

Consolidated financial statements of

Eastern Platinum Limited

December 31, 2006
(Unaudited)

Eastern Platinum Limited

December 31, 2006

Table of contents

| | |
|---|------|
| Consolidated statements of operations and deficit | 1 |
| Consolidated balance sheets | 2 |
| Consolidated statements of cash flows | 3 |
| Notes to the consolidated financial statements | 4-11 |

Eastern Platinum Limited

Consolidated statements of operations and deficit three and six month periods ended December 31,

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

(Unaudited)

| | Three months ended December 31, | | Six months ended December 31, | |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Revenue | 28,363 | - | 53,813 | - |
| Cost of operations | | | | |
| Production costs | (18,943) | - | (36,046) | - |
| Depletion and depreciation | (3,513) | - | (6,485) | - |
| | (22,456) | - | (42,531) | - |
| Income before undernoted items | 5,907 | - | 11,282 | - |
| Expenses | | | | |
| General and administrative | 4,388 | 490 | 8,140 | 1,244 |
| Stock-based compensation | 162 | 3 | 218 | 22 |
| | 4,550 | 493 | 8,358 | 1,266 |
| Operating income (loss) | 1,357 | (493) | 2,924 | (1,266) |
| Other income (expense) | | | | |
| Interest income | 1,956 | 338 | 3,855 | 685 |
| Interest expense | (1,467) | - | (2,915) | - |
| Foreign exchange gain | 5,834 | 185 | 1,644 | 189 |
| Income (loss) before income taxes and non-controlling interests | 7,680 | 30 | 5,508 | (392) |
| Recovery of future income taxes | 404 | - | 807 | - |
| Non-controlling interests (Note 8) | (671) | - | (1,381) | - |
| Net income (loss) for the period | 7,413 | 30 | 4,934 | (392) |
| Deficit, beginning of period | (46,434) | (29,953) | (43,955) | (29,531) |
| Deficit, end of period | (39,021) | (29,923) | (39,021) | (29,923) |
| Basic and diluted income (loss) per share | 0.01 | 0.00 | 0.01 | (0.00) |
| Weighted average number of common shares outstanding | | | | |
| Basic | 515,234,420 | 90,131,037 | 514,569,575 | 87,462,450 |
| Diluted | 515,612,386 | 90,131,037 | 515,612,386 | 87,462,450 |

Eastern Platinum Limited

Consolidated balance sheets

(Expressed in thousands of Canadian dollars)

(Unaudited)

| | December 31, 2006 | June 30, 2006 |
|--|----------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 5,402 | 50,798 |
| Short-term investments | 65,290 | 83,386 |
| Receivables (Note 3) | 31,890 | 14,446 |
| Inventories (Note 4) | 9,307 | 1,871 |
| | 111,889 | 150,501 |
| Loan receivable (Note 5) | 11,552 | - |
| Property, plant and equipment (Note 6) | 676,196 | 600,739 |
| Refining contract | 17,505 | 16,718 |
| Other assets | 1,173 | 458 |
| | 818,315 | 768,416 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 19,444 | 16,128 |
| Short-term debt | 13,666 | 28,761 |
| | 33,110 | 44,889 |
| Asset retirement obligation | 4,237 | 3,665 |
| Capital leases | 7,362 | - |
| Future income taxes | 151,113 | 140,006 |
| | 195,822 | 188,560 |
| Non-controlling interests (Note 8) | 15,730 | 15,120 |
| Shareholders' equity | | |
| Share capital (Note 7) | 672,143 | 668,453 |
| Contributed surplus (Note 7) | 8,284 | 8,095 |
| Currency translation adjustment (Note 9) | (34,643) | (67,857) |
| Deficit | (39,021) | (43,955) |
| | 606,763 | 564,736 |
| | 818,315 | 768,416 |

Approved by the Board

(Signed) David Cohen

David Cohen, Director

(Signed) Ian Rozier

Ian Rozier, Director

Eastern Platinum Limited
Consolidated statements of cash flows
three and six month periods ended December 31,
(Expressed in thousands of Canadian dollars)
(Unaudited)

| | Three months ended December 31, | | Six months ended December 31, | |
|---|------------------------------------|--------------|----------------------------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Operating activities | | | | |
| Net income (loss) for the period | 7,413 | 30 | 4,934 | (392) |
| Items not involving cash | | | | |
| Accretion | 120 | - | 242 | - |
| Depletion and depreciation | 3,513 | 6 | 6,485 | 13 |
| Stock-based compensation | 162 | 3 | 218 | 22 |
| Foreign exchange gain | (2,677) | (181) | (128) | (181) |
| Future income tax recovery | (404) | - | (807) | - |
| Non-controlling interests | 671 | - | 1,381 | - |
| | 8,798 | (142) | 12,325 | (538) |
| Net changes in non-cash working capital items | | | | |
| Receivables | (11,998) | 601 | (17,800) | 392 |
| Inventories | 3,149 | - | (6,811) | - |
| Accounts payable and accrued liabilities | (11,809) | (642) | 2,390 | (395) |
| | (11,860) | (183) | (9,896) | (541) |
| Financing activities | | | | |
| Short-term debt financing | 6,636 | - | (10,025) | - |
| Shares issued for cash | - | 48 | - | 48 |
| | 6,636 | 48 | (10,025) | 48 |
| Investing activities | | | | |
| Purchase of debt (Note 5) | - | - | (9,691) | - |
| Acquisition of interest in Afriminerals (Pty) Ltd. (Note 6 (c)) | - | - | (6,165) | - |
| Short-term investments | 4,552 | (2,123) | 17,457 | (1,523) |
| Property, plant and equipment expenditures, net of related accounts payable | (15,768) | - | (27,111) | - |
| Deferred acquisition costs and intangible assets incurred | - | (241) | - | (645) |
| Deferred acquisition costs recovered | - | 2,129 | - | 2,129 |
| | (11,216) | (235) | (25,510) | (39) |
| Effect of exchange rate changes on cash and cash equivalents | | | | |
| | 50 | - | 35 | - |
| Decrease in cash and cash equivalents | (16,390) | (370) | (45,396) | (532) |
| Cash and cash equivalents, beginning of period | 21,792 | 1,410 | 50,798 | 1,572 |
| Cash and cash equivalents, end of period | 5,402 | 1,040 | 5,402 | 1,040 |
| Cash and cash equivalents are comprised of | | | | |
| Cash in bank | 2,468 | 1,040 | 2,468 | 1,040 |
| Short-term money market instruments | 2,934 | - | 2,934 | - |
| | 5,402 | 1,040 | 5,402 | 1,040 |
| Supplementary cash flow information | | | | |
| Interest paid | 388 | - | 701 | - |
| Income taxes paid | - | - | - | - |

