

Consolidated financial statements of

Eastern Platinum Limited

June 30, 2006 and 2005

Eastern Platinum Limited

June 30, 2006 and 2005

Table of contents

Auditors' report	1
Consolidated statements of operations and deficit	2
Consolidated balance sheets	3
Consolidated statements of cash flows	4
Notes to the consolidated financial statements	5-24

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

Auditors' report

To the Shareholders of
Eastern Platinum Limited

We have audited the consolidated balance sheets of Eastern Platinum Limited as at June 30, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the year ended June 30, 2006 and the fifteen months ended June 30, 2005. 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, 2006 and 2005 and the results of its operations and its cash flows for year ended June 30, 2006 and the fifteen months ended June 30, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
September 26, 2006

Eastern Platinum Limited

Consolidated statements of operations and deficit

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

	Year ended June 30, 2006	Fifteen months ended June 30, 2005
	\$	\$
Revenue	14,082	-
Cost of operations		
Production costs	8,637	-
Depletion and depreciation	2,328	-
	10,965	-
Income before undernoted items	3,117	-
Expenses		
General and administrative	6,541	1,166
Loss on sale of mineral property	-	284
Stock-based compensation	5,330	289
Write-off of mineral properties	-	622
	11,871	2,361
Operating loss	(8,754)	(2,361)
Other income (expense)		
Interest income	2,200	231
Interest expense	(993)	-
Foreign exchange gain (loss)	2,642	(248)
Loss before income taxes and other item	(4,905)	(2,378)
Recovery of future income taxes (Note 10)	293	-
Non-controlling interests (Note 11)	(48)	-
Net loss for the period	(4,660)	(2,378)
Deficit, beginning of period	(29,531)	(24,832)
Share issue expenses	(9,764)	(2,321)
Deficit, end of period	(43,955)	(29,531)
Basic and diluted loss per share	(0.03)	(0.07)
Weighted average number of common shares outstanding	166,350,090	35,148,121

Eastern Platinum Limited

Consolidated balance sheets as at June 30, 2006 and 2005

(Expressed in thousands of dollars)

	2006	2005
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	50,798	1,572
Short-term investments	83,386	22,027
Receivables (Note 4)	14,446	733
Inventories (Note 5)	1,871	-
	150,501	24,332
Deferred acquisition costs and intangible assets	-	36,113
Property, plant and equipment (Note 6)	600,739	26,242
Refining contract (Note 2 (i))	16,718	-
Investments	458	-
	768,416	86,687
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	16,128	574
Short-term debt (Note 7)	28,761	-
	44,889	574
Asset retirement obligation (Note 8)	3,665	-
Future income taxes (Note 10)	140,006	2,607
	188,560	3,181
Non-controlling interests (Note 11)	15,120	-
Shareholders' equity		
Share capital (Note 9)	668,453	109,285
Contributed surplus (Note 9)	8,095	3,752
Currency translation adjustment	(67,857)	-
Deficit	(43,955)	(29,531)
	564,736	83,506
	768,416	86,687

Approved by the Board

(Signed) David Cohen

David Cohen, Director

(Signed) Ian Rozier

Ian Rozier, Director

Eastern Platinum Limited

Consolidated statements of cash flows

(Expressed in thousands of dollars)

	Year ended June 30, 2006	Fifteen months ended June 30, 2005
	\$	\$
Operating activities		
Net loss for the period	(4,660)	(2,378)
Items not involving cash:		
Accretion (Note 8)	55	-
Depletion and depreciation	2,328	5
Stock-based compensation	5,330	289
Foreign exchange gain	(2,836)	-
Future income tax recovery	(293)	-
Non-controlling interests	48	-
Loss on sale of mineral property	-	284
Write-off of mineral and oil and gas properties	-	622
	(28)	(1,178)
Net changes in non-cash working capital items:		
Receivables	(1,924)	(183)
Inventories	(356)	-
Accounts payable and accrued liabilities	2,982	95
	674	(1,266)
Financing activities		
Common shares issued for cash, net	141,586	31,819
Shares issued by subsidiary to non-controlling interests	2,549	-
Repayment of debt financing	(6,516)	-
	137,619	31,819
Investing activities		
Acquisition of Barplats, net of cash acquired (Note 3 (a))	(25,080)	-
Short-term investments	(61,359)	(9,479)
Property, plant and equipment expenditures, net	(6,444)	(386)
Deferred acquisition costs and intangible assets recovered (incurred)	4,922	(24,654)
Cash acquired on acquisition (Note 3 (b))	-	2,369
Disposition of property, plant and equipment	-	100
	(87,961)	(32,050)
Effect of exchange rate changes on cash and cash equivalents	(1,106)	-
Increase (decrease) in cash and cash equivalents	49,226	(1,497)
Cash and cash equivalents, beginning of period	1,572	3,069
Cash and cash equivalents, end of period	50,798	1,572
Cash and cash equivalents are comprised of:		
Cash in bank	48,202	1,572
Short-term money market instruments	2,596	-
	50,798	1,572
Supplementary cash flow information:		
Interest paid	905	-
Income taxes paid	-	-

During the year ended June 30, 2006, the Company issued 288,585,122 common shares with a value of \$383.8 million for the acquisition of Barplats (Note 3 (a)). In addition, 18,750,000 common shares with a value of \$24.0 million were released from escrow on the acquisition of Eastern Platinum Holdings Ltd. (Note 3 (b)).

During the fifteen months ended June 30, 2005, the Company issued 37,133,736 common shares with a value of \$47.5 million for the acquisition of Elgin (Note 3 (b)).

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

1. Nature of operations

Eastern Platinum Limited (the "Company") is focused on the exploration, development and exploitation of platinum group metal ("PGM") properties. Properties may be subject to undisclosed prior agreements or transfers and title may be affected by undetected defects.

