

Consolidated financial statements of

**Eastern Platinum Limited**

June 30, 2007 and 2006

# Eastern Platinum Limited

June 30, 2007 and 2006

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Deloitte & Touche LLP  
2800 - 1055 Dunsmuir Street  
4 Bentall Centre  
P.O. Box 49279  
Vancouver BC V7X 1P4  
Canada

Tel: 604-669-4466  
Fax: 604-685-0395  
[www.deloitte.ca](http://www.deloitte.ca)

## **Auditors' report**

To the Shareholders of  
Eastern Platinum Limited

We have audited the consolidated balance sheets of Eastern Platinum Limited as at June 30, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and 2006 and the results of its operations and its cash flows for years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
September 23, 2007

# Eastern Platinum Limited

## Consolidated statements of operations and deficit years ended June 30, 2007 and 2006

(Expressed in thousands of US dollars, except share and per share amounts)

	2007	2006
	\$	\$
<b>Revenue</b>	<b>101,205</b>	12,668
Cost of operations		
Production costs	69,467	7,770
Depletion and depreciation	8,123	2,094
	<b>77,590</b>	9,864
Income before undernoted items	<b>23,615</b>	2,804
Expenses		
General and administrative	15,979	5,629
Stock-based compensation	14,416	4,587
	<b>30,395</b>	10,216
Operating loss	<b>(6,780)</b>	(7,412)
Other income (expense)		
Interest income	4,908	1,893
Interest expense	(5,427)	(855)
Foreign exchange gain (loss)	(1,897)	2,274
Loss before income taxes and non-controlling interests	<b>(9,196)</b>	(4,100)
Recovery of future income taxes (Note 11)	2,002	264
Non-controlling interests (Note 12)	<b>(3,078)</b>	(43)
<b>Net loss for the year</b>	<b>(10,272)</b>	(3,879)
Deficit, beginning of year	<b>(36,376)</b>	(24,094)
Share issue expenses	<b>(9,280)</b>	(8,403)
<b>Deficit, end of year</b>	<b>(55,928)</b>	(36,376)
Basic and diluted loss per share	<b>(0.02)</b>	(0.02)
Basic and diluted weighted average number of common shares outstanding	<b>538,663,898</b>	166,350,090

# Consolidated balance sheets

Consolidated balance sheets  
as at June 30, 2007 and 2006

(Expressed in thousands of US dollars)

	2007	2006
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	6,192	45,510
Short-term investments	198,306	74,706
Receivables (Note 4)	22,403	12,942
Inventories (Note 5)	4,651	1,676
	<b>231,552</b>	134,834
Property, plant and equipment (Note 6)	757,293	538,202
Refining contract	18,828	14,978
Other assets	1,007	410
	<b>1,008,680</b>	688,424
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	21,026	14,449
Future income taxes (Note 11)	11,573	-
Short-term debt (Note 7)	-	25,767
	<b>32,599</b>	40,216
Asset retirement obligation (Note 8)	2,701	3,283
Capital leases and other long-term liabilities	11,920	-
Future income taxes (Note 11)	132,910	125,431
	<b>180,130</b>	168,930
Non-controlling interests (Note 12)	24,502	13,546
Commitments (Notes 3 and 15)		
<b>Shareholders' equity</b>		
Share capital (Note 9)	865,103	588,279
Contributed surplus (Note 9)	17,897	6,799
Cumulative translation adjustment (Note 10)	(23,024)	(52,754)
Deficit	(55,928)	(36,376)
	<b>804,048</b>	505,948
	<b>1,008,680</b>	688,424

Approved by the Board

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David Cohen, Director

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Ian Rozier, Director

# Eastern Platinum Limited

## Consolidated statements of cash flows

### years ended June 30, 2007 and 2006

(Expressed in thousands of US dollars)

	2007	2006
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(10,272)	(3,879)
Items not involving cash		
Accretion (Note 8)	672	47
Depletion and depreciation	8,123	2,094
Stock-based compensation	14,416	4,587
Foreign exchange gain	1,897	(788)
Future income tax recovery	(2,002)	(264)
Non-controlling interests	3,078	43
	<b>15,912</b>	<b>1,840</b>
Net changes in non-cash working capital items		
Receivables	(9,461)	(1,656)
Inventories	(2,975)	(306)
Accounts payable and accrued liabilities	6,577	2,566
	<b>10,053</b>	<b>2,444</b>
<b>Financing activities</b>		
Common shares issued for cash, net	213,914	121,849
Shares issued by subsidiary to non-controlling interests	-	2,194
Repayment of short-term debt (Note 7)	(25,767)	(5,608)
Other long-term liabilities	6,023	-
	<b>194,170</b>	<b>118,435</b>
<b>Investing activities</b>		
Acquisitions, net of cash acquired (Note 3)	(56,662)	(21,584)
Short-term investments	(123,600)	(52,806)
Property, plant and equipment expenditures, net of related accounts payable	(62,997)	(5,546)
Deferred acquisition costs and intangible assets recovered	-	4,236
	<b>(243,259)</b>	<b>(75,700)</b>
Effect of exchange rate changes on cash and cash equivalents	(282)	(952)
(Decrease) increase in cash and cash equivalents	(39,318)	44,227
Cash and cash equivalents, beginning of year	45,510	1,283
<b>Cash and cash equivalents, end of year</b>	<b>6,192</b>	<b>45,510</b>
Cash and cash equivalents are comprised of:		
Cash in bank	6,077	43,184
Short-term money market instruments	115	2,326
	<b>6,192</b>	<b>45,510</b>
Supplementary cash flow information		
Interest paid	598	905
Income taxes paid	-	-

During the year ended June 30, 2007, the Company issued the following common shares: 3,000,000 common shares with a value of \$3.5 million for its investment in Afriminerals (Note 3 (c)); 12,000,000 common shares with a value of \$21.1 million for its acquisition of a 1% net smelter royalty from Rhodium Reef Royalties (Note 3 (c)); and 17,272,594 shares with a value of \$29 million for its acquisition of additional Barplats shares (Note 3 (a)).

During the year ended June 30, 2006, the Company issued 288,585,122 common shares with a value of \$342.6 million for the acquisition of Barplats (Note 3 (a)). In addition, 18,750,000 common shares with a value of Cdn\$24.0 million (\$21.4 million) were released from escrow on the acquisition of Eastern Platinum Holdings Ltd.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 1. Nature of operations

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

### 2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The principal accounting policies are outlined below:

#### (a) *Change in reporting currency*

Effective July 1, 2006, the Company changed its reporting currency to the U.S. dollar ("\$"). The change in reporting currency is to better reflect the company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. Furthermore, the international currency of the mining industry is the U.S. dollar. Prior to July 1, 2006, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and shareholders' deficit and cash flows in the Canadian dollar ("Cdn\$"). The related financial statements and corresponding notes prior to July 1, 2006 have been restated to the U.S. dollar for comparison to the 2006 financial results.

These consolidated financial statements have been translated to the U.S. \$ in accordance with EIC 130 "Translation Method when the Reporting Currency Differs from the Measurement Currency or There is a Change in the Reporting Currency". These guidelines require that the financial statements be translated into the reporting currency using the current rate method. Under this method, the statement of operations and cash flow items for each year are translated into the reporting currency using the average rate in effect for the period, and assets and liabilities are translated using the exchange rate at the period end. All resulting exchange differences are reported as a separate component of shareholders' equity titled Cumulative Translation Adjustment (Note 10).

#### (b) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and all its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Variable Interest Entities ("VIE's") as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, "Consolidation of Variable Interest Entities" are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIE's are subject to consolidation by the primary beneficiary who will absorb the majority of the entities expected losses and/or expected residual returns. The Company has determined that its investment in Gubevu Consortium Holdings (Pty) Ltd. ("Gubevu") is a VIE. As the Company is the primary beneficiary the accounts of Gubevu are consolidated with those of the Company (Note 3(b)).

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 2. Summary of significant accounting policies (continued)

#### (c) *Measurement uncertainty*

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts, inventories, property, plant and equipment, asset retirement obligations, stock-based compensation, allocation of purchase price of acquisitions and income and mining taxes.

Depreciation and depletion of property, plant and equipment assets are dependent upon estimates of useful lives and reserves estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of property, plant and equipment is dependent upon estimates of fair value that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Asset retirement obligations are recognized in the period in which they arise and are stated as the fair value of estimated future costs. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

#### (d) *Foreign currency translation*

The Company and its subsidiaries operate in Canada and South Africa.

The Company's Canadian operations have the Canadian dollar as their functional currency and its South African operations have the South African Rand ("R") as their functional currency.

Where a subsidiary is self-sustaining, the financial results have been translated into Canadian dollars using the current rate method. The current rate method provides that all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange prevailing during the period. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on the Company's net investment in these foreign operations, are recorded in the cumulative translation account component of shareholders' equity.

