

Consolidated Financial Statements of

EASTERN PLATINUM LIMITED

*March 31, 2006
(Unaudited)*

EASTERN PLATINUM LIMITED
Consolidated Balance Sheets
(Unaudited)

	March 31, 2006	June 30, 2005
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,221,278	\$ 1,572,195
Short-term investments	23,586,250	22,027,000
Receivables and prepaids	535,257	602,053
Refundable taxes	3,130,614	131,235
	28,473,399	24,332,483
DEFERRED ACQUISITION COSTS AND		
INTANGIBLE ASSETS (Notes 3 (a) and 10 (b))	52,973	36,113,295
MINERAL PROPERTIES (Note 4)	100,539,939	26,148,767
OIL AND GAS PROPERTIES (net of depletion of \$16,902)	56,624	73,526
EQUIPMENT (net of amortization of \$2,928)	20,451	18,995
	\$ 129,143,386	\$ 86,687,066
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 318,848	\$ 574,111
FUTURE INCOME TAXES		
	21,321,000	2,607,000
	21,639,848	3,181,111
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	134,634,743	109,284,743
Contributed surplus (Note 5)	3,875,029	3,751,817
Deficit	(31,006,234)	(29,530,605)
	107,503,538	83,505,955
	\$ 129,143,386	\$ 86,687,066

SUBSEQUENT EVENTS (Note 10)

APPROVED BY THE BOARD

(Signed) Ian Rozier

Ian Rozier, Director

(Signed) David Cohen

David Cohen, Director

See accompanying notes to the interim consolidated financial statements.

EASTERN PLATINUM LIMITED
Consolidated Statements of Loss and Deficit
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2006	2005	2006	2005
EXPENSES				
Amortization	\$ 1,076	\$ -	\$ 2,928	\$ -
Consulting fees	83,066	36,778	216,664	112,649
Directors' fees	30,000	-	90,000	-
Insurance	11,684	-	30,348	-
Listing fees	-	-	340,438	-
Management fees	45,000	7,500	105,000	35,000
Office and rent	68,324	7,413	214,515	11,235
Professional fees	98,309	20,580	297,090	82,812
Shareholder information and public relations	24,633	10,310	112,481	29,067
Stock-based compensation (Note 5)	101,560	67,018	123,212	246,119
Transfer agent and filing fees	47,412	45,046	80,150	63,528
Travel and related costs	179,466	-	389,344	-
	(690,530)	(194,645)	(2,002,170)	(580,410)
OTHER INCOME (EXPENSES)				
Oil and gas income, net	17,267	-	73,879	-
Depletion	(5,500)	-	(16,902)	-
Foreign exchange gain (loss)	56,697	1,102	64,657	(2,573)
Foreign exchange loss on future income taxes	(640,000)	-	(459,000)	-
Write-off of mineral property	-	-	-	(617,230)
Interest income	178,646	19,938	863,907	35,109
	(392,890)	21,040	526,541	(584,694)
NET LOSS FOR THE PERIOD	(1,083,420)	(173,605)	(1,475,629)	(1,165,104)
DEFICIT, BEGINNING OF PERIOD	(29,922,814)	(25,875,028)	(29,530,605)	(24,883,529)
DEFICIT, END OF PERIOD	\$ (31,006,234)	\$ (26,048,633)	\$ (31,006,234)	\$ (26,048,633)
BASIC AND DILUTED NET LOSS PER SHARE				
	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	104,433,085	24,918,019	93,037,038	24,884,615

See accompanying notes to the interim consolidated financial statements.