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) *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"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, *Consolidation of Variable Interest Entities*, 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 does not have any entities that qualify for treatment under this guidance.

(b) *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.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

(c) *Foreign currency translation*

The Company's reporting currency is the Canadian dollar. The Company and its subsidiaries operate in Canada and South Africa.

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.

(d) *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.

(e) *Short-term investments*

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

(f) *Inventories*

Inventories comprising consumables, stockpiled ore and concentrate awaiting further processing and sale, are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes direct mining expenditure and an appropriate portion of normal overhead expenditure. 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.

(g) *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.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

(g) *Property, plant and equipment (continued)*

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.

(h) *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 provide for the loss.

(i) *Refining contract*

The Company sells its concentrate to one customer under the terms of a refining contract. The refining contract is amortized over the life of the contract, estimated to be thirteen years. During the year ended June 30, 2006, \$0.2 million (2005 - \$Nil) 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. An impairment loss is recognized when the 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.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

(j) *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.

(k) *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.

(l) *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.

(m) *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.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

(n) *Loss per share*

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed similar to basic 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.

(o) *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 all employees. The pension plans are funded by payments from the employees and by the relevant group companies and charged to income as incurred.

(p) *Comparative figures*

Certain comparative figures have been reclassified to conform with the current period's presentation.

3. Acquisitions and merger

(a) *Acquisition of Barplats Investments Limited ("Barplats")*

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, 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 \$27,708,597.

As a condition of closing, the Company completed an equity financing of \$150 million, assumed an outstanding convertible loan to Barplats of approximately \$6.9 million and purchased a South African Rand ("R") 108 million loan that is 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 \$1.33 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.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

3. Acquisitions and merger (continued)

(a) Acquisition of Barplats Investments Limited ("Barplats") (continued)

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	383,818
Cash	27,709
Acquisition costs	4,578
	<hr/> 416,105 <hr/>
Net assets acquired	
Cash and cash equivalents	7,207
Non-cash working capital	(225)
Property, plant and equipment	589,226
Refining contract	20,098
Other non-current assets	537
Short-term debt	(39,039)
Asset retirement obligation	(4,285)
Future income tax liabilities	(145,676)
Non-controlling interests	(11,738)
	<hr/> 416,105 <hr/>

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.

- (b) 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 Black Economic Empowerment ("BEE") partners, Afriminerals (Pty) Ltd.

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

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

3. Acquisitions and merger (continued)

(b) (continued)

The agreements culminated in the consolidation of the rights to the Spitzkop PGM Project into the Company. 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 Igneous Complex ("BIC").

(i) *Acquisition of Eastern Platinum Holdings Ltd.*

On April 22, 2005, the Company entered into an agreement to acquire all of the issued and outstanding shares of Eastern Platinum Holdings Ltd. ("EPHL"). Following the confirmation of the transfer of mineral rights of the Spitzkop PGM Project to Spitzplats, the cash payments previously made and common shares issued were released from escrow. The shares issued by the Company have been valued at a price of \$1.28 per common share being the average common share price of the Company two days before, the day of and two days after the announcement less an amount for deemed share issue costs.

The acquisition has been accounted for as a purchase transaction with the Company being identified as the acquirer and EPHL as the acquiree. The acquisition of EPHL and the joint venture agreement with Spitzplats effectively gives the Company an indirect 87% interest in the Spitzkop PGM Project.

The allocation of the purchase price is summarized in the table below.

	\$
Purchase price	
18,750,000 common shares	24,000
R111,000,000, net of R16,000,000 deposit acquired upon amalgamation with Elgin (Note 3 (b)(ii))	17,618
<u>Acquisition costs</u>	<u>976</u>
	<u>42,594</u>
Net assets acquired	
Property, plant and equipment	60,849
Future income taxes	(18,255)
	<u>42,594</u>

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

3. Acquisitions and merger (continued)

(b) (continued)

(ii) Amalgamation with Elgin

The Company completed its amalgamation with Elgin to form Eastern Platinum Limited, effective April 25, 2005. This amalgamation has been accounted for as a purchase transaction, with the Company being identified as the acquirer and Elgin as the acquiree. The shares issued by the Company have been valued at the average common share price of the Company two days before, the day of, and two days after the announcement less an amount for deemed share issue costs. The allocation of the purchase price is summarized in the table below:

	\$
Purchase price	
37,133,736 common shares	47,531
Stock options and warrants of Elgin	2,458
<u>Acquisition costs</u>	<u>1,085</u>
	<u>51,074</u>
Net assets acquired	
Cash and short-term investments	14,917
Non-cash working capital	349
Deferred acquisition and intangible assets	
related to Spitzkop acquisition (Note 3 (b)(i))	12,545
Property, plant and equipment	25,870
Future income taxes	(2,607)
	<u>51,074</u>

A company in which an officer is a director and officer of the Company was paid a success fee of approximately \$936,000 (US\$750,000), upon completion of the amalgamation.

The Company, through its acquisition of Elgin, has entered into an agreement to earn a 50% joint venture interest with Spitzplats to explore, develop and operate the Spitzkop PGM Project on the following terms and conditions:

- (1) payment of R16.0 million (\$3.4 million) to Implats as agreed between Implats and the Spitzkop Syndicate (paid);
- (2) incurring R30.0 million (approximately \$4.6 million) of expenditures on the Spitzkop PGM Project, within 36 months of the acquisition of the mineral rights to the Spitzkop PGM Project, to advance the project through to a bankable feasibility study (approximately \$1.7 million incurred to June 30, 2006);
- (3) the Company will be the operator of the joint venture; and
- (4) the Company has equal representation on the management committee of the joint venture.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

4. Receivables

	2006	2005
	\$	\$
Trade receivables, net of advances	12,888	-
Other receivables	1,179	522
Refundable taxes	112	186
Prepaid expenses	267	25
	14,446	733