Where a subsidiary is integrated, the financial results have been translated into Canadian dollars using the temporal method. The temporal method provides for foreign currency denominated monetary assets and liabilities to be translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates and revenues and expenses at average rates of exchange during the period. Exchange gains and losses arising on translation are included in the statement of operations and deficit.

Other foreign currency transactions included in these consolidated financial statements are translated into Canadian dollars at the rates of exchange in effect at the consolidated balance sheet dates in the case of monetary assets and liabilities and at the rates of exchange in effect on the date of transaction in the case of non-monetary assets and income and expenses. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of operations and deficit.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 2. Summary of significant accounting policies (continued)

(e) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

(f) *Short-term investments*

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

(g) *Inventories*

Inventories comprising stockpiled ore and concentrate awaiting further processing and sale, are valued at the lower of cost and net realizable value. Consumables are valued at the lower of cost and replacement value. Cost is determined using the weighted average method and includes direct mining expenditures and an appropriate portion of normal overhead expenditure. In the case of concentrate, direct concentrate costs are also included. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow moving stores are identified and written down to net realizable values.

(h) *Property, plant and equipment*

Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to operations.

Mining properties and mining and process facility assets are amortized on a units-of-production basis which is measured by the portion of the mine's economically recoverable and proven ore reserves recovered during the period.

Other assets are depreciated using the straight-line method based on their estimated useful lives, which generally range from 5 to 7 years, with the exception of agricultural and residential properties whose estimated useful lives are 50 years.

All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the units-of-production method following commencement of production.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 2. Summary of significant accounting policies (continued)

(i) *Long-term investments*

Long-term investments are carried at cost. When a decline in market value that is other than temporary has occurred, these investments are written down to market value to provide for the loss.

(j) *Refining contract*

The Company sells its concentrate to two customers, with the primary customer being under the terms of a refining contract. The refining contract is amortized over the life of the contract, estimated to be twelve years. During the year ended June 30, 2007, \$1.2 million (2006 - \$0.2 million) was recorded as amortization of the refining contract. An evaluation of the carrying value of the contract is undertaken whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year ended June 30, 2007, there were no such events or circumstances indicating that the carrying amount was not recoverable.

(k) *Asset retirement obligations*

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an asset retirement obligation is recognized in the period incurred. The net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. The liability is accreted over time through periodic charges to operations and it is reduced by actual costs of reclamation.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. A change in estimated discount rates is reviewed annually or as new information becomes available. Expenditures relating to ongoing environmental programs are charged against operations as incurred or capitalized and amortized depending on their relationship to future earnings.

(l) *Income taxes*

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 2. Summary of significant accounting policies (continued)

(m) *Revenue recognition*

Revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the PGMs transfers to the customer. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the metal prices on those dates. The actual amounts will be reflected in revenue upon final settlement, which is three and five months after the date of shipment. These adjustments reflect changes in metal prices and changes in qualities arising from final assay calculations.

(n) *Stock-based compensation*

The Company accounts for stock-based compensation using the Black-Scholes fair value option pricing model. Stock-based compensation is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(o) *Income (loss) per share*

Basic income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

(p) *Employee future benefits*

The cost of retirement benefits and other benefit obligations are recognized over the period in which the employees render services in return for the benefits. The Company has a defined contribution retirement plan for its South African based employees. The pension plans are funded by payments from the employees and by the relevant group companies and charged to income as incurred.

(q) *Recent accounting pronouncements*

Recent accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting are summarized below:

- In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement." This standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. The standard also specifies how financial instrument gains and losses are to be presented. The Company will adopt this Section on July 1, 2007. The effect on the Company's consolidated financial statements is not expected to be material.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 2. Summary of significant accounting policies (continued)

#### (q) Recent accounting pronouncements (continued)

- In January 2005, the CICA issued Handbook Section 1530, "Comprehensive Income." This Section introduces new standards for reporting and presenting comprehensive income, which is the change in equity (net assets) of a company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except for changes resulting from investments by owners and distributions to owners. The Company will adopt this Section on July 1, 2007. Financial statements for prior periods will be required to be restated for certain comprehensive income items. The effect on the Company's consolidated financial statements is not expected to be material.
- In January 2005, the CICA issued Handbook Section 3251, "Equity," which establishes standards for the presentation of equity and changes in equity during a reporting period. The Company will adopt this Section on July 1, 2007. The adoption of this new guidance is not expected to have a material impact on the Company's financial position, results of operations or cash flows.
- In December 2006, the CICA issued Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation," which will replace Section 3861, Financial Instruments – Disclosure and Presentation." The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The Company will be required to adopt these Sections on July 1, 2008 and does not expect the effect on its consolidated financial statements to be material.
- In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures," This Section establishes standards for disclosing information about an entity's capital and how it is managed. The Company will adopt this Section on July 1, 2007. The adoption of this Section is not expected to have a material impact on the Company's consolidated financial statements.
- In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.
- In July 2006, the CICA issued section 1506, "Changes in Accounting Policies and Estimates, and Errors" to replace the existing Section 1506, "Accounting Changes". This section applies to fiscal years beginning on or after January 1, 2007, and is therefore effective for the Company in fiscal 2008.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 3. Acquisitions and merger

#### (a) Acquisitions in fiscal 2006

During the year ended June 30, 2006, the Company entered into an agreement to acquire the shareholdings of three private companies, the combined assets of which represent a 69% interest in Barplats Investments Limited ("Barplats"), a PGM producing company in South Africa. The consideration paid by the Company was the issuance of 288,585,122 common shares of the Company and a cash payment of \$24.7 million.

As a condition of closing, the Company completed an equity financing of Cdn\$150 million (\$133.9 million), assumed an outstanding convertible loan to Barplats of approximately \$6.2 million and purchased a R108 million (\$17.5 million) loan that was secured by a pledge of 100 million Barplats shares.

The Company's common shares issued as part of the consideration paid in the acquisition of the three private companies (who had as their sole assets the interest in Barplats) have been valued at a price of \$1.19 (Cdn\$1.33) per common share being the average common share price of the Company two days before, the day of and the two days after the date of announcement.

The business combination has been accounted for as a purchase transaction with the Company being identified as the acquirer. The allocation of the purchase price based on the consideration paid and the preliminary estimate of the fair value of Barplats' net assets acquired is as follows:

	\$
Purchase price	
288,585,122 Eastern Platinum common shares	342,596
Cash	24,733
<u>Acquisition costs</u>	<u>4,086</u>
	<u>371,415</u>
Net assets acquired	
Cash and cash equivalents	6,433
Non-cash working capital	(201)
Property, plant and equipment	525,943
Refining contract	17,939
Other non-current assets	479
Short-term debt	(34,846)
Asset retirement obligation	(3,825)
Future income tax liabilities	(130,030)
<u>Non-controlling interests</u>	<u>(10,477)</u>
	<u>371,415</u>

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time these consolidated financial statements were prepared.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 3. Acquisitions and merger (continued)

#### (b) *Acquisitions in fiscal 2007*

On May 28, 2007 the Company acquired another 5% of Barplats from the minority shareholders. In connection with the acquisition Eastplats issued 17,272,594 common shares of the Company and paid R12.3 million (\$1.7 million) to the minority shareholders of Barplats. Following the acquisition, Eastplats owns 74% of Barplats, with the balance of 26% held by Barplats' Black Economic Empowerment ("BEE") partner, Gubevu.

Prior to June 2007, the Company (through a wholly-owned subsidiary) purchased a loan held by Nedbank Capital in favour of Gubevu, Barplats' minority shareholder and BEE partner, under the same commercial terms and conditions as the Nedbank Capital loan. The debt was purchased for \$8.9 million and is a demand note with interest accruing at the floating South African prime rate (June 30, 2007 - 13.0%). On June 15, 2007 the Company acquired 42.39% of the shares of Gubevu, for R43 million, and in addition the Company settled certain debt of Gubevu totalling R21.6 million. The Company also entered into a four-year put and call option agreement with the same shareholders of Gubevu over the balance of the shares of Gubevu. Under the terms of the agreement either party may compel the Company to purchase further tranches of 28.83% each of the shares of Gubevu at any time following March 1, 2009 and March 1, 2010 respectively. The purchase price for each tranche is R50 million, and may be satisfied at the election of the Company by the issuance of shares of the Company valued at the then market price. There are a number of conditions that must be met for either the puts or the calls to be exercised subject to maintaining BEE compliance.

The Company also entered into an agreement to pay an unrelated third party an amount which existed in the underlying the Gubevu agreements, whereby the Company paid R37 million (\$5.2 million) and issued a promissory note for three additional payments:

- R27.7 million (\$3.9 million) due May 4, 2008;
- R27.7 million (\$3.9 million) due May 4, 2009; and
- R30.8 million (\$4.4 million) due upon certain corporate reorganization events.

