next nine years, which is the period of the loans.

The following are the key solvency ratios for Anooraq as at 31 December 2009:

Ratio:	Anooraq
Current Ratio	2.10:1
Total Debt to total Assets Ratio	0.55:1
Total Debt to Equity Ratio	2.65:1

The current ratio indicates that the Group has 2.10 times the value of current liabilities in its current assets and will therefore be able to service its current liabilities within the agreed terms without any difficulties.

The Group's borrowings amount to 55% of the total assets by value.

Currently, the Group's total borrowings are 2.65 times the value of the total equity.

1.6 Capital Resources

Anooraq's sources of capital are primarily debt and equity.

The Group's access to capital sources is dependent upon general commodity and financial market conditions. The Group has secured sustainable long term funding to meet its operating and capital obligations through to 2014. The Group's cash balance as at 31 December 2009 was \$30.9 million.

In addition to its cash resources the Group has access to various committed debt facilities from senior bank lenders and Anglo Platinum. All of the Group's debt facilities have been negotiated such that it is not obliged to commence with mandatory repayments of any loan capital amounts drawn and/or any refinancing of these loans during the first three years during which it has management control at Bokoni (1 July 2009 – 1 January 2013). The reason for this capital repayment "holiday" period is that Bokoni is currently in a highly capital intensive project expansion growth phase until it reaches its phase 1 steady state of production of 160,000 tpm (270,000 PGM ounces per annum) expected in 2013. Thereafter, capital repayments will commence on the Debt Facility and the Group will undertake a refinancing of the Anglo Platinum debt facilities as and when market conditions allow it to do so.

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A summary of the Group's debt facilities as at 31 December 2009 is as follows:

	Balance at 31 Dec 2009	Total available facility	Unutilised portion of facility
	\$ million		
Senior debt facility	71.5	106.4	34.9
OCSF	54.0	208.5	154.5
RPM Funding loan	72.8	102.2	29.4
"A" preference share facility	352.7	352.7	-
Other	4.5	4.5	-
Total	555.5	774.3	218.8

In addition to the facilities above, Anglo Platinum made available to Plateau the standby facility for up to a maximum of 29% of Bokoni cash flows, which Plateau may use to fund any cash flow shortfalls that may arise in funding any accrued and capitalized interest and fund repayment obligations under the Debt Facility during its term.

See a discussion of these debt facilities in Section 1.2.

1.7 Off-Balance Sheet Arrangements

The Group has not entered into any off-balance sheet transactions.

1.8 Transactions with Related Parties

- (i) Hunter Dickinson Services Inc. ("HDSI") is a private company owned equally by several public companies, one of which is the Company. HDSI has a director in common with the Company and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries on a full cost recovery basis pursuant to an agreement dated 31 December 1996. During the year ended 31 December 2009, the Group paid \$0.7 million (2008: \$1.3 million) for services provided to the Group.
- (ii) CEC Engineering Ltd ("CEC") is a private company owned by a former director. CEC provides engineering and project management services, at market

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rates, to the Group. There were no payments made to CEC during the year ended 31 December 2009 (2008: \$4,927).

- (iii) Rustenburg Platinum Mines (“RPM”) : The Group concluded a number of agreements with respect to services at Bokoni with RPM, a wholly owned subsidiary of Anglo Platinum and 49% shareholder in Bokoni Holdco, on 28 March 2008. These agreements were amended on 13 May 2009 and include a limited off-take agreement whereby Bokoni sells the concentrate produced at the mine to RPM at market related prices.

Pursuant to the terms of various shared services agreement, the Anglo American plc group of companies will continue to provide certain operational services to Bokoni at a cost that is no greater than the costs charged to any other Anglo American plc group for the same or similar services. It is anticipated that, as Anooraq builds its internal capacity, and makes the transformation to a fully operational PGM producer, these services will be phased out and replaced either with internal services or third party services.