EASTERN PLATINUM LIMITED
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net loss for the period	\$ (1,083,420)	\$ (173,605)	\$ (1,475,629)	\$ (1,165,104)
Items not involving cash:				
Amortization and depletion	6,578	-	19,830	-
Foreign exchange loss on future income taxes	640,000	-	459,000	-
Stock-based compensation	101,560	67,018	123,212	246,119
Write-off of mineral property	-	-	-	617,230
	(335,282)	(106,587)	(873,587)	(301,755)
Net changes in non-cash working capital items:				
Receivables and prepaids	(367,546)	(7,354)	66,796	(6,554)
Refundable taxes	(111,627)	(5,727)	(2,999,379)	(12,640)
Accounts payable and accrued liabilities	139,626	43,031	(255,263)	33,338
	(674,829)	(76,637)	(4,061,433)	(287,611)
FINANCING ACTIVITY				
Shares issued for cash	1,302,000	12,000	1,350,000	34,500
INVESTING ACTIVITIES				
Deferred acquisition costs recovered (incurred)	(52,973)	(62,670)	4,921,812	(960,795)
Deferred exploration expenditures	(352,104)	-	(997,662)	-
Purchase of equipment	(4,384)	-	(4,384)	-
Purchase of short-term investments	(86,250)	-	(23,686,250)	-
Maturity of short-term investments	50,000	-	22,127,000	-
	(445,711)	(62,670)	2,360,516	(960,795)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	181,460	(127,307)	(350,917)	(1,213,906)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,039,818	1,692,127	1,572,195	2,778,726
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,221,278	\$ 1,564,820	\$ 1,221,278	\$ 1,564,820

See accompanying notes to the interim consolidated financial statements.

EASTERN PLATINUM LIMITED

Notes to the Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

1. NATURE OF OPERATIONS

Eastern Platinum Limited (the "Company") is engaged in the exploration of its mineral properties and has not yet determined whether these properties contain economically recoverable reserves. The Company's exploration and development are conducted jointly with others and, accordingly, these financial statements reflect only the Company's share in such activities.

In April 2005, the Company changed its name from Jonpol Explorations Limited to Eastern Platinum Limited following the amalgamation described in Note 3. To effect the merger, the pre-amalgamation common shares, outstanding stock options and warrants were exchanged on a four old to one new basis. These financial statements reflect the post-amalgamation number of common shares, outstanding stock options and warrants for all periods presented.

Although the Company has taken steps to verify title to mining properties in which it has an interest according to industry standards for the stage of exploration and development of such properties, these procedures may not guarantee the Company's title. Properties may be subject to undisclosed prior agreements or transfers and title may be affected by undetected defects.

2. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. Operating results for the nine month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending June 30, 2006. These interim consolidated financial statements follow the same accounting policies as the audited consolidated financial statements of the Company for the fifteen-month-period ended June 30, 2005. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company's 2005 annual audited consolidated financial statements and notes thereto.

Certain numbers have been reclassified to conform to the current period presentation.

EASTERN PLATINUM LIMITED

Notes to the Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

3. ACQUISITION AND MERGER

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 platinum group metals ("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.

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

The agreements culminated in the consolidation of the rights to the Spitzkop PGM Project into the Company. The Company currently controls both the Mareesburg and Spitzkop PGM Projects, both located on the Eastern Limb of the Bushveld Igneous Complex.

(a) 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 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 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 PGM Project.

EASTERN PLATINUM LIMITED

Notes to the Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

3. ACQUISITION AND MERGER (Continued)

(a) *Acquisition of Eastern Platinum Holdings Ltd. (continued)*

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

Purchase price	
18,750,000 common shares	\$ 24,000,000
Rand 111,000,000, net of Rand 16,000,000 deposit acquired upon amalgamation with Elgin (Note 3 (b))	17,618,022
Acquisition costs	975,961
	<hr/>
	\$ 42,593,983
	<hr/>
Net assets acquired	
Mineral properties	60,848,983
Future income taxes	(18,255,000)
	<hr/>
	\$ 42,593,983
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EASTERN PLATINUM LIMITED
Notes to the Interim Consolidated Financial Statements
Nine month period ended March 31, 2006
(Unaudited)