Based upon the fact that these future payments are based in rand, the Company has discounted these future payments using a rate of 14.5% which represents the Company's borrowing rate in South Africa. The future payments due May 4, 2008 and 2009 were recorded as liabilities of Gubevu at the date of acquisition.

Following these acquisitions, the Company owns directly and indirectly 85% of Barplats.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 3. Acquisitions and merger (continued)

(b) *Acquisitions in fiscal 2007 (continued)*

	\$
Purchase price	
Acquisition of 5% interest in Barplats	
17,272,460 Eastern Platinum common shares	29,019
Cash	1,760
Acquisition of 42.39% interest in Gubevu	
Cash	8,929
Promissory note	11,864
Assumption of debt	34,856
Acquisition costs	283
	<hr/> 86,711 <hr/>
Net assets acquired	
Cash and cash equivalents	1,030
Non-cash working capital	(515)
Property, plant and equipment	152,610
Refining contract	4,802
Short term debt	(11,428)
Asset retirement obligation	(889)
Future income tax liabilities	(18,310)
Non-controlling interests	(40,589)
	<hr/> 86,711 <hr/>

(c) On November 1, 2004, the Company announced that it had entered into a series of agreements to merge with Elgin Resources Inc. ("Elgin") and acquire a controlling interest in PGM mineralization rights at the Spitzkop Platinum Project (the "Spitzkop PGM Project") in Mpumalanga Province, South Africa. The Company entered into a share purchase agreement whereby it acquired a 74% shareholding in Spitzkop Platinum (Pty) Ltd. ("Spitzplats") through the acquisition of a 100% interest in Eastern Platinum Holdings Ltd., which owns a 74% interest in Spitzplats. The remaining 26% interest in Spitzplats is held by a syndicate of investors (the "Spitzkop Syndicate") and its South African BEE partner, Afriminerals (Pty) Ltd.

On August 22, 2006, the Company acquired a 49% interest in Afriminerals (Pty) Ltd. ("Afriminerals") which holds a 26% shareholding in Spitzplats. The total consideration paid was \$5.5 million and 3,000,000 shares of the Company, with \$5.0 million and the shares being paid to the Spitzkop consortium in order to retire the debt owed to them by Afriminerals for its 26% interest in Spitzplats. Upon completion of the transaction, Afriminerals owns its 26% shareholding in Spitzplats free and clear with no debts and/or obligations. As part of the overall transaction, the Company has an obligation to either finance, or organise, project financing for Afriminerals for its share of capital costs for the development of a mine at Spitzkop; such financing will be repaid from the proceeds of initial production attributable to Afriminerals. On March 20, 2007 the Company purchased the 1% net smelter royalty held by Rhodium Reef Royalties on all PGM recovered from the Spitzkop PGM project. The consideration was \$6.5 million and 12 million common shares of the Company.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 3. Acquisitions and merger (continued)

(c) (continued)

The Company also holds a 50:50 joint venture with Spitzplats to explore, develop and operate the Spitzkop PGM Project.

The agreements culminated in the consolidation of the rights to the Spitzkop PGM Project into the Company.

The Company entered into an agreement to earn a 50% joint venture interest with Spitzplats to explore, develop and operate the Spitzkop PGM Project. The Company has the following conditions to complete:

- (1) incurring R30.0 million (approximately \$4.3 million) of expenditures on the Spitzkop PGM Project, within the period ending November 24, 2008 to advance the project through to a bankable feasibility study (approximately \$2.2 million incurred to June 30, 2007);
- (2) the Company will be the operator of the joint venture; and
- (3) the Company has equal representation on the management committee of the joint venture.

The Company currently acts as the operator of both the Mareesburg Platinum Project Joint Venture ("Mareesburg JV") and Spitzkop PGM Project, both located on the Eastern Limb of the Bushveld Complex.

### 4. Receivables

	<b>2007</b>	2006
	\$	\$
Trade receivables, net of advances	<b>21,609</b>	11,546
Other receivables	<b>56</b>	1,056
Refundable taxes	<b>605</b>	100
Prepaid expenses	<b>133</b>	240
	<b>22,403</b>	12,942

The trade receivables and refundable taxes are due to the increase in PGM ounces sold under the terms of the off-take agreements.

### 5. Inventories

	<b>2007</b>	2006
	\$	\$
Consumables	<b>2,801</b>	696
Ore and concentrate	<b>1,850</b>	980
	<b>4,651</b>	1,676

The Company has increased its consumables inventory to support the increased production and development activities at the mine.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 6. Property, plant and equipment

	2007		
	Cost	Accumulated depreciation/ depletion	Net book value
	\$	\$	\$
Mining plant and equipment	135,202	6,766	128,436
Mineral properties			
Crocodile River Mine (a)	133,616	4,438	129,178
Kennedy's Vale Project (b)	362,510	-	362,510
Spitzkop PGM Project (c)	111,112	-	111,112
Mareesburg JV (d)	25,886	-	25,886
Other property, plant and equipment	205	34	171
	<b>768,531</b>	<b>11,238</b>	<b>757,293</b>
			2006
	Cost	Accumulated depreciation/ depletion	Net book value
	\$	\$	\$
Mining plant and equipment	73,406	1,166	72,240
Mineral properties			
Crocodile River Mine (a)	104,255	682	103,573
Kennedy's Vale Project (b)	271,969	-	271,969
Spitzkop PGM Project (c)	65,974	-	65,974
Mareesburg JV (d)	24,377	-	24,377
Other property, plant and equipment	96	27	69
	<b>540,077</b>	<b>1,875</b>	<b>538,202</b>

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

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

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

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

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

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

(c) *Spitzkop PGM Project*

The Company holds directly and indirectly approximately 93% interest in the Spitzkop PGM Project (Note 3 (c)) following transfer of the mineral rights of the Spitzkop PGM Project to Spitzplats.

(d) *Mareesburg JV*

The Company holds directly and indirectly a 75.5% interest in the Mareesburg project.

### 7. Short-term debt

Short-term debt consists of the following:

	2007	2006
	\$	\$
Loan from Nedbank Capital maturing on July 31, 2006 (repaid August 1, 2006) for \$16.5 million (R106.9 million), secured by mortgage bonds over various property, plant and equipment with net book value of \$20.5 million (R132.9 million), interest at the South African prime lending rate (June 30, 2007 - 13%), payable monthly and principal payable at the end of the loan term	-	14,792
Loan from Impala Platinum Limited maturing on June 10, 2007 for \$5.6 million (R36.2 million), secured by mortgage bonds over various property, plant and equipment with net book value of \$7.4 million (R47.7 million), interest at Johannesburg Interbank Acceptance Rate plus 3% (June 30, 2007 - 11.6%), payable monthly and principal payable at the end of the loan term	-	5,013
Loan from Eagle Worldwide Investments, Limited, due on demand and maturing in December 2007 for \$6.0 million secured by mortgage bonds over various property, plant and equipment with net book value of \$20.5 million (R132.9 million), interest at LIBOR plus 4% (June 30, 2007 - 9.4%), is capitalized to the loan; interest and principal payable before the end of the loan term	-	5,962
	-	25,767

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 8. Asset retirement obligation

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

The liability for the asset retirement obligation at June 30, 2007 is R18 million (\$2.7 million and \$3.3 million in 2006). The undiscounted value of this liability is R52 million (\$8.3 million and \$7.4 million in 2006). An accretion expense component of approximately \$0.7 million (2006 - \$0.1 million) has been charged to operations in 2007 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 14.5%. Changes to the asset retirement obligation during the year are as follows:

	\$
Balance June 30, 2005	-
Additions during the year upon acquisitions (Note 3 (a))	3,825
Foreign exchange movement	(589)
Accretion	47
<hr/>	
Balance, June 30, 2006	3,283
Additions during the year upon acquisitions (Note 3 (b))	889
Foreign exchange movement	200
Revision in estimates	(2,343)
Accretion	672
<hr/>	
Balance, June 30, 2007	2,701

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 9. Share capital

#### (a) Authorized

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

Unlimited number of common shares with no par value

#### (b) Issued

	Number of common shares	Amount \$	Contributed surplus \$
Balance, June 30, 2005	84,793,863	89,166	3,061
Released from trust pursuant to completion of Eastern Platinum Holdings Ltd. acquisition	18,750,000	21,422	-
Exercise of warrants	1,100,000	1,205	-
Shares issued for cash (1)	120,000,000	133,890	-
Issued for acquisition of indirect interest in Barplats (Note 3 (a))	288,585,122	342,596	-
Stock-based compensation	-	-	4,587
Dilution loss on issuance of shares by a subsidiary	-	-	(849)
<b>Balance, June 30, 2006</b>	<b>513,228,985</b>	<b>588,279</b>	<b>6,799</b>
Issued for acquisition of interest in Afriminerals (Note 3 (c))	3,000,000	3,548	-
Issued for acquisition of 1% NSR in Spitzkop (Note 3 (c))	12,000,000	21,062	-
Shares issued for cash (2)	105,921,095	188,894	-
Issued on acquisition of additional 5% interest in Barplats (Note 3 (a))	17,272,594	29,020	-
Exercise of warrants	13,318,184	26,032	-
Exercise of options	3,037,500	8,268	(3,318)
Stock-based compensation	-	-	14,416
<b>Balance, June 30, 2007</b>	<b>667,778,358</b>	<b>865,103</b>	<b>17,897</b>

1 The agent was paid a cash commission of Cdn\$9.0 million.

2 The agent was paid a cash commission of 5%.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 9. Share capital (continued)

#### (c) Stock options

The Company has an incentive plan ("Plan") under which options to purchase common shares may be granted to its directors, officers, employees and others at the discretion of the Board of Directors. Under the terms of the Plan, the aggregate number of common shares, which may be reserved for issuance under the Plan shall not exceed 10% of the outstanding shares.