Transactions with Rustenburg Platinum Mines during the year ended 31 December 2009 are summarized below:

Concentrate sales	\$62.6 million	(2008 – nil)
Cost of sales	\$6.1 million	(2008 – nil)
Finance expense (before interest capitalised)	\$28.0 million	(2008 – nil)

The following balances were outstanding to/(from) RPM at 31 December 2009:
Loans and Borrowings \$484.0 million (2008 - \$14.7 million)

Trade and other payables	\$3.5 million	(2008 – nil)
Trade and other receivables	(\$21.5 million)	(2008 – nil)

- (iv) Pelawan is the Group’s controlling shareholder. The Group was obligated to pay all of the Bokoni Transaction expenses incurred by Pelawan Investments out of the funding for the transaction that was provided from Anglo Platinum. A Special Committee appointed by the Anooraq Board of Directors and the Anooraq Audit Committee approved the payment of the Pelawan transaction expenses from the proceeds.

Pursuant to the acquisition of a controlling interest of 51% in Bokoni Holdings (Pty) Ltd, the Group paid transaction expenses of Pelawan Investments (Pty) Ltd, costs owing to Rand Merchant Bank of \$1.6 million and legal costs of \$0.1 million, during the year ended 31 December 2009.

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1.9 Fourth Quarter

Fourth Quarter Highlights

This quarter represented the second quarter in which Anooraq assumed management control at Bokoni and the following are the highlights for the quarter:

- Labour restructuring agreements with labour unions were finalized and the Company commenced with the implementation of its labour restructuring plan which will be finalized during Quarter 1, 2010. This labour restructuring represents a key element for implementation of the Group's turnaround strategy at Bokoni, with approximately 700 mine personnel affected through the restructuring process. During the first quarter 2010 approximately 400 mine personnel (approximately 10% of total mine labour) will be moved from positions in services to production activities and approximately 150 mine personnel will be retrenched during the process.
- The concentrator plant upgrade at Bokoni was completed on time and within budget. This upgrade resulted in the mine's Merensky reef milling capacity increasing to 100,000 tonnes per month, while the UG2 reef milling capacity is installed at 65,000 tonnes per month. Due to the upgrade, 20 milling days were lost during the quarter. This upgrade project will ensure that Bokoni has sufficient concentrator processing capacity to meet its stage 1 growth phase demands, whereby the operations will increase production to 160,000 tonnes per month by 2014.
- Cost cutting initiatives remain a key focus area at Bokoni and during the quarter the Rand per tonne milled unit operating costs decreased by 8% quarter on quarter from ZAR 1005 to ZAR 924 per tonne, while ZAR per PGM ounce unit operating costs improved by 10% against the previous quarter.
- The built up head grade (recovered grade) at Bokoni increased by 5% to 4.39 g/t from 4.19 g/t in the previous quarter.

A comparison is provided of quarter ended 31 December 2009 against the quarter ended 30 September 2009.

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Bokoni Production Statistics:

		Q4 2009	Q3 2009	% Change
4E oz produced	Oz	30,512	30,835	(1%)
Tonnes milled	T	248,999	254,399	(2%)
Built-up head grade	g/t milled,4E	4.39	4.19	5%
UG2 mined to total output	%	31	37	(16%)
Development meters	M	3,178	3,067	4%
Immediately available ore reserves	Months	14	14	-
R/t Operating cost/tonne milled	ZAR/t	924	1,005	(8%)
R/4E Operating cost/4E oz	ZAR/4E oz	7,537	8,334	(10%)
Total labour (mine operations)	Number	4,402	4,618	5%

Bokoni was formerly wholly owned by Anglo Platinum and historical comparative quarterly production statistics are not available.

Summary of quarterly financial results:

	Restated		Restated		Restated			
	31 Dec 2009	30 Sep 2009	30 Jun 2009	31 Mar 2009	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Mar 2008
\$ Million								
Revenue	34.8	27.8	-	-	-	-	-	-
Cost of sales	(40.5)	(40.5)	-	-	-	-	-	-
Gross loss	(5.7)	(12.7)	-	-	-	-	-	-
Loss for the period	(18.6)	(18.7)	(10.8)	(3.7)	(2.5)	(2.3)	(7.1)	(2.1)
Basic and diluted loss per share (\$)	(0.03)	(0.04)	(0.06)	(0.02)	(0.01)	(0.01)	(0.04)	(0.01)
Weighted number of common shares outstanding (million)	305	245	186	186	185	185	185	185

With effect from 1 July 2009, Anooraq transformed from an exploration and development company into a PGM producer. This transformation was achieved through the Bokoni Transaction. The Bokoni Transaction is discussed in detail in the “Overview” section (Section 1.2).