3. ACQUISITION AND MERGER (Continued)

(b) 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	\$ 47,531,182
Stock options and warrants of Elgin	2,458,174
Acquisition costs	1,084,962
	<hr/>
	\$ 51,074,318
	<hr/>
Net assets acquired	
Cash and short-term investments	\$ 14,916,518
Non-cash working capital	348,930
Deferred acquisition and intangible assets related to Spitzkop acquisition (Note 3 (a))	12,544,527
Mineral properties	25,773,901
Oil and gas properties	77,792
Equipment	19,650
Future income taxes	(2,607,000)
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	\$ 51,074,318
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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:

- (i) payment of South African Rand (“ZAR”) 16.0 million (\$3.4 million) to Implats as agreed between Implats and the Spitzkop Syndicate (paid);
 - (ii) incurring ZAR 30.0 million (approximately \$5.5 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 (\$1,548,788 incurred to March 31, 2006);
 - (iii) the Company will be the operator of the joint venture; and
 - (iv) the Company has equal representation on the management committee of the joint venture.
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EASTERN PLATINUM LIMITED

Notes to the Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

4. MINERAL PROPERTIES

	Nine month period ended March 31, 2006	Fifteen month period ended June 30, 2005
Balance, beginning of period	\$ 26,148,767	\$ 995,355
Acquisitions (Note 3)	73,588,510	25,773,901
Exploration expenditures	802,662	385,711
Write-off of mineral properties	-	(622,230)
Disposal of mineral property	-	(383,970)
Balance, end of period	\$ 100,539,939	\$ 26,148,767
	March 31, 2006	June 30, 2005
Represented by		
Spitzkop	\$ 73,412,297	\$ -
Mareesburg	27,127,641	26,148,766
Rooikraal	1	1
	\$ 100,539,939	\$ 26,148,767

(a) *Spitzkop, South Africa*

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

(b) *Mareesburg, South Africa*

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 (Note 8).

(c) *Rooikraal, South Africa*

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 Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

5. 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
	<u> </u>	<u> </u>	<u> </u>
Balance, March 31, 2004	24,783,019	\$ 27,602,397	\$ 1,015,250
Exercise of warrants	155,000	68,000	(11,000)
Shares issued for cash	22,722,108	34,083,164	-
Issued for acquisition of EPHL (Note 3 (a))	18,750,000	24,000,000	-
Issued for acquisition of Elgin	37,133,736	47,531,182	2,458,174
Stock-based compensation	-	-	289,393
	<u>103,543,863</u>	<u>133,284,743</u>	<u>3,751,817</u>
Held in trust pending completion of EPHL acquisition (Note 3 (a))	(18,750,000)	(24,000,000)	-
Balance, June 30, 2005	84,793,863	109,284,743	3,751,817
Released from trust pursuant to completion of EPHL acquisition (Note 3 (a))	18,750,000	24,000,000	-
Exercise of warrants	1,100,000	1,350,000	-
Stock-based compensation	-	-	123,212
Balance, March 31, 2006	<u>104,643,863</u>	<u>\$ 134,634,743</u>	<u>\$ 3,875,029</u>

EASTERN PLATINUM LIMITED
Notes to the Interim Consolidated Financial Statements
Nine month period ended March 31, 2006
(Unaudited)

5. SHARE CAPITAL (Continued)

(c) *Stock options*

During the nine month period ended March 31, 2006, the Company granted stock options entitling the holders to acquire up to 205,000 common shares at a price of \$1.70 per share. In addition, during the same period, no stock options were exercised and 792,500 options were cancelled.

The following table summarizes information concerning outstanding and exercisable options at March 31, 2006:

<u>Options outstanding</u>	<u>Options exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
2,875,000	2,875,000	\$ 1.70	May 25, 2007
625,000	625,000	0.56	November 5, 2008
312,500	312,500	1.00	August 26, 2009
175,000	175,000	1.70	January 14, 2008
30,000	30,000	1.70	January 24, 2008
<u>4,017,500</u>	<u>4,017,500</u>	<u>\$ 1.46</u>	

(d) *Share purchase warrants*

During the nine month period ended March 31, 2006, 1,100,000 common shares were issued for proceeds totaling \$1,350,000 pursuant to the exercise of share purchase warrants. No share purchase warrants were issued or cancelled during the period.