5. Inventories

	2006	2005
	\$	\$
Consumables	777	-
Ore and concentrate	1,094	-
	1,871	-

6. Property, plant and equipment

	2006		2005	
	Cost	Accumulated depreciation/ depletion	Net book value	Net book value
	\$	\$	\$	\$
Mining plant and equipment	81,936	1,302	80,634	-
Mineral properties				
Crocodile River Mine (a)	116,369	761	115,608	-
Kennedy's Vale Project (b)	303,571	-	303,571	-
Spitzkop PGM Project (c)	73,640	-	73,640	-
Mareesburg JV (d)	27,209	-	27,209	26,149
Rooikraal (e)	-	-	-	-
Other property, plant and equipment	107	30	77	93
	602,832	2,093	600,739	26,242

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

CRM is located on the eastern portion of the western limb of BIC. The Maroelabult and Zandfontein sections are currently in production with the Crocette deposit and other potential near-surface opportunities being in the development stages.

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

KV is located on the eastern limb of the BIC, 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, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

6. Property, plant and equipment (continued)

(c) *Spitzkop PGM Project*

The Company holds an indirect 87% interest in the Spitzkop PGM Project (Note 3 (b)) following transfer of the mineral rights of the Spitzkop PGM Project to Spitzplats.

(d) *Mareesburg JV*

Elgin entered into an agreement dated January 27, 2004 to participate in a 50:50 joint venture with Lion's Head Platinum (Pty) Ltd. ("LHP") to purchase the mineral rights on the farm Mareesburg 8JT from Samancor Limited. Elgin then entered into two agreements dated April 26, 2004 to acquire a 100% interest in Royal Anthem ("RA").

RA holds a 51% ownership interest in LHP. Following the amalgamation, the Company holds indirectly a 75.5% interest in the Mareesburg project.

(e) *Rooikraal Platinum Project*

Elgin entered into a joint venture agreement dated January 20, 2004 with Equilibrium Trading 3 (Pty) Ltd. ("Equilibrium") whereby Elgin and Equilibrium will each hold a 50% participation interest in the Rooikraal Platinum Project, Mpumalanga Province in the Republic of South Africa. To earn its interest, the Company has agreed to fund the exploration costs up to the determination of a measured and indicated resource, where after the parties will fund the project pro rata to their respective participation interests.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

7. Short-term debt

Short-term debt consists of the following:

	2006	2005
	\$	\$
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, 2006 - 11%), payable monthly and principal payable at the end of the loan term	16,510	-
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, 2006 - 11.6%), payable monthly and principal payable at the end of the loan term	5,596	-
Loan from Eagle Worldwide Investments, Limited, due on demand and maturing in December 2007 for \$6.7 million (US\$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, 2006 - 9.4%), is capitalized to the loan; interest and principal payable before the end of the loan term	6,655	-
	28,761	-

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, 2006 is \$3.7 million (2005 - \$Nil). The undiscounted value of this liability is \$8.3 million (2005 - \$Nil). An accretion expense component of approximately \$55,000 (2005 - \$Nil) has been charged to operations in 2006 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 13%. Changes to the asset retirement obligation during the year are as follows:

	\$
Balance, June 30, 2005	-
Additions during the year upon acquisitions (Note 3 (a))	4,285
Foreign exchange movement	(675)
Accretion	55
Balance, June 30, 2006	3,665

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except 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, March 31, 2004	24,783,019	27,603	1,016
Exercise of warrants	155,000	68	(11)
Shares issued for cash	22,722,108	34,083	-
Issued for acquisition of EPHL (Note 3 (b))	18,750,000	24,000	-
Issued for acquisition of Elgin	37,133,736	47,531	2,458
Stock-based compensation	-	-	289
	103,543,863	133,285	3,752
Held in trust pending completion of EPHL acquisition (Note 3 (b))	(18,750,000)	(24,000)	-
Balance, June 30, 2005	84,793,863	109,285	3,752
Released from trust pursuant to completion of EPHL acquisition (Note 3 (b))	18,750,000	24,000	-
Exercise of warrants	1,100,000	1,350	-
Shares issued for cash	120,000,000	150,000	-
Issued for acquisition of indirect interest in Barplats (Note 3 (a))	288,585,122	383,818	-
Stock-based compensation	-	-	5,330
Dilution loss on issuance of shares by a subsidiary	-	-	(987)
Balance, June 30, 2006	513,228,985	668,453	8,095

During the year ended June 30, 2006, the following common shares were issued:

- (i) 120,000,000 subscription receipts were issued for gross proceeds of \$150,000,000. The agent was paid a cash commission of \$9,000,000. Subsequently, each subscription receipt was exchanged for one unit of the Company comprised of one common share of the Company and one half of one share purchase warrant with each whole share purchase warrant exercisable into one common share of the Company at an exercise price of \$1.80 for a period of three years.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

9. Share capital (continued)

(b) Issued (continued)

During the fifteen month period ended June 30, 2005, the following common shares were issued:

- (i) 22,722,108 subscription receipts were issued for gross proceeds of \$34,083,162. The agent was paid a cash commission of \$2,044,990. Subsequently, each subscription receipt was exchanged for one unit of the Company comprised of one common share of the Company and one half of one share purchase warrant with each whole share purchase warrant exercisable into one common share of the Company at an exercise price of \$2.00 for a period of three years.