As a result of the acquisition of Bokoni on 1 July 2009, results of operations of the Group have changed significantly. In prior years, the Group was an exploration company whereas it is now managing an operating mine.

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Restatement of previously reported quarterly financial results:

\$ Million	30 Sep 2009	30 Jun 2009	31 Mar 2009
<i>(i) Loss for the period</i>			
As previously reported	(14.8)	(5.2)	(2.1)
Transaction costs expensed (1)	-	(5.6)	(1.6)
Other income (2)	(3.9)	-	-
As restated	(18.7)	(10.8)	(3.7)

(1) The Group early adopted IFRS 3, *Business Combinations (2008)*, for all business combinations occurring in the financial year commencing 1 January 2009. As a result of the change in accounting policy, transaction costs previously capitalised during the quarters ended 31 March 2009 and 30 June 2009 were expensed.

(2) As a result of an inadvertent accounting error during the quarter ended 30 September 2009, other income was overstated by \$3.9 million. Loans and borrowings at 30 September 2009 was understated by the same amount as a result of the error.

	30 Sep 2009
<i>(ii) Cost of sales</i>	
As previously reported	(34.6)
Reclassification	(3.9)
As restated	(40.5)

Depreciation was reclassified to cost of sales as it is more closely aligned to the production process. The reclassification had no impact on earnings.

(iii) Basic and diluted loss per share

In addition to the restatement of the loss for the quarter ended 30 September 2009, basic and diluted loss per share have also been restated for a change in the weighted average number of shares due to an inadvertent error in the calculation of the weighted average number of shares.

Revenue

The mine concentrator milled 248,999 tons in the fourth quarter, which was 2% less than the 254,399 tons milled the previous quarter. The main reason for this decrease in tons milled was that the mill was upgraded during the quarter and was therefore inactive for 20 shifts. As a result the process concentrator generated 323 4E ounces less than the previous quarter.

Revenue sales from concentrate were \$34.8 million (ZAR 238.6 million) compared to the previous quarter of \$27.8 million (ZAR 206.6 million). The increase in revenue of \$7.0 million is mainly due to higher metal prices received during the quarter. The average Rand US Dollar exchange rate for the quarter was R7.49 (a strengthening of the ZAR of 4%) compared to the average exchange rate for the previous quarter of R7.78.

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The average PGM basket price for the quarter was 17% higher than the basket price achieved the previous quarter. The average basket price received for the current quarter was US\$1,055 (ZAR 7,899) compared to US\$901 (ZAR 7,004) for the previous quarter.

Cost of Sales

Depreciation is higher in the last quarter by \$1.7 million due to additional assets being capitalised. The total cost of sales quarter on quarter is however not significantly different as unit costs continued to decrease, largely attributable to the Group's focus on key cost cutting initiatives at the operations, including the introduction of stringent budgetary systems and controls. These cost cutting initiatives will remain a key focus area for the operations moving forward in order to counteract the effects of inflation, annual wage increases and significant year-on-year increases in power charges by Eskom, the South African national power supplier, in the medium term. Despite positive results in cost reductions Bokoni's unit operating costs remain at unacceptably high levels when compared to industry averages. The Group remains committed to further reducing costs through a combination of absolute cost reductions, improved production efficiencies and increased production volumes on completion of the labour restructuring process in March 2010.

Production costs (excluding amortization and depreciation) on a per ton basis were \$130 (ZAR 924) per ton as compared to \$136 (ZAR 1,005) per ton the previous quarter, a reduction of 5% in dollar and 8% in Rand terms. These costs were lower mainly due to better cost controls over the period. The main contributors to this cost reduction were:

- A reduction in stores costs due to the introduction of a flexible budget system.
- A reduction in transport costs due to the re-negotiation of transport contracts with the service providers.
- Utility costs decreased due to lower summer tariffs.
- Reduction in labour costs due to a labour restructuring:

A "zero based" labour plan was completed in August 2009. A significant imbalance in on mine production to services labour ratios were identified and the need to restructure the work force was recognised. After consultations with labour unions, pursuant to South African Labour Relations Act, a restructuring agreement was signed at the end of December 2009.