The following table summarizes information concerning outstanding warrants at March 31, 2006:

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
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
<u>27,999,374</u>		

EASTERN PLATINUM LIMITED

Notes to the Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

5. 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:

	Nine months ended March 31, 2006
Risk-free interest rate	3.77%
Expected life	2 years
Annualized volatility	55%
Dividend rate	0%
Weighted average fair value per option	\$0.50

6. 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:

	Nine months ended March 31, 2006	Nine months ended March 31, 2005
Consulting fees	\$ 202,500	\$ 75,871
Directors' fees	90,000	-
Management fees	105,000	27,500
Rent	54,000	-
Success fee	195,000	-

- (b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2006 included \$10,000 (June 30, 2005 - \$5,000) which were due for directors' fees and \$Nil (June 30, 2005 - \$12,430) owing to companies with common directors.

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

Notes to the Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

7. COMMITMENT

Effective August 22, 2005, the Company entered into an agreement which appointed Canaccord Capital (Europe) Limited ("Canaccord") to act as the nominated adviser ("NOMAD") and broker to the Company for the purposes of the Alternative Investment Market rules. Under the agreement, the Company agreed to pay Canaccord a fee of £50,000 (Cdn\$101,600) per annum for its services. The agreement has an initial term of twelve months from admission and may be terminated in that time by either party giving the other three months' written notice.

8. CONTINGENCY

The current mineral rights permit for the Mareesburg property (Note 4 (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.

9. SEGMENTED INFORMATION

(a) Operating segment - The Company's operations are primarily directed towards the acquisition and exploration of resource properties in South Africa. During the nine month period ended March 31, 2006, all of the Company's operations and material assets were located in Canada.

(b) Geographic segments - The Company's assets (consisting of mineral properties, oil and gas properties and equipment), revenues and expenses by geographic areas are as follows:

	<u>South Africa</u>	<u>Canada</u>	<u>Total</u>
Assets	\$ 100,539,939	\$ 28,603,447	\$ 129,143,386
General and administrative	\$ (144,173)	\$ (2,252,340)	\$ (2,396,513)
Other income	-	937,784	937,784
Other expenses	-	(16,900)	(16,900)
	-	920,884	920,884
Net loss for the period	\$ (144,173)	\$ (1,331,456)	\$ (1,475,629)

EASTERN PLATINUM LIMITED

Notes to the Interim Consolidated Financial Statements

Nine month period ended March 31, 2006

(Unaudited)

10. SUBSEQUENT EVENTS

Subsequent to March 31, 2006, the Company entered into the following transactions:

- (a) The Company completed a private placement of 120 million units at a price of \$1.25 per unit for gross proceeds of \$150 million. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant shall entitle the holder to acquire an additional common share at \$1.80 for a three year period expiring March 28, 2009.
- (b) The Company announced that it has completed the transaction to acquire the shareholdings of three private companies, the combined assets of which represent a 69% interest (210,000,000 common shares) in Barplats Investments Limited ("Barplats") a platinum group metals producing company in South Africa.

The consideration to be paid by the Company is as follows:

- 288,585,122 shares of Eastplats (issued);
 - a cash payment of \$27,308,597 (paid); and
 - as conditions of the closing of the acquisition, Eastplats shall assume an outstanding convertible loan to Barplats of approximately Cdn\$6.9 million and shall retire or replace a ZAR 100 million loan (approximately Cdn\$18.3 million), that is secured by a pledge of 100,000,000 of the Barplats shares, by May 31, 2006.
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EASTERN PLATINUM LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

For the Nine Month Period Ended March 31, 2006

The following discussion and analysis of financial results (“MD&A”), prepared as of May 12, 2006, should be read in conjunction with the unaudited interim consolidated financial statements of Eastern Platinum Limited (the “Company”) for the nine month period ended March 31, 2006, together with the related notes thereto. Those interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements.

All amounts are expressed in Canadian dollars 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.