(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:

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of period	4,605,000	1.48	368,750	1.96
Options assumed on amalgamation	-	-	3,790,000	1.51
Options granted	13,330,000	1.70	815,000	1.31
Options cancelled	(792,500)	1.35	(368,750)	1.96
Balance outstanding, end of period	17,142,500	1.66	4,605,000	1.48

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except 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, 2006:

Options outstanding	Options exercisable	Exercise price	Expiry date
		\$	
2,875,000	2,875,000	1.70	May 25, 2007
175,000	175,000	1.70	January 14, 2008
30,000	30,000	1.70	January 24, 2008
625,000	625,000	0.56	November 5, 2008
312,500	312,500	1.00	August 26, 2009
13,125,000	12,191,667	1.70	May 24, 2011
17,142,500	16,209,167		

(d) Share purchase warrants

The changes in warrants were as follows:

	2006		2005	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of period	29,199,374	2.05	155,000	0.36
Warrants assumed on amalgamation	-	-	17,838,320	2.08
Warrants granted	59,999,996	1.80	11,361,054	2.00
Warrants exercised	(1,100,000)	1.23	(155,000)	0.36
Warrants cancelled	(100,000)	1.20	-	-
Balance outstanding, end of period	87,999,370	1.89	29,199,374	2.05

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

9. Share capital (continued)

(d) Share purchase warrants (continued)

The following table summarizes information concerning outstanding warrants at June 30, 2006:

Number of warrants	Exercise price	Expiry date
	\$	
3,900,000	1.50	March 18, 2007
11,373,500	2.40	May 11, 2007
1,364,820	1.80	May 11, 2007
11,361,054	2.00	April 22, 2008
59,999,996	1.80	March 28, 2009
87,999,370		

(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:

	2006	2005
Risk-free interest rate	3.95%	3.90%
Expected life	3 years	5 years
Annualized volatility	46%	32%
Dividend rate	0%	0%
Weighted average grant date fair value per option	\$0.43	\$0.09

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

10. 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:

	2006	2005
	\$	\$
Statutory tax rate	34.12%	36.12%
Recovery of income taxes computed at standard rates	(1,674)	(859)
Difference in tax rates between South Africa and Canada	89	-
Items not deductible for income tax purposes	627	427
<u>Benefit of income tax losses not recognized</u>	665	432
<u>Recovery of future income taxes</u>	(293)	-

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

	2006	2005
	\$	\$
Future income tax assets		
Property, plant and equipment	34,341	2,115
Non-capital loss carryforwards	4,932	1,173
Net capital loss carryforwards	209	243
Share issue costs	3,342	1,008
	42,824	4,539
<u>Valuation allowance</u>	(42,824)	(4,539)
<u>Net future income tax asset</u>	-	-
Future income tax liability		
Accumulated cost base differences on assets	140,006	2,607

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

10. Income taxes (continued)

At June 30, 2006, the Company has non-capital losses of approximately \$3.8 million available to apply against future Canadian income for tax purposes. The non-capital losses will expire as follows:

	\$
2007	203
2008	218
2009	620
2013	846
2014	418
2015	1,393
2026	57
	<hr/> 3,755

The Company also has approximately \$3.0 million of South African tax losses that are carried forward indefinitely subject to mining income.

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

11. Non-controlling interests

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 current year (Note 9 (b)).

The non-controlling interests are comprised of the following:

	2006	2005
	\$	\$
Balance, beginning of period	-	-
Non-controlling interests' share of net assets at acquisition date (Note 3 (a))	11,738	-
Non-controlling interests' share of gain in Barplats	48	-
Increase in non-controlling interest arising from share issuances in Barplats	3,334	-
	<hr/> 15,120	<hr/> -

12. 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.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

12. Financial instruments (continued)

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, 2006.

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.

13. Related party transactions

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

	Year ended June 30, 2006	Fifteen months ended June 30, 2005
	\$	\$
Consulting fees	312	255
Directors' fees	113	5
Management fees	150	18
Rent	72	13
Office and administrative	-	35

(b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2006 included \$5,000 (2005 - \$17,430) which were due to companies related by way of directors in common.

14. Commitments

The Company has committed to capital expenditures through its indirect investment in Barplats of approximately \$24.3 million (R157.5 million) as at June 30, 2006.

15. Contingency

The current mineral rights permit for the Mareesburg property (Note 3 (b)) expired on April 29, 2005. While an application from old order rights to new order rights has been submitted, a renewed permit has not yet been issued. The Company believes that it has complied with all of the requirements of the South African Department of Mines and Energy ("DME") and that the DME will renew this permit.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except 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, 2006 and 2005 are as follows:

			2006
	South Africa	Canada	Total
	\$	\$	\$
Property, plant and equipment	600,725	14	600,739
Total assets	640,617	127,799	768,416
Property, plant and equipment expenditures	6,444	-	6,444
Revenues	14,082	-	14,082
Production costs	(8,637)	-	(8,637)
Depletion and depreciation	(2,328)	-	(2,328)
Expenses	(3,010)	(8,861)	(11,871)
Interest income	-	2,200	2,200
Interest expense	(993)	-	(993)
Foreign exchange (loss) gain	(852)	3,494	2,642
Loss before income taxes and other item	(1,738)	(3,167)	(4,905)
			2005
	South Africa	Canada	Total
	\$	\$	\$
Property, plant and equipment	26,168	74	26,242
Total assets	62,382	24,305	86,687
Property, plant and equipment expenditures	386	-	386
Expenses	(39)	(2,322)	(2,361)
Other income (expense)	50	(67)	(17)
Income (loss) before income taxes and other item	11	(2,389)	(2,378)

For the year ended June 30, 2006, 100% of revenue was to one customer and as at June 30, 2006, 100% of trade receivables was from one customer.