The process of arranging the interviewing and offering of alternative placement to over-complement employees commenced on 6 January 2010. By 28 January 2010 the following labour movements had been effected:

- 283 employees had been laterally transferred to alternative occupations within the Group.
- 91 employees had accepted "soft landing" packages and were moved to lower category jobs.
- 93 employees had applied for and were granted voluntary separation packages and their employment at Bokoni was terminated.

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- 60 employees were identified as remaining over-complement and the process of retrenchment was started.

Included in administration expenses for the fourth quarter is the provision for restructuring cost of \$1.8 million.

Exchange rate

The average Rand to Canadian Dollar exchange rate for the quarter was R7.10, a reduction of 4.5% compared to the average exchange rate of the previous quarter of R7.42

Safety

The Group's Lost Time Injury Frequency Rate ("LTIFR") deteriorated to 1.04 in the fourth quarter from 0.74 in the third quarter. This deteriorating trend remains a focus area and an area of concern for management at the operations. Active engagement with the South African Department of Mineral Resources on safety matters continues. On 2 November 2009, Bokoni achieved one million fatality free shifts, a great milestone in improving safety in South African Mines.

Production

Tonnes milled and PGM ounces produced decreased 2% and 1%, respectively, quarter on quarter. This was largely due to the 20 milling days lost due to downtime at the operation's concentrator plant during completion of its upgrade. Notwithstanding these production decreases base metal production (nickel and copper) increased by 13% for the quarter, largely attributable to an 18% relative decrease in UG2 reef production to Merensky production, which carries higher base metal values.

Development

Total development metres increased by 4% for the quarter, largely as a result of greater emphasis being placed on development in order to create in stope mining flexibility. Immediately available ore reserves remained at 14 months.

The built up head grade improvement of 5% for the quarter can be largely attributed to better in stope mining discipline and new ore flow processes introduced at the operations. Grade control remains a key focus area for the Company and a major focus in training has been implemented at the operations to ensure that stoping teams are adhering to "best cut" mining practices to ensure that grade control standards are sustained.

Capital

Total capital expenditure for the fourth quarter was \$14.4 million, comprising 20% sustaining capital and 80% project expansion capital.

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Royalties: Implementation of the Mineral and Petroleum Resources Royalty Act, 2008 (Act no. 28 of 2008)

The South African government has enacted the Mineral and Petroleum Resources Royalty Act, which imposes a royalty payable to the South African government based upon financial profits made through the transfer of mineral resources. The legislation was passed on 17 November 2008 and came into operation on 1 March 2010.

The amount levied will be based on a percentage calculated by a formula, up to a maximum of 5% on gross sales of refined mineral resources and 7% on gross sales of unrefined mineral resources.

The ultimate royalty to be charged will be formula based, varying according to the profitability of mining operations. As the Group's operations produce metal in concentrate (unrefined mineral resources) the minimum royalty payable with effect from 1 March 2010 will be 0.5% of gross sales and the maximum royalty payable will be 7% of gross sales, based on the following formula:

Royalty percentage payable on gross sales of unrefined metal produced = $0.5 + [(EBIT \times 9) / \text{gross sales}]$. The imposition of this royalty was anticipated by the Group and has been taken into consideration with regard to all budgeting and other financial planning processes going forward.

Power Tariff Increases

The National Energy Regulator of South Africa (NERSA) has released its decision on Eskom's tariff increase applications. The effect of this decision is that power tariff increases in South Africa will be effected over a 3 year period as follows:

2010/2011	:	24.8%
2011/2012	:	25.1%
2012/2013	:	25.9%

The net effect of this decision is that current power input costs at mining operations in South Africa will increase by approximately 100% over the next 3 years. Bokoni operations are currently mining at relatively shallow depths with no major refrigeration requirements needed for the next 30 years of mining. Power costs currently comprise between 5% (summer tariffs) and 8% (winter tariffs) of total operating costs at the mine operations. Accordingly, the recently announced power rate increases will increase operating costs by between 5% and 8% over the next 3 years. Bokoni continues to focus efforts on power usage reduction as part of the efficiency improvement initiatives currently being implemented at the operations.

1.10 Proposed Transactions

At the current time, there are no reportable proposed transactions.