Each option granted shall be for a term not exceeding ten years from the date of being granted unless otherwise approved by the Board of Directors and is exercisable, in whole or in part, at any time during the term of the relevant option. The option exercise price is set at the date of the grant and cannot be less than the closing sale price of the Company's common share on the Toronto Stock Exchange on the day immediately preceding the day of the grant of the option.

The changes in stock options were as follows:

	2007		2006	
	Number of options	Weighted average exercise price Cdn\$	Number of options	Weighted average exercise price Cdn\$
Balance outstanding, beginning of period	17,180,000	1.64	4,605,000	1.48
Options granted	23,487,500	1.82	13,330,000	1.70
Options exercised	(3,037,500)	1.66	-	-
Options expired/cancelled	(5,180,000)	1.70	(755,000)	1.35
Balance outstanding, end of period	32,450,000	1.76	17,180,000	1.64

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 9. Share capital (continued)

#### (c) Stock options (continued)

The following table summarizes information concerning outstanding and exercisable options at June 30, 2007:

Options outstanding	Options exercisable	Exercise price Cdn\$	Expiry date
75,000	75,000	1.70	January 14, 2008
625,000	625,000	0.56	November 5, 2008
187,500	187,500	1.00	August 26, 2009
8,075,000	7,575,000	1.70	May 24, 2011
350,000	350,000	1.70	November 27, 2011
<b>23,137,500</b>	<b>23,137,500</b>	<b>1.82</b>	<b>March 7, 2012</b>
<b>32,450,000</b>	<b>31,950,000</b>		

#### (d) Share purchase warrants

The changes in warrants were as follows:

	2007		2006	
	Number of warrants	Weighted average exercise price Cdn\$	Number of warrants	Weighted average exercise price Cdn\$
Balance outstanding, beginning of period	<b>87,999,370</b>	<b>1.89</b>	29,199,374	2.05
Warrants issued	-	-	59,999,996	1.80
Warrants exercised	<b>(13,318,184)</b>	<b>2.08</b>	(1,100,000)	1.23
Warrants expired	<b>(3,469,618)</b>	<b>2.35</b>	(100,000)	1.20
Balance outstanding, end of period	<b>71,211,568</b>	<b>1.83</b>	87,999,370	1.89

The following table summarizes information concerning outstanding warrants at June 30, 2007:

Number of warrants	Exercise price Cdn\$	Expiry date
11,356,054	2.00	April 22, 2008
59,855,514	1.80	March 28, 2009
<b>71,211,568</b>		

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 9. Share capital (continued)

#### (e) Stock-based compensation

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	2007	2006
Risk-free interest rate	3.90%	3.95%
Expected life	3 years	3 years
Annualized volatility	52%	46%
Dividend rate	0%	0%
Weighted average grant date fair value per option	Cdn\$0.61	Cdn\$0.43

### 10. Cumulative translation adjustment

	2007	2006
	\$	\$
Balance, beginning of year	(52,754)	-
Effect of exchange rate variation on translation of net assets of self-sustaining operation	5,755	(60,793)
Effect of change in reporting currency	23,975	8,039
Balance, end of year	(23,024)	(52,754)

### 11. Income taxes

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	2007	2006
	\$	\$
Statutory tax rate	34.12%	34.12%
Recovery of income taxes computed at statutory rates	(3,138)	(1,505)
Difference in tax rates between South Africa and Canada	(356)	80
Items not deductible for income tax purposes	3,084	563
Benefit of tax losses (recognized) not recognized	(1,592)	598
Recovery of future income taxes	(2,002)	(264)

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 11. Income taxes (continued)

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets are as follows:

	2007	2006
	\$	\$
Future income tax assets		
Non-capital loss carryforwards	2,724	1,606
Share issue costs	4,573	2,994
Other	1,077	-
Net future income tax assets	8,374	4,600
Less valuation allowance	(7,371)	(4,600)
Net future income tax assets	1,003	-
Future income tax liabilities		
Accumulated cost base differences on assets	133,913	125,431
Deferred sales	11,573	-
	145,486	125,431
Net future income tax liability - short-term	11,573	-
Net future income tax liability - long-term	132,910	125,431

At June 30, 2007, the Company has non-capital losses of approximately Cdn\$9.5 million available to apply against future Canadian income for tax purposes. The non-capital losses will expire as follows:

	Cdn\$
2008	239
2009	1,115
2013	272
2014	1,595
2015	916
2016	57
2026	5,276
	9,470

The Company has capital losses of approximately \$1.3 million available to apply against future capital gains.

The Company is subject to assessments by various taxation authorities which may interpret tax legislations and tax filing positions differently from the Company. The Company provides for such differences when it is likely that a taxation authority will not sustain the Company's filing position and the amount of the tax exposure can be reasonably estimated. As at June 30, 2007, no provisions have been made in the financial statements for any estimated tax liability.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 12. Non-controlling interests

During fiscal 2006, a non-controlling interest arose as a result of the Barplats acquisition. On April 28, 2006 the Company acquired a 69.7% indirect interest in Barplats. This interest decreased to 69.0% at June 30, 2006 following the issuance of additional shares by Barplats to non-controlling interests. This dilution of the Company's interest gave rise to a loss of approximately \$1.0 million which has been recognized in shareholders' equity for the year ended June 30, 2006.

During fiscal 2007, non-controlling interest was decreased following the acquisition of an additional 5% interest in Barplats and increased following the acquisition of a 42.39% interest in Gubevu (Note 3 (b)). As Gubevu has been determined to be a VIE, as primary beneficiary, the Company has measured the non-controlling interest in Gubevu at fair value.

The non-controlling interests are comprised of the following:

	2007
	\$
Balance, June 30, 2005	-
Non-controlling interests' share of net assets at acquisition date (Note 3 (a))	10,477
Non-controlling interests' share of gain in Barplats	43
Increase in non-controlling interest arising from share issuances in Barplats	3,026
Balance, June 30, 2006	13,546
Non-controlling interests' share of income in Barplats	3,078
Non-controlling interests' share of contributed surplus arising from stock options and cumulative translation adjustment for the year	(5,564)
Removal of Barplats minority interest	(11,060)
Non-controlling interests' share of net assets at acquisition date, net of advances to Gubevu (Note 3(b))	24,502
Balance June 30, 2007	24,502

### 13. Financial instruments

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

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

The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at June 30, 2007.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 13. Financial instruments (continued)

The Company is exposed to fluctuations in interest rates, foreign currency exchange rates and commodity prices. The Company has not entered into any derivative financial instruments to manage exposure to fluctuations in these rates.

The Company has a cash position (including temporary investments) of \$204.5 million, which is invested in highly liquid, fully guaranteed, bank-sponsored instruments. The Company is not exposed to financial instruments involving the US residential markets or mortgages or asset backed commercial paper.

### 14. Related party transactions

- (a) The Company incurred the following expenses in the normal course of operations, on a cost recovery basis, with companies and individuals related by way of directors and/or officers in common:

	<u>2007</u>	<u>2006</u>
	\$	\$
Consulting fees	<b>353</b>	1,056
Directors' fees	<b>194</b>	97
Management fees	<b>836</b>	129
Rent	<b>336</b>	62

Rent includes a lease cancellation penalty of Cdn\$ 312 (\$276) paid to a company controlled by an officer of the Company as a result of the Company moving to new premises.

- (b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2007 included \$1.3 (2006 - \$4.5) which were due to companies related by way of directors in common.

### 15. Commitments

The Company has committed to capital expenditures on projects of approximately R209.8 million (Cdn\$28.6 million) as at June 30, 2007.