Eastern Platinum Limited

Notes to the consolidated financial statements

June 30, 2006 and 2005

(Tabular amounts expressed in thousands, except share and per share amounts)

17. Subsequent events

- (a) 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 approximately \$6.2 million (US\$5.5 million) and 3,000,000 shares of the Company, with approximately \$5.6 million (US\$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 will own 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 organize, project financing for Afriminerals for its share of capital costs for the development of the mine at Spitzkop; such financing will be repaid from the proceeds of initial production attributable to Afriminerals.
- (b) On September 21, 2006, the Company announced that it had signed a letter of intent ("LOI") with Sylvania Resources Ltd. ("Sylvania") with the objective of entering into an agreement on their Mareesburg and Everest North projects respectively that comprise a contiguous PGM deposit on the eastern limb of the Bushveld Igneous Complex near Steelpoort in Mpumalanga Province, South Africa. The terms and conditions of the agreement are currently being formalized.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

The following discussion and analysis of financial results ("MD&A"), prepared as of September 26, 2006, should be read in conjunction with the audited annual consolidated financial statements of Eastern Platinum Limited (the "Company") for the year ended June 30, 2006, together with the related notes thereto. The audited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

All amounts are expressed in Canadian dollars except tabular amounts which are expressed in thousands of Canadian dollars, share and per share amounts and unless otherwise indicated.

This discussion may contain forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Description of business

Eastern Platinum Limited is a platinum group metal ("PGM") producer engaged in the acquisition, exploration, development and, commencing during the fourth quarter of fiscal 2006, the mining of PGM properties in South Africa.

The Company's primary mineral properties and assets are:

- 1) a 69% indirect ownership interest in Barplats Investments Limited ("Barplats"), a publicly-trading company listed on the JSE, Ltd under the symbol BPL, which owns and operates the Crocodile River Mine ("CRM") and the Kennedy's Vale Project ("KV"),
- 2) an indirect 87% interest in the Spitzkop and
- 3) a 75.5% interest in the Mareesburg JV, all located in South Africa

The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades on the TSX Exchange in Toronto under the symbol ELR and in London on the AIM Exchange under the symbol ELR. The Company's head office is in Vancouver, British Columbia.

Highlights

The Company recorded a net loss of \$3,184,000 (\$0.01 per share) for the fourth quarter of 2006 ("Q4 2006") and a net loss of \$4,660,000 (\$0.03 per share) for the year ended June 30, 2006, compared with a Q4 2005 net loss of \$1,160,000 (\$0.06 per share) and a net loss of \$2,378,000 (\$0.07 per share) for the fifteen months ended June 30, 2005.

Q4 2006 Highlights

- In April 2006, the Company raised gross proceeds of \$150,000,000 pursuant to a private placement offering of units. A portion of the proceeds of this financing was used in conjunction with the acquisition of three private companies, the combined assets of which represent a 69% indirect interest in Barplats' outstanding shares and for the continued mineral property exploration, development and operational commitments (see News Release dated March 16, 2006).
- In April 2006, the Company closed its acquisition of the shareholdings of the three private companies. The consideration paid by the Company was the issuance of 288,585,122 common shares of the Company, with a value of \$1.33 per share, a cash payment of \$27,708,597 and the commitment to purchase or retire existing Barplats debt

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Full year highlights

- In December, 2005, the Company completed its acquisition of an indirect 87% interest in the Spitzkop (discussed in more detail below).
- Effective August 14, 2005 the Company's existing common shares were admitted for trading on the AIM market of the London Stock Exchange plc and then subsequent to year end on July 14, 2006 re-admitted pursuant to the Company's indirect investment in Barplats. The Company's Nominated Adviser and Broker (NOMAD) is Canaccord Adams Limited ("Canaccord").
- As at June 30, 2006, the Company had a cash position of \$50,798,000 as well as short-term investments totaling \$83,386,000.

Acquisitions

Indirect Investment in Barplats Investments Limited ("Barplats")

During fiscal 2006, the Company acquired the shareholdings of three private companies, the combined assets of which represent a 69% indirect interest in 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, valued at \$1.33 per share (being the average common share price of the Company two days before, the day of and two days after the date of announcement), a cash payment of \$27,708,597 and the commitment to purchase existing convertible debt.

As a condition of closing, the Company completed an equity financing of \$150 million, assumed an outstanding convertible loan to Barplats of approximately \$6.9 million and purchased a (South African Rand ("R")) R100 million loan that is secured by a pledge of 100 million Barplats shares.

The recording of this indirect interest in Barplats is required to be accounted for as a purchase transaction with the Company being identified as the acquirer.

Acquisition of Eastern Platinum Holdings Limited ("EPHL")

During fiscal 2006, the Company completed a series of agreements to acquire a controlling interest in PGM mineralization rights at the Spitzkop Platinum Project ("Spitzkop") 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 Black Economic Empowerment ("BEE") partners, Afriminerals (Pty) Ltd.

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

The acquisition is being accounted for as a purchase transaction with the Company being identified as the acquirer and EPHL as the acquiree. The acquisition of EPHL and the joint venture agreement with Spitzplats effectively gives the Company an indirect 87% interest in the Spitzkop.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Mineral properties and intangible assets

Barplats, South Africa

During Q4 2006, the Company acquired a 69% indirect interest in Barplats, a PGM producing company in South Africa, whose core business is PGM mining and processing in South Africa's Bushveld Igneous Complex ("BIC"). Barplats' two main assets are CRM located on the eastern portion of the western limb of the BIC in North West Province and KV located on the eastern limb of the BIC, near Steelpoort in the Province of Mpumalanga.

CRM

CRM has 2.7 million ounces of proven and probable mineral reserves. There are currently two sections in production: Maroelabult and Zandfontein. The average mining rate during the 2006 financial year was 58,000 tonnes per month at an average grade of 3.6 g/t. Also included in the CRM lease area are the yet un-mined Crocette deposit and other potential near-surface opportunities.

During fiscal 2006, prior to the Company's acquisition of an indirect 69% interest in Barplats, Barplats incurred capital expenditures towards the purchase and installation of a new mill, underground access development, upgrade of the concentrator plant and the development and installation of a conveyor system to transport ore from underground to surface at the Zandfontein section.