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1.11 Critical Accounting Estimates

The Group's accounting policies are presented in note 4 of the audited financial statements for the year ended 31 December 2009, which have been publicly filed on SEDAR at www.sedar.com.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the notes to the financial statements where applicable.

These estimates include:

Taxation

The Group applies significant judgment in its determining provisions for income taxes and deferred tax assets and liabilities.

Temporary differences arise between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes. These temporary differences result in tax liabilities being recognised and deferred tax assets being considered based on the probability of its deferred tax assets being recoverable from future taxable income. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be realised.

The Group provides deferred tax using enacted or substantively enacted tax rates at the reporting date on all temporary differences arising between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes unless there is a temporary difference that is specifically excluded in accordance with IFRS. The carrying value of the Group's net deferred tax assets assumes that the Group will be able to generate sufficient future taxable income in applicable tax jurisdictions, based on estimates and assumptions.

Impairment of Mining Assets

The recoverable amount of mining assets, including goodwill relating to mining operations, is generally determined utilising discounted future cash flows. Factors such as the quality of the individual ore body and country risk are considered in determining the recoverable amount.

Key assumptions for the calculations of the mining assets' recoverable amounts are the forward platinum group metal prices and the annual life-of-mine plans. In determining the commodity prices to be used, management assesses the long-term views of several reputable institutions on the commodity prices and, based on this, derives the forward platinum group metals prices. The

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life-of-mine plans are based on proven and probable reserves and have been approved by the Group.

During fiscal 2009, the Group calculated the recoverable amounts based on updated life-of-mine plans and a South African discount rate of 16.48%.

Refer to note 7 of the annual financial statements for details of key assumptions used in the 2009 impairment testing.

Cash flows used in the impairment calculations are based on life-of-mine plans which exceed five years. No impairments were recorded for the Group for the year ended 31 December 2009. All mining assets, including goodwill, are allocated to one cash generating unit.

Should management's estimate of the future not reflect actual events, impairments may be identified. Factors affecting the estimates include:

- Changes to proven and probable ore reserves;
- The grade of the ore reserves may vary significantly from time to time;
- Review of strategy;
- Differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues at the mine;
- Changes in capital, operating mining, processing and reclamation costs.

Exposure and liabilities with regards to rehabilitation costs

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the Group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Management used a South African inflation rate of 5.2% and the expected life of the mine according to the life-of-mine plans in the calculation of the estimated net present value of the rehabilitation liability. The discount rate used for the calculation was 8.4% based on recent yields determined on government bonds.

Fair value of share based payments

The fair values of options granted are determined using a Black-Scholes valuation model. The significant inputs into the model are: vesting period, risk free interest rate, volatility, price on date of grant and dividend yield. Refer to note 36 of the annual financial statements for details on each the share option and share appreciation schemes and assumptions used.

Inventory – Stock piles

Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained PGM ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

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Assessment of contingencies

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgment and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

Mineral resources and reserves

Mineral reserves are estimates of the amount of ounces that can be economically and legally extracted from the Group's properties. In order to calculate the mineral reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates.

Estimating the quantities and/or grade of the reserves requires the size, shape and depth of the ore bodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Because the economic assumptions used to estimate the mineral reserves change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves may change from year to year. Changes in the proven and probable reserves may affect the Group's financial results and financial position in a number of ways, including:

- Asset carrying values may be affected due to changes in estimated cash flows;
- Depreciation and amortisation charged to profit or loss may change as they are calculated on the units-of production method; and
- Environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves.

At the end of each financial year, the estimate of proven and probable mineral reserve is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

Assets acquired in business combination

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

The fair value of mining rights included in property, plant and equipment acquired as part of a business combination is determined using the multi-year excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

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Key assumptions used in the valuation of the transaction, referred to in note 34 of the Group's financial statements for the year ended 31 December 2009, are the following:

- Life-of-mine - 35 years
- South African discount rate - 18.5%
- PGM price - \$1,237
- ZAR/US\$ exchange rate - R9.42
- South African inflation rate - 4.6%

1. 12 Changes in Accounting Policies including Initial Adoption

Changes in accounting policies

The Group changed its accounting policies as of 1 July 2009 in the following areas:

- Accounting for business combinations
- Presentation of financial statements
- Accounting for borrowing costs

These changes were applied retrospectively to 1 January 2009.