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

Description of Business

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral properties in South Africa.

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

On April 25, 2005 the Company amalgamated with Elgin Resources Inc. (“Elgin”) and changed its name to Eastern Platinum Limited (“Eastplats”). Pursuant to the merger, the pre-amalgamation common shares, outstanding stock options and warrants of the Company were exchanged on a four-old-to-one-new basis. This MD&A reflects the post-amalgamation number of common shares, outstanding stock options and warrants for the period presented.

On August 26, 2005, the Company announced that its existing common shares were admitted to trading on the Alternative Investment Market (“AIM) of the London Stock Exchange plc. The Company’s Nominated Adviser and Broker (NOMAD) is Canaccord Adams Limited.

Significant Transactions

Subsequent to March 31, 2006, the Company entered into the following transactions:

- (a) The Company completed a private placement of 120 million units at a price of \$1.25 per unit for gross proceeds of \$150 million. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant shall entitle the holder to acquire an additional common share at \$1.80 for a three year period expiring March 28, 2009.
- (b) The Company announced that it has completed the transaction to acquire the shareholdings of three private companies, the combined assets of which represent a 69% interest (210,000,000 common shares) in Barplats Investments Limited ("Barplats"), a platinum group metals producing company in South Africa.

The consideration to be paid by the Company is as follows:

- Issuance of 288,585,122 common shares of Eastern Platinum Limited (issued);
- a cash payment of \$27,308,597 (paid); and
- as conditions of the closing of the acquisition, the Company shall, by May 31, 2006, assume an outstanding convertible loan to Barplats of approximately Cdn\$6,900,000 and shall retire or replace a ZAR 100 million loan (approximately Cdn\$18.3 million) that is secured by a pledge of 100,000,000 of the Barplats shares.

Acquisitions and Merger

On November 1, 2004, the Company announced that it had entered into a series of agreements to merge with Elgin and acquire a controlling interest in Spitzkop Platinum (Pty) Ltd. (“Spitzplats”) which owns 100% of the mineral rights in the Spitzkop Platinum Project (“Spitzkop”) in Mpumalanga Province, South Africa. A syndicate of investors (the “Spitzkop Syndicate”) had previously entered into an agreement with Impala Platinum Ltd. (“Implats”) to acquire the rights to Spitzkop.

In March 2005, a Black Economic Empowerment (“B.E.E.”) Consortium led by Mr. Zwelake Sisulu of Afriminerals Holdings (Pty) Ltd (“Afriminerals”) entered into an agreement to acquire a 26% shareholding in Spitzplats. The B.E.E. Consortium includes companies and organizations representing Historically Disadvantaged South Africans (HDSA’s). The Company also entered into a share purchase agreement whereby it acquired a 74% interest in Spitzplats through the acquisition of a 100% interest in Eastern Platinum Holdings Ltd. and, under the terms of a previously reported transaction, Elgin entered into a 50:50 joint venture with Spitzplats whereby the Company agreed to finance further exploration and development through to feasibility.

The agreements culminate in the consolidation of the rights to the Spitzkop PGM Project into the Company. The Company currently controls both the Maresburg PGM Project and the Spitzkop PGM Project, both located on the Eastern Limb of the Bushveld Igneous Complex.

(a) Acquisition of Eastern Platinum Holdings Ltd. (“EPHL”)

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 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 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 PGM Project.

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

Purchase price	
18,750,000 common shares	\$ 24,000,000
Rand 111,000,000, net of Rand 16,000,000 deposit acquired upon amalgamation with Elgin (Note 3 (b))	17,618,022
Acquisition costs	975,961
	<u>\$ 42,593,983</u>
Net assets acquired	
Mineral properties	60,848,983
Future income taxes	(18,255,000)
	<u>\$ 42,593,983</u>

(b) *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 a price of \$1.28, 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 allocation of the purchase price is summarized in the table below:

Purchase price	
37,133,736 post-amalgamation common shares	\$ 47,531,182
Stock options and warrants of Elgin	2,458,174
Acquisition costs (including success fee)	1,084,962
	<u>\$ 51,074,318</u>
Net assets acquired	
Cash and short-term investments	\$ 14,916,518
Non-cash working capital	348,930
Deferred acquisition costs and intangible assets	12,544,527
Mineral properties	25,773,901
Oil and gas properties	77,792
Equipment	19,650
Future income taxes	(2,607,000)
	<u>\$ 51,074,318</u>

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:

- (i) Payment of South African Rand (“ZAR”) 16.0 million (\$3.4 million) to Implats as agreed between Implats and the Spitzkop Syndicate (paid);
- (ii) Incurring ZAR 30.0 million (approximately \$5.5 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 (\$1,548,788 incurred to March 31, 2006);
- (iii) The Company will be the operator of the joint venture;
- (iv) The Company will have equal representation on the management committee of the joint venture.

Mineral Properties

Mareesburg, 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, 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 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.

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 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
- No concentrator to be built on site

Diamond Drilling

Gondwana Drilling CC, a black economic empowerment company, was awarded the drilling contract and diamond coring commenced in November 2004. By mid July 2005, approximately 5950 metres of core drilling were complete: 3150m are in 37 “mother holes” and 2800m 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 acquisition of the Spitzkop PGM project, 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 likely be completed during the first half of the 2007 fiscal year within the original budget of ZAR14 million (\$2.5m). Five orientated diamond core holes will be dedicated for rock mechanics and pit slope design parameters.

Spitzkop, South Africa

Eastern Platinum Holdings Ltd. (“EPHL”), a wholly owned BVI subsidiary of the Company, holds a 74% interest in Spitzkop Platinum (Pty) Ltd. (“Splitzplats”), a South Africa corporation, which in turn holds a 100% interest in the Spitzkop Project.

A syndicate of investors and its South African Black Empowerment (“B.E.E.”) group acquired the remaining 26% shareholding in Splitzplats.

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 up to a maximum of ZAR 30.0 million (approximately \$5.5 million) of expenditures on the project to be completed within 36 months of the acquisition of the mineral rights to the Spitzkop Project to advance the project through to a feasibility study.

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

Results of Operations

The Company recorded a loss for the nine month period ended March 31, 2006 of \$1,475,629 or \$0.02 per share compared to a loss of \$1,165,104 or \$0.05 per share for the comparative nine month period ended March 31, 2005 and a loss for the three month period ended March 31, 2006 of \$1,083,420 or \$0.01 per share compared to a loss of \$173,605 or \$0.01 per share for the comparative three month period ended March 31, 2005.

General & Administrative

The significant increase in the loss arose from increases in the Company's expenditures related to general and administration expenses totaling \$2,396,513 (2005 - \$582,983) for the nine month period and \$1,273,833 (2005 - \$193,543) for the three month period ended March 31, 2006. The increase in these expenditures for the nine month period is due to the Company completing the listing of its shares on AIM and includes \$340,438 for these costs incurred during the period and a significant increase in professional, consulting and transfer agent fees directly relating to the amalgamation for both the three and nine month periods ended March 31, 2006.

Other Income and Expenses

The Company earned interest income totaling \$863,905 (2005 - \$35,109) during the nine month period ended March 31, 2006, and \$178,646 (2005 - \$19,938) during the three month period, on its cash deposits and short term investments. Prior to December 31, 2005, interest income included income from funds held in trust pending the completion of the acquisition of Spitzplats.

Liquidity and Capital Resources

The Company's working capital position at March 31, 2006 was \$28,154,551 as compared to \$23,758,372 at June 30, 2005. The Company capitalized \$802,662 of exploration expenditures during the nine month period ended March 31, 2006 relating to ongoing exploration associated with the Mareesburg project and initial exploration associated with Spitzkop. The Company expects that this working capital should be sufficient to continue operations through the next fiscal year.