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 16. Segmented information

- (a) Operating segment - The Company's operations are primarily directed towards the acquisition, exploration and production of PGMs in South Africa.
- (b) Geographic segments - The Company's assets, revenues and expenses by geographic areas for the years ended June 30, 2007 and 2006 are as follows:

	2007		
	South Africa	Canada	Total
	\$	\$	\$
Property, plant and equipment	757,184	109	757,293
Total assets	810,596	198,084	1,008,680
Property, plant and equipment expenditures	62,894	103	62,997
Revenues	101,205	-	101,205
Production costs	(69,467)	-	(69,467)
Depletion and depreciation	(8,116)	(7)	(8,123)
Expenses	(11,337)	(4,642)	(15,979)
Stock based compensation	-	(14,416)	(14,416)
Interest income	1,845	3,063	4,908
Interest expense	(5,427)	-	(5,427)
Foreign exchange (loss) gain	(1,739)	(158)	(1,897)
Loss before income taxes and non-controlling interests	6,964	(16,160)	(9,196)
	2006		
	South Africa	Canada	Total
	\$	\$	\$
Property, plant and equipment	538,190	12	538,202
Total assets	573,929	114,495	688,424
Property, plant and equipment expenditures	5,546	-	5,546
Revenues	12,668	-	12,668
Production costs	(7,770)	-	(7,770)
Depletion and depreciation	(2,094)	-	(2,094)
Expenses	(2,590)	(3,039)	(5,629)
Stock based compensation	-	(4,587)	(4,587)
Interest income	-	1,893	1,893
Interest expense	(855)	-	(855)
Foreign exchange (loss) gain	(733)	3,007	2,274
Loss before income taxes and non-controlling interests	(1,374)	(2,726)	(4,100)

# Eastern Platinum Limited

## Notes to the consolidated financial statements

June 30, 2007 and 2006

(Tabular amounts expressed in \$ thousands, except as noted and share and per share amounts)

### 16. Segmented information (continued)

(b) (continued)

For the year ended June 30, 2007 and 2006, 100% of production revenue was from two customers and as at June 30, 2007, 90% of trade receivables was from two customers.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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## Year ended June 30, 2007

This portion of the Quarterly and Annual Report provides Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations to enable the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at, and for the year ended, June 30, 2007 in comparison to the prior year. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2007 and supporting notes that have been prepared in accordance with Canadian Generally Accepted Accounting Principals (Canadian GAAP). Effective July 1, 2006, the Company changed its reporting currency to the U.S. dollar. The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. Furthermore, the international currency of the mining industry is the U.S. dollar. Prior to July 1, 2006, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and shareholders' deficit and cash flows in the Canadian dollar. The related financial statements and corresponding notes prior to July 1, 2006 have been restated to the U.S. dollar for comparison to the 2006 financial results.

The financial statements have been translated into the reporting currency using the current rate method. Under this method, the statement of operations and cash flow items for each year are translated into the reporting currency using the average rate in effect for the period, and assets and liabilities are translated using the exchange rate at the period end. All resulting exchange differences are reported as a separate component of shareholders' equity titled Cumulative Translation Adjustment.

All monetary amounts are in US dollars unless otherwise specified.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A contains forward looking statements that are subject to risk factors set out in the cautionary note contained herein.

This MD&A has been prepared as of September 23, 2007.

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## 1. Overview

Eastplats is a growing platinum group metal ("PGM") producer engaged in the acquisition, development and mining of PGM with properties located in various provinces in South Africa. All of the Company's properties are situated on the western and eastern limbs of the Bushveld Complex ("BC") the geological environment that supports over 70% of the world's PGM supply.

The Company's strategy is to provide its stakeholders with superior returns from assets being developed and mined within the PGM mining sector. The Company has not hedged or sold forward any future PGM production. The Company continues its process of optimizing orebody development through traditional cost effective mining methods that place a premium on a safe work environment.

The Company's assets comprise of a direct and indirect 85% interest in Barplats Investments Limited ("Barplats") whose main assets are the PGM producing Crocodile River Mine ("CRM") located on the western limb of the BC and the non-producing Kennedy's Vale Project located on

the eastern limb of the BC. The Company also has a 75.5% direct and indirect interest in Mareesburg Platinum JV (“Mareesburg”) and a direct and indirect 93% interest in Spitzkop PGM Project (“Spitzkop”) both located on the eastern limb of the BC.

## 2. Safety Results

During the quarter, CRM reported six lost time injuries (previous quarter three lost time injuries) resulting in a Lost Time Injury Frequency Rate (“LTIFR”) of 3.68 (previous quarter 3.22). For the year ended June 30, 2007 the Company's LTIFR of 2.97 compares well against some of the other platinum producers in South Africa, whose average LTIFR was above 8.00 according to information compiled by the Bushveld Safety Forum.

In March 2007, there was a fatality at CRM, when a contract miner became entangled in rock drill equipment.

## 3. Summary of Quarterly Results

The table below presents selected financial data for the Company’s eight most recently completed quarters:

US\$'000	June 30, 2007	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006	June 30, 2006	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005
<b>Financial results</b>	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	23,146	30,443	24,917	22,699	12,605	15	36	12
Net income (loss)	(12,339)	(10,844)	11,321	1,590	(6,619)	(713)	1,032	2,422
Basic earnings (loss) per share	(0.02)	(0.02)	0.02	0.00	(0.02)	(0.01)	0.01	0.03
Expenditures on mineral properties	11,609	32,096	13,867	5,425	5,704	305	205	337
<b>Balance sheet data</b>								
Cash and short term deposits	204,498	50,646	60,662	82,174	120,216	21,433	21,179	19,393
Property, plant and equipment	757,293	607,864	586,604	526,538	538,202	86,933	86,359	53,091
Total assets	1,008,680	717,553	708,620	659,381	688,424	111,580	110,283	73,481

The table below presents selected production data for the Company’s five most recently completed quarters:

	June 30, 2007	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006	June 30, 2006
<b>Production</b>					
Ounces produced	25,111	26,807	25,873	22,666	12,553
Run of Mine Tons	244,275	211,830	209,978	194,405	134,018
Total tons processed	369,453	415,112	351,045	287,601	178,859
Stoping Units (m2)	35,315	26,441	27,771	30,054	15,530
Development meters	4,807	3,687	2,438	2,351	741

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#### 4. Fourth Quarter Review

Eastplats recorded revenue of \$23.1 million for the fourth quarter ended June 30, 2007 ("Q4-07"). Results for the quarter included:

- The Company made substantial progress in the ongoing underground development of CRM. On reef ore reserve development in the quarter increased significantly to 1,767 metres (previous year same quarter 278 metres). Underground development increased to 4,807 metres during the quarter (previous year same quarter 463 metres) which is integral in generating additional mineable reserves to support continued production build up at CRM.
- Production and sales of 25,111 ounces of PGM, a 100% increase over previous year same quarter of 12,533 ounces.
- Operating cash costs of \$702/ounce, in line with previous quarter of \$704/ounce.
- The average monthly mining rate during the fourth quarter of fiscal 2007 increased to 81,400 tonnes per month (52,250 tonnes per month in previous year same quarter).
- Revenues of \$23.1 million, a 83% increase over previous year same quarter of \$12.6 million.
- On May 11, the Company closed an equity fund raising for gross proceeds of Cdn \$201.2 million (\$180.7 million).
- On May 18, 2007 the Company completed its acquisition of Barplats shares thereby increasing the Company's direct and indirect interest in Barplats from 69% to 74%.
- On June 12, 2007 the Company completed the acquisition of 42.39% of the shares and the assumption of outstanding lender obligations of Gubevu Consortium Investment Holdings (Proprietary) Limited ("Gubevu"), which holds 26% of the shares of Barplats.. On May 28, 2007 the Company acquired another 5% of Barplats from the minority shareholders. In connection with the acquisition Eastplats issued 17,272,594 common shares of the Company and paid R12.3 million (\$1.7 million) to the minority shareholders of Barplats. Following the acquisition, Eastplats owns 74% of Barplats, with the balance of 26% held by Barplats' Black Economic Empowerment ("BEE") partner, Gubevu.
- Prior to June 2007, the Company (through a wholly-owned subsidiary) purchased a loan held by Nedbank Capital in favour of Gubevu , Barplats' minority shareholder and BEE partner, under the same commercial terms and conditions as the Nedbank Capital loan. The debt was purchased for \$8.9 million and is a demand note with interest accruing at the floating South African prime rate (June 30, 2007 - 13%). On June 15, 2007 the Company acquired 42.39% of the shares of Gubevu, for R43 million, and in addition the Company settled certain debt of Gubevu totalling R21.6 million. The Company also entered into a four-year put and call option agreement with the same shareholders of Gubevu over the balance of the shares of Gubevu. Under the terms of the agreement either party may compel the Company to purchase further tranches of 28.83% each of the shares of Gubevu at any time following March 1, 2009 and March 1, 2010 respectively. The purchase price for each tranche is R50 million, and may be satisfied at the election of the Company by the issuance of shares of the Company valued at the then market price. There are a number of conditions that must be met for either the puts or the calls to be exercised subject to maintaining BEE compliance.