Accounting for business combinations

As a result of the Bokoni Transaction, the Group early adopted IFRS 3, *Business Combinations (2008)*, ("IFRS 3") and IAS 27, *Consolidated and Separate Financial Statements (2008)*, ("IAS27") for all business combinations occurring in the financial year commencing 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and resulted in previously capitalized transaction costs amounting to \$1.6 million being expensed on 1 January 2009.

The Group applied the acquisition method for the business combinations, as described below.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, consideration is given to potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the

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acquisition date. To the extent that the fair value exceeds the consideration transferred, the excess is recognised in profit or loss.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest is measured at its proportionate interest in the fair value of identifiable net assets of the acquiree.

Transaction costs incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees are expensed as incurred, unless they are debt related. Directly attributable transaction costs related to debt instruments are capitalised.

If the Group obtains control over one or more entities that are not businesses, then the bringing together of those entities are not business combinations. The cost of acquisition is allocated among the individual identifiable assets and liabilities of such entities, based on their relative fair values at the date of acquisition. Such transactions do not give rise to goodwill and no non-controlling interest is recognised.

Presentation of financial statements

The consolidated financial statements have been presented by applying the revised IAS 1, *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the consolidated statement of changes in equity presents all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in the consolidated financial statements for the year ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the earnings per share.

Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23, *Borrowing Costs (2007)*, in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy resulted in the capitalisation of borrowing costs of \$13.6 million (ZAR 96.5 million) in the year ended 31 December 2009. The change in accounting policy did not impact previously reported earnings

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per share. The Group has capitalised borrowing costs with respect to property, plant and equipment under construction.

New standards not yet adopted

The following standards and interpretations are issued but not yet effective and applicable to the Group:

- IAS 24 (revised), Related party disclosures
- Amendments to IAS 39, Eligible hedged items
- Amendments to IFRS 1 and IAS 27, Cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to IFRS 2, Share-based payments: vesting conditions and cancellations
- Amendments to IFRS 7, Improving disclosures about financial instruments
- IFRS 9, Financial instruments
- IFRIC 17, Distribution of Non-cash assets to owners
- Various improvements to IFRS 2009

The Group is currently evaluating the impact, if any, that these new standards will have on the consolidated financial statements.

Transition to and Initial Adoption of International Financial Reporting Standards ("IFRS")

The consolidated financial statements for the twelve months ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS). The Group received approval from the Canadian Securities Administrators under National Instrument 52-107, Acceptable Accounting Principles, Auditing Standards and Reporting Currency ("NI 52-107") to early adopt IFRS as from 1 January 2009. The Group's transition date for converting to IFRS was 1 January 2008 (the "Transition Date") and the comparative statement of financial position as at 31 December 2008, comparative statements of comprehensive loss for the year ended 31 December 2008, comparative statements of changes in equity and statements of cash flows for the year ended 31 December 2008 have been restated in accordance with IFRS.

Impact of IFRS on the Group

The conversion to IFRS impacts the way the Group presents its financial results. The Group has fully prepared and trained its employees and directors to ensure an appropriate understanding of IFRS during the transition process. The impact of the conversion to IFRS on the Group's accounting systems has been minimal as the Group was still in the exploration phase. The Group internal and disclosure control processes, as currently designed, have not required significant modifications as a result of its conversion to IFRS. The Group has assessed the impact of adopting IFRS on our contractual arrangements, and has not identified any material compliance

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issues. The Group has considered the impact that the transition will have on our internal planning process and compensation arrangements and has not identified any significant impacts.

First Time Adoption of IFRS

The guidance for the first time adoption of IFRS is set out in IFRS 1, *First Time Adoption of International Financial Reporting Standards* (“IFRS”). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Group elected to take the following IFRS 1 optional exemptions:

- To apply the requirements of IFRS 3, *Business Combinations (2004)*, prospectively from the Transition Date.
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 2002 which had not vested as of the Transition Date.
- to transfer all foreign currency translation differences, recognised as a separate component of equity, to accumulated loss as at the Transition Date including those foreign currency differences which arise on adoption of IFRS.