CRM's operation comprises two mining sections, Maroelabult in the east, Zandfontein, in the centre, and is developing the section profile for Crocette in the west.

The Maroelabult section primary access consists of two declines, one for men and material and one equipped with a conveyor belt, for rock transport from underground. Steady-state production of 40,000 tonnes per month is planned during fiscal 2007. The Zandfontein section is equipped with two vertical shafts and primary access consisting of four separate decline roadways from surface. Production is currently being ramped up to 120,000 tonnes per month with a steady-state production schedule during fiscal 2009.

Crocette, formerly Krokodildrift, is currently under development. The drilling programme here began in June 2006 and production is scheduled to begin during fiscal 2008.

KV

KV comprises PGM minerals rights on five farms in the Steelpoort Valley on the eastern limb of the BIC. A pre-feasibility study was completed by Impala Platinum Holdings Limited (Implats) in 2003 which indicated that the project would be feasible at a PGM basket price of R122, 000/kg. In order to gain further access, Barplats has committed approximately \$1.5 million to a 10,000 metre drilling program and feasibility work in fiscal 2007.

Spitzkop Platinum (Pty) Ltd., South Africa

Eastern Platinum Holdings Ltd. ("EPHL"), a wholly owned BVI subsidiary of the Company, holds a 74% interest in Spitzkop Platinum (Pty) Ltd. ("Spitzplats"), a South Africa corporation, which in turn holds a 100% interest in the mining rights at Spitzkop.

A syndicate of investors and its BEE partner, Afriminerals (Pty) Ltd, acquired the remaining 26% shareholding in Spitzplats.

The Company also holds a 50:50 joint venture with Spitzplats to explore, develop and operate the Spitzkop Project. Under this agreement, the Company is obligated to spend a R30.0 million (approximately \$5.6 million) within 36 months to advance the project through to a feasibility study.

As a result, the Company effectively holds an 87% indirect interest in the Spitzkop.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Mineral properties and intangible assets (continued)

Mareesburg JV, South Africa

Elgin entered into an agreement dated January 27, 2004 to participate in a 50% joint venture with Lion's Head Platinum (Pty) Ltd. ("LHP") to purchase the mineral rights on the farm Mareesburg 8JT from Samancor Limited. Elgin then entered into two agreements dated April 26, 2004 to acquire a 100% interest in Royal Anthem ("RA"). RA holds a 51% ownership interest in LHP. Following the amalgamation in 2005, the Company holds indirectly a 75.5% interest in the Mareesburg project.

The current mineral rights permit for the Mareesburg property expired on April 29, 2005. While an application to covert old order rights to new order rights has been submitted, they have not yet been granted. The Company believes that it has complied with all of the requirements of the South African Department of Mines and Energy ("DME") and that the DME will grant these rights.

On August 11, 2005, the Company released a program update on developments at Mareesburg. It provided that on Mareesburg, the UG2 Chromitite deposit represented an almost continuously outcropping, flat-lying mineral resource at shallow depth amenable to a combination of open-pit and underground mining to a maximum depth of 220m below surface.

The Company has reported that it was pleased with the results of the confirmatory geological, assay, and metallurgical test program and the effective manner in which it was conducted. Progress highlights included:

- Airborne magnetic survey and digital terrain model completed
- 5950m of diamond drilling completed
- Assay results consistent with previous technical programs and reporting
- Metallurgical recoveries over 87%
- Full feasibility study commencement

Diamond drilling

Gondwana Drilling CC, a BEE company, was awarded the drilling contract and diamond coring commenced in November 2004. By mid July 2005, approximately 5,950 metres of core drilling were complete: 3,150m are in 37 "mother holes" and 2,800m are in 100 deflections (secondary boreholes drilled from the same collar position as the mother holes). In total 137 reef intersections have been achieved.

Pre-feasibility studies

With the indirect investment in the Spitzkop, as well as the potential to enter into toll treatment contracts with other operators in the area, a concentrator will not be required at Mareesburg. This will result in a significant reduction in project capital costs to put the Mareesburg deposit into production. The economic impact of this change is presently being evaluated.

Future work program

The ongoing program is on schedule and on budget. With the successful result of the confirmatory assay and metallurgical program at Mareesburg, the Company commenced a full feasibility study on the project in August 2005. The full feasibility contemplated will be completed during fiscal 2007 within the original budget. Five orientated diamond core holes will be dedicated for rock mechanics and pit slope design parameters.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Results of operations

The Company recorded a net loss of \$3,184,000 (\$0.01 per share) for the fourth quarter of 2006 ("Q4 2006") and a net loss of \$4,660,000 (\$0.03 per share) for the year ended June 30, 2006, compared with a Q4 2005 net loss of \$1,160,000 (\$0.06 per share) and a net loss of \$2,378,000 (\$0.07 per share) for the fifteen months ended June 30, 2005.

Operations

During Q4 2006, and in conjunction with the Company's 69% indirect interest in Barplats, the Company recognized \$14,082,000 (2005 - \$Nil) in revenues and \$10,965,000 (2005 - \$Nil) in cost of operations, relating to the sale of PGM concentrate to one customer pursuant to a long-term refining contract entered into by Barplats.

Barplats has successfully completed over 1.3 million shifts for fatality free mining through 30 June 2006 and with improved safety training, observation and implementation of industry best practices, continues to keep safety at the forefront of everything they do. Capital projects completed during the year include de-watering of the declines for the first time in 15 years, the installation and commissioning of a second mill at the plant and an upgrade to the concentrator.

Foreign currency

During the year ended June 30, 2006, the Company recorded a net foreign exchange gain of \$2,642,000. A significant portion of this gain was due to the revaluation of the future income tax liabilities recorded in connection with the Company's integrated operations.