- The Company also entered into an agreement to pay an unrelated third party an amount which existed in the underlying the Gubevu agreements, whereby the Company paid R37 million (\$5.2 million) and issued a promissory note for three additional payments:
  - R27.7 million (\$3.9 million) due May 4, 2008;
  - R27.7 million (\$3.9 million) due May 4, 2009; and
  - R30.8 million (\$4.4 million) due upon certain corporate reorganization events.

Based upon the fact that these future payments are based in rand, the Company has discounted these future payments using a rate of 14.5% which represents the Company's borrowing rate in South Africa. The future payments due May 4, 2008 and 2009 were recorded as liabilities of Gubevu at the date of acquisition.

Following these acquisitions, the Company owns directly and indirectly 85% of Barplats.

- At June 30, 2007 the Company had a cash position (including temporary investments) of \$204.5 million which is invested in highly liquid, fully guaranteed, bank sponsored instruments. The Company is not exposed to financial instruments involving the US residential property markets or mortgages.

## 5. Results of Operations for the three and twelve month periods ended June 30, 2007

### Selected Annual Information

	Three Months ended June 30		Twelve Months ended June 30		
	2007	2006	2007	2006	2005 <sup>5</sup>
<b>Production 5 PGE + Au oz<sup>1</sup></b>	25,111	12,533	100,456	12,533	-
Basket Price	1,322	1,137	1,190	1,137	-
Realized Basket Price per oz <sup>2</sup>	1,113	1,005	999	1,005	-
<b>US\$ '000's</b>					
Total Revenue	23,146	12,605	101,205		-
Total Cash Costs <sup>3</sup>	17,628	7,770	67,205	12,668	-
Depreciation and Depletion	(237)	2,079	8,123	7,770	-
Total Production Costs	18,154	9,849	77,590	2,094	-
<b>EBITDA(Loss)<sup>4</sup></b>	(408)	800	15,759	9,864	-
				(731)	(1,633)
<b>Net Loss for the period</b>	(12,339)	(6,619)	(10,272)	(3,879)	(1,874)
<b>Basic and diluted loss per share</b>	(0.02)	(0.02)	(0.02)	(0.02)	(0.06)
<b>Cash dividends declared per share</b>	-	-	-	-	-
<b>Total assets</b>			1,008,680	688,424	70,320
<b>Total long-term financial liabilities</b>			180,130	168,930	2,115

1 5 PGE + Au represent Platinum, Palladium, Rhodium, Ruthenium, Iridium and Gold

2 Realized Basket Price is the price received under the off-take agreement, and is net of associated smelter costs.

3 Operating Cash Costs is a non-GAAP measure and represents all costs associated with production and operating development, excluding amortization, depreciation, depletion and inventory accounting adjustments

4 EBITDA(Loss) – is a non-GAAP measure defined by the Company as Net Income before interest (income and expense including foreign exchange gains/ losses), accounting for stock based compensation and non-controlling interests, taxes (income and capital), depreciation and amortization (including depletion). See

- 5 EBITDA(Loss) note in section 17 for more details.  
Management has not presented financial data for the quarter ending June 30, 2005, as the Company was in a development stage and had no revenues and therefore it would not be meaningful to the reader. The year ended June 30, 2005, was a fifteen month year due to a change in year end.

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## 6. Review of Financial Results

The Company acquired a 69% indirect interest in Barplats which owns CRM and the Kennedy's Vale Project (a separate development property) in April 2006. In May 2007, this interest increased to 74% through the direct acquisition of 5% of the outstanding shares of Barplats.

On May 28, 2007 the Company acquired another 5% of Barplats from the minority shareholders. In connection with the acquisition Eastplats issued 17,272,594 common shares of the Company and paid R12.3 million (\$1.7 million) to the minority shareholders of Barplats. Following the acquisition, Eastplats owns 74% of Barplats, with the balance of 26% held by Barplats' Black Economic Empowerment ("BEE") partner, Gubevu.

Prior to June 2007, the Company (through a wholly-owned subsidiary) purchased a loan held by Nedbank Capital in favour of Gubevu, Barplats' minority shareholder and BEE partner, under the same commercial terms and conditions as the Nedbank Capital loan. The debt was purchased for \$8.9 million and is a demand note with interest accruing at the floating South African prime rate (June 30, 2007 - 13%). On June 15, 2007 the Company acquired 42.39% of the shares of Gubevu, for R43 million, and in addition the Company settled certain debt of Gubevu totalling R21.6 million. The Company also entered into a four-year put and call option agreement with the same shareholders of Gubevu over the balance of the shares of Gubevu. Under the terms of the agreement either party may compel the Company to purchase further tranches of 28.83% each of the shares of Gubevu at any time following March 1, 2009 and March 1, 2010 respectively. The purchase price for each tranche is R50 million, and may be satisfied at the election of the Company by the issuance of shares of the Company valued at the then market price. There are a number of conditions that must be met for either the puts or the calls to be exercised subject to maintaining BEE compliance.

The Company also entered into an agreement to pay an unrelated third party an amount which existed in the underlying the Gubevu agreements, whereby the Company paid R37 million (\$5.2 million) and issued a promissory note for three additional payments:

- R27.7 million (\$3.9 million) due May 4, 2008;
- R27.7 million (\$3.9 million) due May 4, 2009; and
- R30.8 million (\$4.4 million) due upon certain corporate reorganization events.

Based upon the fact that these future payments are based in rand, the Company has discounted these future payments using a rate of 14.5% which represents the Company's borrowing rate in South Africa. The future payments due May 4, 2008 and 2009 were recorded as liabilities of Gubevu at the date of acquisition.

The Company has determined that Gubevu is a variable interest entity in which the Company is the primary beneficiary. As a result, the accounts of Gubevu are consolidated and the equity interests of the other shareholders of Gubevu are accounted for as minority interests.

Following these acquisitions, the Company owns directly and indirectly 85% of Barplats.

Revenues and costs directly attributable to activity at CRM have been the predominate cause of the changes in the financial results when compared to the year ended June 30, 2006.

During the year ended June 30, 2007, the Company continued to progress the development of its Mareesburg, Spitzkop and Rhodium Reefs properties.

For the three months ended June 30, 2007, PGM production/sales were 25,111 ounces and 100,456 ounces for the year ended June 30, 2007 (12,553 for the two months and year ended June 30, 2006). The increase over previous year and previous year same quarter is attributable to the improvement in mining at CRM and the full three months of production in the current year (previous year two months of production).

For the year ended June 30, 2007, EBITDA was \$15.8 million compared to a loss of \$(0.7) million for the year ended June 30, 2006 predominately due to the full year activity of Barplats. The decrease in EBITDA in the current quarter (\$(408)) over the previous quarter of \$7.7 million is a result of the Company focusing on the reduction of the chrome content within the concentrate produced.

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## **7. Currency Exchange Exposure**

As approximately 90% of the Company's production and development costs are denominated in South African Rand ("R" or "Rand") and 100% of the production revenue is US dollar based, the Company is exposed to fluctuations in the Rand, Canadian and US exchange rates. As the Company does not hedge any transactions, it is exposed to the fluctuations of the Rand, Canadian and US dollars over the reporting period (and remains exposed to future fluctuations in currency exchange rates).

Rand and Canadian dollar denominated monetary assets and liabilities are translated at the period end exchange rate. Gains and losses arising from foreign currency translation are recognized in the statement of operations and deficit. Translation gains or losses on the consolidation of the financial statements of self-sustaining operations are accumulated in the cumulative translation adjustment balance ("CTA") on the consolidated balance sheet. Translation adjustments arise as a result of fluctuations in foreign currency exchange rates. The change in the CTA for the current year is a result of \$5.8 million due to the fluctuation in the exchange rate of the Rand against the US and Canadian dollars and \$24.0 million as a result of translating the financial statements to US dollars.

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## **8. Operating Results**

During the year the Company experienced an increase in the realized revenue per ounce (net of associated smelter costs) to \$1,113/ounce from \$999/ounce with an increase in the commodity pricing.

Operating cash costs have increased over the year on a per ounce basis to approximately \$669/ounce from the previous year \$620/ounce due to the accelerated focus on mine development and specifically on reef development which increased to 1,767 meters in the quarter ended June 30, 2007 from 278 meters in the previous year same quarter, which is expensed. Additionally, the Company experienced an increased application of the chrome penalties under the terms of one of the Company's off-take agreements. These penalties have caused the Company to focus on the grade of the concentrate produced, over the recovery rate, to minimize the level of chrome.