The change in working capital is a result of:

- i) Incurring exploration expenditures totaling \$802,662;
- ii) Receipt of \$1,350,000 pursuant to the exercise of 1,100,000 share purchase warrants;
- iii) Cash used by operating activities totaling approximately \$4,061,000;
- iv) Recording VAT receivable of \$2,845,000 on the acquisition of Spitzkop; and
- v) Recovery of deferred acquisition costs on the acquisition of Spitzkop totalling approximately \$2,129,000.

The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to finance further major property expenditures, finance further property acquisitions, and undertake development of its mineral properties.

Summary of Quarterly Results

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

	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005	June 30, 2005
Financial results				
Net income (loss) for period	\$(1,083,420)	\$ 29,752	\$ (421,961)	\$(1,160,495)
Basic and diluted loss per share	(0.01)	0.01	(0.01)	(0.06)
Expenditures on mineral properties	352,104	240,818	404,740	385,711
Balance sheet data				
Cash and short term deposits	24,807,528	24,589,818	22,836,551	23,599,195
Deferred acquisition costs	52,973	-	36,113,295	36,113,295
Mineral properties	100,539,939	100,187,835	26,553,507	26,148,767
Total assets	129,143,386	128,043,620	86,530,898	86,687,066
Shareholders' equity	107,503,538	107,183,398	83,102,793	83,505,955

	Mar 31, 2005	Dec 31, 2004	Sept 30, 2004	June 30, 2004
Financial results				
Net income (loss) for period	\$ (173,605)	\$ (711,592)	\$ (279,907)	\$ (52,012)
Basic and diluted loss per share	(0.01)	(0.03)	(0.01)	(0.01)
Expenditures on mineral properties	-	-	-	4,059
Balance sheet data				
Cash and short term deposits	1,564,820	1,692,127	2,639,681	2,778,726
Deferred acquisition costs	-	-	-	-
Mineral properties	382,184	382,185	999,415	999,415
Total assets	2,900,491	2,995,222	3,661,932	3,794,813
Shareholders' equity	2,872,133	2,966,720	3,639,519	3,756,618

Commitments and Contractual Obligations

Effective August 22, 2005, the Company entered into an agreement with Canaccord Capital (Europe) Limited (“Canaccord”) to act as the nominated adviser and broker to the Company for the purposes of the AIM rules. Under the agreement, the Company agreed to pay Canaccord a fee of £50,000 (CDN\$101,600) per annum for its services. The agreement has an initial term of twelve months from admission and may be terminated in that time by either party giving the other three months’ written notice.

Off Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

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:

	Nine months ended March 31, 2006	Nine months ended March 31, 2005
Consulting fees	\$ 202,500	\$ 75,871
Directors' fees	90,000	-
Management fees	105,000	27,500
Rent	54,000	-
Success fees	195,000	-

- (b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2006 included \$10,000 (June 30, 2005 - \$5,000) which were amounts payable for Directors’ fees and \$Nil (June 30, 2005 - \$12,430) which were due to companies with common directors.
- (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.

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. As the Company is in the project development stage, these factors have had no material effect on present operations or income.

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.

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. The Company 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, the Company 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’ 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 the Company. The Company’s operations may also be affected to varying degrees by political and economic instability, terrorism, crime, the AIDS crisis, extreme fluctuations in foreign exchange rates and inflation.

Subsequent events

See Significant Transactions section above.

Additional Information

As at May 12, 2006, the Company had 513,273,985 common shares outstanding and the following outstanding options and warrants:

Exercise Price	Options Outstanding and Exercisable		
	Number of Options Outstanding	Number of Options Exercisable	Expiry Date
1.70	2,875,000	2,875,000	May 25, 2007
0.56	625,000	625,000	November 5, 2008
1.00	312,500	312,500	August 26, 2009
1.70	175,000	175,000	January 17, 2008
1.70	30,000	30,000	January 24, 2008
	4,017,500	4,017,500	

<u>Exercise Price</u>	<u>Number of Warrants</u>	<u>Expiry Date</u>
\$ 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	60,000,000	April 28, 2009
	<u>87,999,374</u>	