Barplats' functional currency is the South African Rand ("SAR"). The financial information of Barplats is translated into Canadian dollars using the period end rate for balance sheet information and the average rate for the period for revenue and expense items. Exchange gains and losses arising from this translation are recorded in the cumulative translation account within shareholders' equity. During the two months ended June 30, 2006, there was a 15% devaluation in the SAR leading to a significant reduction in the carrying value of the Barplats net assets from the amounts initially recorded on acquisition (Note 3(a) in the consolidated financial statements). As the SAR fluctuates with the Canadian dollar, there will be additional adjustments to Barplats' net assets recorded on consolidation with the exchange gain or loss being recorded as a component of shareholders' equity.

General and administrative

The significant increase in general and administrative expenses arose from the Company's consolidation of Barplats' operations for the two month period subsequent to the indirect investment in Barplats on April 28, 2006, a significant increase in professional and costs directly associated with the Barplats transaction in Q4 2006 and additional costs associated with the re-admission to the AIM.

Other income and expenses

During the year ended June 30, 2006, the Company earned interest income totaling \$2,200,000 (fifteen months ended June 30, 2005 - \$231,000) on its cash deposits and short term investments and recorded interest expense of \$993,000 relating to loans payable by Barplats. Interest income increased significantly during Q4 2006 as a result of investing cash remaining from the \$150 million financing that closed in April, 2006.

During Q4 2006 the Company recognized stock-based compensation expense of \$5,207,000 (Q4 2005 - \$43,000) and \$5,330,000 (2005 - \$289,000) for the year ended June 30, 2006, relating to the granting of 13,330,000 stock options with an exercise price of \$1.70, expiring between January 14, 2008 and May 24, 2011.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Liquidity and capital resources

As at June 30, 2006, the Company's working capital position was \$105,612,000 (June 30, 2005 - \$23,758,000) and its cash and cash equivalents and short-term investments totaled \$134,184,000 (June 30, 2005 - \$23,599,000). The increase in the cash balances during 2006 was due mainly to proceeds received from the financing discussed below.

The change in working capital is a result of:

- i) Receiving proceeds from a \$150,000,000 private placement on April 28, 2006. The Company issued 120,000,000 units at \$1.25 per unit with each unit comprised one common share of the Company and one half warrant. Each whole warrant is exercisable at \$1.80 for a three year period. The Company incurred costs relating to this private placement of \$9,764,000: comprising a cash commission of \$9,000,000 paid to the agents and the balance to professional and filing fees.
- ii) Obtaining cash and short term investments totaling \$7,207,000 as a result of the Barplats acquisition;
- iii) Recovering acquisition costs (comprised of a recovery of refundable taxes initially paid plus a foreign currency gain) totaling \$4,975,000 pursuant to the acquisition of the Spitzkop;
- iv) Receiving \$1,350,000 pursuant to the exercise of 1,100,000 share purchase warrants;
- v) Incurring costs totaling \$32,287,000 pursuant to the acquisition of Barplats; and
- vi) Incurring property, plant and equipment expenditures totaling \$6,444,000.

Selected annual information

	Year ended June 30, 2006	Fifteen months ended June 30, 2005	Year ended March 31, 2004
	\$	\$	\$
Financial results			
Revenue	14,082	-	-
Stock-based compensation	(5,330)	(289)	(248)
Net income (loss) for the period	(4,660)	(2,378)	(362)
Basic and diluted earnings (loss) per share	(0.03)	(0.07)	(0.02)
Expenditures on property, plant and equipment	6,444	386	295
Balance sheet data			
Cash and short term deposits	134,184	23,599	3,068
Deferred acquisition and intangible assets	16,718	36,113	-
Property, plant and equipment	600,739	26,242	995
Total assets	768,416	86,687	4,075
Shareholders' equity	564,736	83,506	3,786

The Company does not have any long term indebtedness. The Company did not declare any dividends in the last fiscal year.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Summary of quarterly results

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

	June 30, 2006	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005	June 30, 2005	Mar 31, 2005	Dec 31, 2004	Sept 30, 2004
	\$	\$	\$	\$	\$	\$	\$	\$
Financial results								
Revenue	14,082	-	-	-	-	-	-	-
Net income (loss) for period	(3,184)	(1,083)	30	(422)	(1,160)	(174)	(712)	(278)
Basic and diluted loss per share	(0.02)	(0.01)	0.01	(0.01)	(0.06)	(0.01)	(0.03)	(0.01)
Expenditures on mineral properties	6,444	352	241	405	386	-	-	-
Balance sheet data								
Cash and short term deposits	134,184	24,808	24,590	22,837	23,599	1,565	1,692	2,640
Deferred acquisition costs	-	53	-	36,113	36,113	-	-	-
Property, plant and equipment	600,739	100,540	100,188	26,554	34,840	382	382	999
Total assets	768,416	129,143	128,044	86,531	86,687	2,900	2,995	3,662
Shareholders' equity	564,736	107,504	107,183	83,103	83,506	2,872	2,967	3,640

Commitments and contractual obligations

The Company has committed to capital expenditures through its indirect investment in Barplats of approximately \$24.3 million as at June 30, 2006.

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, 2006 is \$3.7 million (2005 - \$Nil). The undiscounted value of this liability is \$8.3 million (2005 - \$Nil). An accretion expense component of approximately \$55,000 (2005 - \$Nil) has been charged to operations in 2006 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 13%.

Off balance sheet arrangements

The Company has not entered into any off-balance sheet arrangements other than those disclosed in commitment note 14 of the current annual report.

Critical accounting policies and estimates

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenue and expenses. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. A summary of the Company's accounting policies is set forth in note 2 of the consolidated financial statements for the year ended June 30, 2006.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Property, plant and equipment

All costs related to the acquisition, exploration and development of mineral properties are capitalized by 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 whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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.

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.

Impairment of long-lived assets

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.