The Company made substantial progress in the ongoing underground development of CRM. Underground development increased to 4,807 metres during the quarter June 30, 2007 (previous quarter 3,687 metres and previous year same quarter 463 metres) which is integral in generating additional mineable reserves to support the continued production build up at CRM towards the targeted production profile of 200,000 tonnes per month and an 18 to 24 month reserve base.

The average monthly mining rate during the fourth quarter of fiscal 2007 increased to 81,400 tonnes per month (from an average 71,600 tonnes per month in the previous quarter and 52,259 per month in the previous year) at an average and consistent PGM grade of 4.02 g/t (5PGE+Au).

There was no revenue generated from Mareesburg, Spitzkop or Kennedy's Vale properties during the year.

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## **9. Other Costs**

### **Amortization**

The depreciation and amortization due to Barplats' activities for the current quarter is a recovery of \$(0.2) million, a decrease over the previous quarter of \$2.7 million due to the extended life of mine at CRM (\$8.1 million for the year ended June 30, 2007).

### **Non-Controlling Interest**

Non-controlling interest during the quarter was \$0.4 million and \$3.1 million for the year ended June 30, 2007 due to Barplats' non-controlling shareholders as a result of the additional investment in Barplats and the initial investment in Gubevu.

### **Corporate Administration**

The general and administrative expenses increased in the current year to \$16.0 million from previous year of \$5.6 million. The increase over the previous year are costs associated with managing the South African operations, severance paid to a past director and officer of the Company in the first quarter and costs associated with moving the Company offices.

### **Stock-Based Compensation**

In the current quarter the Company expensed \$1.8 million (previous quarter \$12.4 million with the awarding of stock options to executives, directors and employees of the Company and \$14.4 million for the year ended June 30, 2007) in stock based compensation. The value of the options has been calculated using the Black-Scholes option-pricing model.

### **Interest Income**

Interest income recorded, increased during the current year to \$4.9 million over previous year of \$1.9 million due to warrants exercised and the Cdn\$201 million (\$180.7 million) equity fund raise.

### **Interest Expense**

During the quarter the Company purchased all of the third party loans outstanding (through the Barplats acquisition). The Company continues to incur interest expense on equipment financing in South Africa of R2.6 million (\$0.4 million) for the year and interest expense on settlement of its concentrate sales under its off-take agreements of R15.2 million (\$2.1 million) for the full year.

## **Income taxes**

The Company recorded a future income tax recovery of \$2 million for the year. No current tax provision was recorded as the Company continues to incur losses in Canada and South Africa. This recovery was booked mainly on the recognition of the effect of adjustments to tax filings in South Africa. This compares to a tax recovery of \$264,000 for the year ended June 30, 2006. The consolidated balance sheet reflects a total future income tax liability of \$144 million, primarily the result of future income tax liabilities recorded on the step-up to fair value of the net assets acquired on business acquisitions. The Company's combined Canadian federal and provincial statutory tax rate was 34.12% for the years ended June 30, 2007 and 2006. There are a number of factors that will affect the Company's effective tax rate including the non-recognition of tax assets and non-deductible items such as stock-based compensation expense. As a result, the Company's effective tax rate may fluctuate from period to period. A reconciliation of the Company's statutory rate to the actual provision is provided in Note 11 to the consolidated financial statements.

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## **10. Development Activity**

Management continued to evaluate development priorities on a continuous basis in the fourth quarter.

### **CRM**

The Department of Agriculture, Conservation and the Environment has given authorisation for the proposed mining at Crocette. The Department of Minerals and Energy ("DME") has indicated that the new order mining right will be issued before the end of 2007.

At Kareespruit the previously announced drilling programme has progressed and during the quarter 6,456 meters were drilled. A total of 9,887 metres have been drilled in the 17 holes completed to date. Assay results will be reported when available. A pre-feasibility study has been commissioned on the Kareespruit property.

### **Kennedy's Vale**

A draft report on accessing the vertical shafts in order to conduct trial mining has been received and is under review.

### **Spitzkop**

The drilling programme has been completed and all assays received.

Work on the pre-feasibility study and trial mining is progressing and long lead items such as mills and mining equipment have been ordered.

### **Mareesburg**

The mining works programme (mine design) has been reviewed to incorporate the work done in conjunction with Sylvania on the property and consequently the new order mining right application will be submitted by the end of the first quarter of fiscal 2008.

### **Reserve and Resource estimates**

The figures for resources are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and resources. This includes a requirement that a "qualified person" (as defined under the NI 43-101) supervise the preparation of the technical reports documenting reserves and resources. The Company's resource and reserve estimates are prepared by Mr. Mike Hall of MSA Geoservices (Pty) Ltd of Johannesburg, SA and reviewed by Mr. Ken Lomborg of RSG Global Consulting (Pty) Ltd. of Johannesburg, SA and by Mr. Al Maynard of Maynard and Associates of Perth

Australia.

All of the above are “Qualified Persons” for the purposes of NI 43-101 reporting requirements and are all independent consulting engineers and geologists. The “Qualified Person” responsible for the content of news releases and filings reporting the results of resource and reserve estimates on behalf of the Company is Mr. Ian Rozier, M.Sc., P.Eng.

As at June 30, 2007 the Company had the following mineral resources:

<b>Eastern Platinum Limited Summary of Mineral Resources</b>			
<b><u>Mineral Resource - UG2</u></b>			
<b>Crocodile River Mine</b>	<b>Tonnes ('000)</b>	<b>3PGE+Au (g/t)</b>	<b>3PGE+Au (000oz)</b>
Measured <sup>1</sup>	6,894	4.19	928
Indicated	30,324	4.41	4,303
Inferred	52,482	4.41	7,449
<b>Kennedy's Vale</b>	<b>Tonnes ('000)</b>	<b>5PGE+Au (g/t)</b>	<b>5PGE+Au (000oz)</b>
Indicated	152,100	5.41	26,475
Inferred	70,000	6.17	13,880
<b>Spitzkop Project</b>	<b>Tonnes ('000)</b>	<b>5PGE+Au (g/t)</b>	<b>5PGE+Au (000oz)</b>
Measured	37,460	7.70	9,270
<b>Mareesburg Project</b>	<b>Tonnes ('000)</b>	<b>3PGE+Au (g/t)</b>	<b>3PGE+Au (000oz)</b>
Measured	8,757	5.38	1,515
Indicated	6,737	2.31	501

<b><u>Mineral Resource - Merensky</u></b>			
<b>Spitzkop Project</b>	<b>Tonnes ('000)</b>	<b>5PGE+Au (g/t)</b>	<b>5PGE+Au (000oz)</b>
Indicated	47,380	2.43	3,710

1. Increase in Measured Resource in period ended June 30, 2006 is reported in NI 43-101 Technical Report, dated November 2006 and refiled on SEDAR in April 2007.

## 11. Investing Activity

During the quarter the Company's cash investments were \$1.9 million to acquire an additional 5% of the outstanding shares in Barplats, \$10.3 million to purchase the Eagle Worldwide Investment Company (“Eagle”) debt with Barplats, \$19.6 million to purchase the Eagle debt with Gubevu, and in June 2007 Company completed its investment acquiring 42.39% of the shares for R43 million (\$5.9 million) and the assumption of outstanding obligations of Gubevu for R21.6 million (\$3.0 million). The Company has entered into a four year put and call option with the remaining Gubevu shareholders to purchase the remaining outstanding shares of Gubevu, in equal two tranches of R50 million (\$6.9 million) each, (with a number of conditions that must be met to maintain BEE compliance prior to the puts or calls being exercised).

As part of the Gubevu transaction the Company has entered into an agreement to pay an unrelated third party an amount that existed in the underlying Gubevu agreements as an obligation of Gubevu, whereby the Company paid R37 million (\$5.2 million) and issued a promissory note for R54.4 million (\$7.8 million) which have been included in the total purchase price of Gubevu.

For the year ended June 30, 2007 the Company has invested \$62.9 million in new capital in South Africa (\$52.3 million in new capital at Barplats).

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## 12. Liquidity and Capital Resources

As at June 30, 2007, the Company's working capital position was \$199.0 million (previous quarter \$52.7 million) and its cash and cash equivalents and short-term investments totalled \$204.5 million (previous quarter \$50.6 million). The net increase in the cash balances from previous quarter is a result of the sale of 92.1 million company shares for net proceeds of Cdn\$201 million; the exercising of 8.2 million warrants for net proceeds of Cdn\$27.5 million; assumption of debts \$37.4 million, investment in Gubevu \$8.9 million and investment in Barplats \$1.8 million.

On May 11, 2007, the Company completed an equity fund raising for gross proceeds of Cdn \$201 million (\$180.7 million).

The Company has \$204.5 million in cash and liquid short term investments which are invested in highly liquid, fully guaranteed, bank sponsored instruments. The Company is not exposed to financial instruments involving the US residential property markets or mortgages.