1. 13 Financial Instruments and Risk management

Financial instruments

The Group’s financial instruments consist primarily of the following financial assets: cash and cash equivalents, trade and other receivables, and the following financial liabilities: loans and borrowings, trade and other payables, and certain derivative instruments. Financial instruments are initially measured at fair value when the Group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss.

Financial assets

The Group’s financial assets comprise primarily of loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables include trade and other receivables (excluding VAT and prepayments) and restricted cash.

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash (discussed below).

Restricted cash consists of cash held through investments in the ESOP Trust.

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Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment (allowance account) and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Non-derivative financial liabilities

Loans and borrowings are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective yield method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred.

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Financial risk management activities

The Group's financial instruments expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk. The Group may use derivative financial instruments to hedge certain risk exposures.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, and cash and equivalents. Management has evaluated treasury counterparty risk and does not expect any treasury counterparties to fail in meeting their obligations.

Trade receivables represents sale of concentrate to Rustenburg Platinum Mines Limited in terms of a concentrate off-take agreement. The carrying value represents the maximum credit risk exposure. The Group has no collateral against these receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Group's holdings of cash and cash equivalents. This is facilitated via an operating cash shortfall facility ("OCSF"). The Group's cash and cash equivalents are invested in business accounts which are available on demand.

The Group operates in South Africa and is subject to currency exchange controls administered by the South African Reserve Bank. A portion of the Group's funding for its South African operations consists of loans advanced to its South African incorporated subsidiaries and it is possible the Group may not be able to acceptably repatriate such funds once those subsidiaries are able to repay the loans or repatriate other funds such as operating profits should any develop. The repatriation of cash held in South Africa is permitted upon the approval of the South African Reserve Bank.

Interest rate risk

As a result of the Group completing the Bokoni Transaction (refer note 34 of the consolidated annual financial statements), the Group has secured loan facilities with Rustenburg Platinum Mines Limited ("RPM") in order to ensure the sustainability of the Group. RPM provided a

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loan of \$51.3 million (ZAR 365 million) to the Group which is subject to interest rate change risk.

The Bokoni Transaction was partially financed by a \$106.4 million (ZAR 750 million) Debt facility from Standard Chartered provided to Plateau, of which \$70.9 million (ZAR 500 million) was drawn down on 1 July 2009. The remaining \$35.6 million (ZAR 250 million) is available for interest roll-up during the next 3 years. The term of the Senior debt facility is nine years with an interest and capital repayment holiday during the first three years. The Senior debt facility bears interest equal to the Johannesburg Inter Bank Agreed Rate (7.279% at 31 December 2009) plus 4.5% applicable margin and 1.27% mandatory cost.

The Group has entered into an interest rate swap arrangement with Standard Chartered Bank to fix the variable interest rate on \$70.9 million (ZAR 500 million) of the principal amount of the loan at 14.695% which arrangement expires on 31 July 2012.

A 100 basis point change in the interest rate for the three months ended 31 December 2009 on the Standard Chartered loan and the RPM loan, would have changed the loss for the year by approximately \$0.3 million. This analysis assumes that all other variables remain constant.

Foreign currency risk

The Group from time to time enters into transactions for the purchase of supplies and services denominated in foreign currency. As a result, the Group is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Group has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

Within the Group, certain loans between Group entities amounting to \$38.3 million are exposed to foreign exchange fluctuations. A 10% change in the CDN/ZAR exchange rate at 31 December 2009 would have resulted in an increase/decrease of \$3.8 million in equity. The Group has no significant external exposure to foreign exchange risk.

Commodity price risk

The value of the Group's revenue and resource properties depends on the prices of PGM's and their outlook. The Group currently operates Bokoni. The Group does not hedge its exposure to commodity price risk. PGM prices historically have fluctuated widely and are affected by numerous factors outside of the Group's control, including, but not limited to, industrial and retail demand, forward sales by producers and speculators, levels of worldwide production, and short-term changes in supply and demand because of hedging activities.

Capital risk management

The primary objective of managing the Group's capital is to ensure that there is sufficient capital available to support the funding and operating requirements of the Group, in a way that optimises the cost of capital, maximizes shareholders' returns, matches the current strategic business plan and ensures that the Group remains in a sound financial position.