Stock-based compensation

In 2003, new accounting standards were established for stock-based compensation that requires a company to adopt the fair value method to account for stock options it grants to directors, officers and employees. The application of this new standard does not affect a company's liquidity. However, this new policy has the effect of increasing a company's expenses for the year with a corresponding credit to contributed surplus in shareholders' equity. The value of the options has been calculated using the Black-Scholes option-pricing model. The relevant assumptions used in the calculation are set out in the notes to the consolidated financial statements.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Foreign currency translation

The Company's reporting currency is the Canadian dollar. The Company and its subsidiaries operate in Canada and South Africa. Where a subsidiary is self-sustaining, the financial results have been translated into Canadian dollars using the current rate method. Where a subsidiary is integrated, the financial results have been translated into Canadian dollars using the temporal method.

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.

Changes in accounting policies

A number of new accounting policies were adopted by the Company after the acquisition of an indirect 69% interest in Barplats by the Company as the previous operations did not require an accounting policy to be selected. The Company's significant accounting policies are disclosed in Note 2 to the consolidated financial statements as at and for the year ended June 30, 2006.

Related party transactions

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

	Year ended June 30, 2006	Fifteen months ended June 30, 2005
	'000	'000
Consulting fees	\$ 312	\$ 255
Directors' fees	113	5
Management fees	150	18
Rent	72	13
Office and administrative	-	35

- (b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2006 included \$5,000 (June 30, 2005 - \$17,430) which were due to companies related by way of directors in common.
- (c) These transactions were in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Subsequent events

- (a) 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 approximately \$6.2 million (US\$5.5 million) and 3,000,000 shares of the Company, with approximately \$5.6 million (US\$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 will own 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 organize, project financing for Afriminerals for its share of capital costs for the development of the mine at Spitzkop; such financing will be repaid from the proceeds of initial production attributable to Afriminerals.
- (b) On September 21, 2006, the Company announced that it had signed a letter of intent ("LOI") with Sylvania Resources Ltd. ("Sylvania") with the objective of entering into an agreement on their Mareesburg and Everest North projects respectively that comprise a contiguous PGM deposit on the eastern limb of the Bushveld Igneous Complex near Steelpoort in Mpumalanga Province, South Africa. The terms and conditions of the agreement are currently being formalized.

Risk, uncertainties and outlook

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, not least adverse movements in commodity prices, which are impossible to forecast. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host high grade deposits.

Metal prices

Platinum is both a precious metal and an industrial metal. The fundamentals of the platinum market are tight: supplies are very limited, while demand currently exceeds supply and is predicted to increase. For this reason, the platinum market has experienced significant volatility in recent years, and if the current imbalance between supply and demand continues, volatility can be expected to continue. The key factors that may influence platinum prices are policies in the most important producing countries, namely South Africa and the Russian Federation, the amount of stockpiled platinum and economic conditions in the main consuming countries.

The metal exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Company may affect the marketability of any substances discovered. Metal prices have fluctuated widely, particularly in recent years. The marketability of metals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted. A decline in the market price of metals mined by the Company may render ore reserves containing relatively low grades of mineralization uneconomic and may in certain circumstances ultimately lead to a restatement of reserves.

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Platinum mining is capital intensive

Platinum mining is capital intensive. Large amounts of money are required to build production facilities and long-term viability for a platinum company requires heavy expenditures on exploration and production. The mining and extraction of platinum is a complex and expensive process. An estimated seven to twelve tonnes of ore must be processed to produce one ounce of platinum, and the total process of extraction, concentration and refining may take as long as six months. Eastplats has already expended significant amount of money on the acquisition of mineral interests and exploration and expects to continue to do so in future.

Risks specific to South Africa

In addition to exposure to the risks that are common to mining operations generally, Eastplats is also subject to the political and economic uncertainties associated with operating in South Africa. Mining legislation in South Africa is currently undergoing significant change. The new Mineral Resources and Petroleum Development Act became law in May 2004 and its regulation and operations are still being implemented through a one-year transition period. In association with the new Act, the Mining Charter has set a target of 26 per cent ownership and participation in the mining industry by historically disadvantaged South Africans ("HDSA") within ten years, and the achievement of this goal is an evolving process. All these laws may be considered new, resulting in risks related to the uncertainty of interpretation of new laws, unilateral modification of mining or exploration rights, operating restrictions, increased taxes, environmental regulation, mine safety and other risks arising out of new sovereignty over mining, any or all of which could have adverse effect on Eastplats. Eastplats' operations may also be affected to varying degrees by political and economic instability, terrorism, crime, the HIV crisis, extreme fluctuations in foreign exchange rates and inflation.

Additional information

Additional information is provided in the Company's audited consolidated financial statements for the year ended June 30, 2006 and fifteen month period ended June 30, 2005. These documents are available for viewing on SEDAR at www.sedar.com.

As at September 26, 2006, the Company had 516,228,821 common shares outstanding and the following outstanding options and warrants:

Options Outstanding and Exercisable			
Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Expiry Date
\$ 1.70	2,875,000	2,875,000	May 25, 2007
1.70	175,000	175,000	January 14, 2008
1.70	30,000	30,000	January 24, 2008
0.56	625,000	625,000	November 5, 2008
1.00	312,500	312,500	August 26, 2009
1.70	13,125,000	12,191,667	May 24, 2011
	17,142,500	16,209,167	

Eastern Platinum Limited

Management discussion and analysis

For the year ended June 30, 2006

Additional information (continued)

Exercise Price	Number of Warrants	Expiry Date
\$ 1.50	3,900,000	March 18, 2007
2.40	11,373,500	May 11, 2007
1.80	1,364,820	May 11, 2007
2.00	11,361,054	April 22, 2008
1.80	59,999,996	March 28, 2009
	<hr/> 87,999,370 <hr/>	

Internal disclosure controls and procedures

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.