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## 13. Contractual Obligations and Commitments

At June 30, 2007 the Company had capital obligations for capital projects in South Africa as follows:

Operating Capital	\$ 8.1 million
Development Capital	\$20.5 million

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## 14. Hedging

The Company does not currently have any commodity or foreign exchange hedging or other derivative instruments and there are currently no plans to enter into any such contracts. The Company has not forward sold any of its production. The Company has not factored any of its trade receivable balances.

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## 15. Critical Accounting Policies and Estimates

In preparing financial statements in accordance with Canadian GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact on the Company's financial statements.

Management reviews its estimates and assumptions on an ongoing basis using the most current information available. The following accounting estimates are critical:

### **Closure and reclamation costs**

Closure and reclamation costs are accrued at their fair value and are estimated based on the Company's interpretation of current regulatory requirements.

### **Depletion and impairment of mineral properties**

Mining interests are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. Capitalized costs are depreciated and depleted using either a unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives.

The costs associated with mining properties are separately allocated to exploration potential, reserves and resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in properties to which they relate.

The Company reviews and evaluates its mining interests for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

### **Reserve estimates**

The figures for reserves and resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

### **Income taxes**

Future income tax assets and liabilities are determined based on the temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes.

Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded on the financial statements if realization is considered more likely than not.

There were no changes in the Company's accounting policies during the year.

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## **16. Changes in Accounting Policies**

Recent accounting pronouncements that have been issued and are not yet effective, and which may affect the Company's financial reporting are summarized below:

The Canadian Institute of Chartered Accountants ("CICA") issued:

Handbook Section 3855 "Financials Instruments – Recognition and Measurement"

Handbook Section 1530 "Comprehensive Income"

Handbook Section 3251 “Equity”  
 Handbook Section 3862 “Financial Instruments – Disclosure”  
 Handbook Section 3863 “Financial Instruments – Presentation”  
 Handbook Section 1535 “Capital Disclosure”  
 Handbook Section 1506 “Changes in Accounting Policies and Estimates, and Errors”

The effects of these pronouncements are not expected to have a material impact on the Company’s consolidated financial statements and cash flow. The Company will adopt these pronouncements on a timely basis to insure compliance with the effective dates.

In January 2006, The CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada in public companies are expected to converge with International Financial Reporting Standards (“IFRS”) by the end of 2010. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

## 17. EBITDA

Earnings before interest, taxes, depreciation and amortization (a non-GAAP measure) is defined by management as Net Income before interest (income and expense, foreign exchange gains/losses), stock based compensation and non-controlling interests, taxes (income and capital), depreciation and amortization (including depletion). EBITDA for the year is \$15.8 million which represents a significant increase over previous year loss of \$(731) predominately as a result of Barplats full year of operations. The Company uses this non-GAAP measure to evaluate the financial productivity of operations, allowing management to evaluate similar operations taking into consideration the various financing mechanisms and exchange exposures within which these operations exist.

	Three months ended June 30		Twelve months ended June 30		Fifteen months ended June 30
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$	\$	\$
Net loss for the period	<u>(12,339)</u>	<u>(6,619)</u>	<u>(10,272)</u>	<u>(3,879)</u>	<u>(5,597)</u>
Adjustments:					
Depletion and depreciation	(237)	2,079	8,123	2,094	(0)
Interest expense	2,944	855	5,427	855	(0)
Interest income	(1,528)	(1,161)	(4,908)	(1,893)	(182)
Future income tax recovery	(986)	(264)	(2,002)	(264)	(0)
Non controlling interest	440	43	3,078	43	(0)
Foreign exchange adjustments	9,523	1,387	1,897	(2,274)	3,919
Stock based compensation	<u>1,775</u>	<u>4,481</u>	<u>14,416</u>	<u>4,587</u>	<u>228</u>
EBITDA/Loss	<u>(408)</u>	<u>801</u>	<u>15,759</u>	<u>(731)</u>	<u>(1,632)</u>

## 18. Operational Risks

The South African government has proposed a 3% royalty based upon gross mining revenues with a projected effective date of January 1, 2009. This proposal is currently under industry review. Management continues to work with other mining companies active in South Africa to draft an objection to the proposed royalty.

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## 19. Mineral Tenure - Department of Minerals and Energy

Property	Mining			Prospecting		
	Applied	Granted	Pending	Applied	Granted	Pending
CRM	3	1	2	18	13	5
Kennedy's Vale				3	2	1
Mareesburg				1	1	0
Spitzkop				1	1	0
Totals	3	1	2	23	17	6

Barplats has an approved Social and Labour Plan for the CRM operations.

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## 20. Property, Plant and Equipment

The Company evaluates all costs associated with its acquisition, exploration and development activities and determines the appropriateness for capitalization to the mineral property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown within these Financial Statements for mineral properties do not necessarily represent present or future values. The recoverability of these minerals are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing; to complete planned development; the profitable production; and receipts from product sales.

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## 21. Asset Retirement Obligations and Remediation

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an asset retirement obligation is recognized in the period incurred. The net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. On an annual basis the liability is evaluated for reasonableness and the properties and assets are evaluated as to remediation costs.

The Company's estimates of reclamation and remediation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. A change in estimated discount rates is reviewed annually or as new information becomes available.

Expenditures relating to ongoing environmental programs are charged against operations as incurred or capitalized and amortized depending on their relationship to future earnings. Funding of the obligation is managed through insurance coverage and cash contributions to a remediation fund.

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## 22. Related Party Transactions

- (a) The Company incurred the following expenses, with companies and individuals related by way of directors and/or officers in common:

	<u>Three months ended June 30</u>		<u>Twelve months ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Consulting Fees	88	918	353	1,056
Director's Fees	49	18	194	97
Management fees	106	40	836	129
Rent	283	16	336	62
	<u>526</u>	<u>992</u>	<u>1,719</u>	<u>1,344</u>

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Management fees include Cdn \$400 (\$358) in severance paid to a former director and officer of the Company.

Rent includes a lease cancellation penalty of Cdn \$312 (\$276) paid to a company controlled by an officer of the Company as a result of the Company moving to larger premises.

- (b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2007 included \$1,950 (June 30, 2006 - \$4,500) of directors fees and expenses.

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## 23. Internal Control

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and maintenance of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with the Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

As required by Multilateral Instrument 52-109, the Company is required to evaluate the effectiveness of its disclosure controls and procedures as of the end of the year ended June 30, 2007 under the supervision and with the participation of the President and the Chief Financial Officer. Based upon, and as of the date of this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective, as the Company did not maintain a sufficient complement of personnel with an appropriate level of knowledge, experience and training in the application of Canadian GAAP and in internal control over financial reporting commensurate with the Company's financial reporting requirements. In fiscal 2007 the Company will obtain additional finance resources to address this weakness. In light of this weakness, the Company performed additional analysis and other post-closing procedures to ensure our consolidated financial statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Management of the Company, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures of our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Eastplats have been detected.

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## **24. Off Balance Sheet Arrangements and Proposed Transactions**

The Company has not entered into any off-balance sheet arrangements or any significant transactions subsequent to year end.

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## **25. Outstanding Share Data**

As at September 17, 2007 there were 667,878,194 common shares issued and outstanding. There were also 32,450,000 stock options outstanding to directors, employees and consultants with exercise prices ranging between Canadian \$0.56 and Canadian \$1.82 per share. (32,000,000 of the total 32,450,000 outstanding options have vested). There were also 71,248,050 share purchase warrants outstanding which expire between April 25, 2008 and March 28, 2009 with exercise prices ranging between Canadian \$1.80 and Canadian \$2.00 per share. Refer to Note 9 of the June 30, 2007 audited consolidated financial statements for more details on these outstanding securities.

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## **26. Cautionary Statement On Forward Looking Information**

Management references certain information contained or incorporated by reference in this Fourth Quarter Report 2007, including any information as to our future financial or operating performance constitute "forward looking statements". All statements, other than statements of historical fact, are forward looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets (such as Canadian dollar, ZAR and US dollar); fluctuations in the PGM basket prices or certain commodities (such as copper, diesel fuel and electricity); to changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, South Africa, Russia or Barbados or other countries in which we do or may carry on business in the future and/or whose participation in the PGM sector may affect the industry's supply volumes; business opportunities that may be presented to or pursued by us; our ability to successfully integrate acquisitions, including our recent investment in Barplats Investments Limited; operating or technical difficulties in connection with mining or development activities; employee relations; the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; adverse changes in our credit rating; and contest over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of PGM exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding, staff and equipment availability. Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All of the forward-looking statements made in this Fourth Quarter Report 2007 are qualified by these cautionary statements. Specific reference is made to the Company's most recent Form 40-F/Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements.

We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.