The Group manages and makes adjustments to the capital structure which consists of debt and equity as and when borrowings mature or when funding is required. This may take the form of

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raising equity, market or bank debt or hybrids thereof. The Group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

There were no changes to the Group's approach to capital management during Fiscal 2009.

Debt Arrangements

Refer to Section 1.2 for details of all debt arrangements.

1.14 Other MD&A Requirements

Additional information relating to the Group including the Group's Annual Information Form dated 31 March 2010 is available on SEDAR (www.sedar.com)

1.15 Internal Controls over Financial Reporting Procedures

The Group's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Group's internal control system was designed to provide reasonable assurance to the Group's management and the board of directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Group.
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Group are being made only in accordance with authorizations of management and directors of the Group.
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As of 1 January 2009, the Group early adopted IFRS as its standard for financial reporting. In connection with the adoption of IFRS, the Group updated its internal controls over financial reporting, as necessary, to facilitate the respective IFRS convergence and transition activities performed. In addition, the acquisition of the effective 51% controlling interest in Bokoni required the Group to update its internal controls over financial reporting to include controls over accounting for business combinations and consolidation and review of accounting data from the Bokoni Mine.

Other than the adoption of IFRS and the impact of the acquisition of the Bokoni, no other significant changes in internal controls over financial reporting occurred during the year.

Management has reported in the previous quarter that they have identified weaknesses in the internal control environment. Management has implemented the following measures and procedures:

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- Assessment has been made on the type of skills/management which is required and level of experience and expertise required to have sound internal controls;
- Management hired professional consultants during the fourth quarter to assist in establishing sound internal controls and disclosure procedures at Bokoni and the corporate office;
- Detailed training programs have been put in place for the hand over and training of permanent staff by these consultants;
- Control measures have been put in place to ensure that standards and procedures are maintained; and
- Additional permanent staff will be employed where a shortage of skills or experience are identified.

As the Group acquired Bokoni on 1 July 2009, the Group excluded from its assessment of the effectiveness of the Group's internal controls over financial reporting as of 31 December 2009, the internal controls over financial reporting at Bokoni associated with total assets of \$1,013 million and total revenues of \$62.6 million included in the financial statements of the Group as of and for the period ended 31 December 2009.

The Group's management has evaluated the effectiveness of internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Tread way Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of 31 December 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Disclosure Controls and Procedures

Disclosure controls and procedures are those controls and procedures that are designed to ensure that the information required to be disclosed in the filings under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. As at 31 December 2009 under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of the Group's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

The Group has reported deficiencies in the previous quarter. These deficiencies have been addressed and corrected. Management is of the opinion that the disclosure controls and procedures for the year ended 31 December 2009 are effective.

1.16 Disclosure of Outstanding Share Data.

The Group has a share option plan approved by the shareholders that allows it to grant options, subject to regulatory terms and approval, to its directors, employees, officers, and consultants to acquire up to 32,600,000 (2008: 18,300,000) common shares. In 2009, the Group increased the number of shares reserved for issuance under the Plan from 18,300,000 to 32,600,000. As at 31

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December 2009, 14,192,000 options were outstanding and 18,408,000 options remained available to be granted.

During the 2009 year the Group issued 6,156,000 share options with a weighted average exercise price of 0.86. Options outstanding and exercisable at 31 December 2009 were as follows:

<u>Expiry date</u>	<u>Option price</u>	<u>Number of options outstanding</u>	<u>Number of options vested</u>	<u>Weighted average life (years)</u>
17 December 2010	\$ 1.29 #	1,285,000	1,285,000	1.9
1 July 2010	\$ 1.29 #	119,000	119,000	1.5
15 October 2012	\$ 1.29 #	4,306,000	4,306,000	3.8
25 June 2013	\$ 1.29 #	916,000	916,000	4.5
30 June 2013	\$ 1.29 #	1,410,000	1,410,000	4.5
25 June 2014	\$ 0.96	1,126,000	1,126,000	4.5
30 June 2013	\$ 0.84	5,030,000	-	6.9
Total		14,192,000	9,162,000	
Weighted average exercise price		\$ 1.10	\$1.25	

- The options were re-priced to \$1.29 on 30 June 2009.

As at 31 December 2009 and 30 March 2010, the issued share capital of the Group was 201,743,472 common shares.