During the six months ended December 31, 2006, the Company issued 3,000,000 common shares with a value of \$3.7 million for the acquisition of the interest in Afriminerals (Pty) Ltd. (Note 6 (c)).

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

1. Nature of operations

Eastern Platinum Limited (the "Company") is focused on the exploration, development and exploitation of platinum group metal ("PGM") properties.

2. Basis of presentation

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are necessary for a fair presentation of results for the interim periods. Operating results for the six month period ended December 31, 2006 are not necessarily indicative of the results that may be expected for the year ending June 30, 2007. These interim consolidated financial statements should be read in conjunction with and follow the same accounting policies as the audited consolidated financial statements of the Company for the year ended June 30, 2006.

3. Receivables

| | December 31, 2006 | June 30, 2006 |
|-------------------|----------------------|------------------|
| | \$ | \$ |
| Trade receivables | 24,745 | 12,888 |
| Other receivables | 1,762 | 1,179 |
| Refundable taxes | 4,182 | 112 |
| Prepaid expenses | 1,201 | 267 |
| | 31,890 | 14,446 |

4. Inventories

| | December 31, 2006 | June 30, 2006 |
|---------------------|----------------------|------------------|
| | \$ | \$ |
| Consumables | 2,934 | 777 |
| Ore and concentrate | 6,373 | 1,094 |
| | 9,307 | 1,871 |

5. Loan receivable

During the three months ended September 30, 2006, the Company (through a wholly-owned subsidiary) purchased a loan held by Nedbank Capital in favour of Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu"), Barplats' minority shareholder and Black Economic Empowerment partner, under the same commercial terms and conditions as the Nedbank Capital loan. The debt was purchased for \$9.5 million and is a demand note with interest accruing at the floating South African prime rate (December 31, 2006 - 12.5%).

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

6. Property, plant and equipment

| | | | December 31, 2006 | June 30, 2006 |
|--|----------------|---|----------------------|-------------------|
| | Cost | Accumulated depreciation/ depletion | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Mining plant and equipment | 129,520 | 2,547 | 126,973 | 80,634 |
| Mineral properties | | | | |
| Crocodile River Mine (a) | 108,074 | 2,869 | 105,205 | 115,608 |
| Kennedy's Vale Project (b) | 329,524 | - | 329,524 | 303,571 |
| Spitzkop PGM Project (c) | 86,821 | - | 86,821 | 73,640 |
| Mareesburg JV (d) | 27,641 | - | 27,641 | 27,209 |
| Other property, plant and equipment | 64 | 32 | 32 | 77 |
| | 681,644 | 5,448 | 676,196 | 600,739 |

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

CRM is located on the eastern portion of the western limb of Bushveld Igneous Complex ("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.

(c) *Spitzkop PGM Project*

The Company holds a 50% direct joint venture interest in the Spitzkop PGM Project ("Spitzkop Project") along with a 37% indirect interest in Spitzkop and on August 22, 2006 it acquired a 49% interest in South African, Black Economic Empowerment ("BEE") company, Afriminerals (Pty) Ltd ("Afriminerals"). Afriminerals' net assets consist wholly of a 26% shareholding in Spitzkop Platinum (Pty) Ltd. ("Spitzplats"), and is the Company's joint venture partner on the Spitzkop Project. The balance of the shares in Afriminerals are owned by a consortium that includes companies and organizations representing Historically Disadvantaged South Africans ("HDSA's"). Total consideration paid to acquire the 49% shareholding in Afriminerals was US\$5.5 million and 3,000,000 shares of the Company.

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.

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

6. Property, plant and equipment (continued)

(d) *Mareesburg JV*

The Company 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. The Company 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.

7. Share capital

(a) *Authorized*

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

Unlimited number of common shares with no par value

(b) *Issued*

| | Number of common shares | Amount \$ | Contributed surplus \$ |
|--|-------------------------------|----------------|------------------------------|
| Balance, June 30, 2006 | 513,228,985 | 668,453 | 8,095 |
| Issued for acquisition of Afriminerals (Pty) Ltd. | 3,000,000 | 3,690 | - |
| Stock-based compensation | - | - | 110 |
| Stock option expense of subsidiary, net of non-controlling interest portion of \$36,000 | - | - | 79 |
| Balance, December 31, 2006 | 516,228,985 | 672,143 | 8,284 |

(c) *Stock options*

During the six month period ended December 31, 2006, the Company cancelled 142,500 stock options and granted 350,000 stock options.

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

7. Share capital (continued)

(c) Stock options (continued)

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

| Options outstanding | Options exercisable | Exercise price | Expiry date |
|------------------------|------------------------|-------------------|--------------------|
| | | \$ | |
| 2,775,000 | 2,775,000 | 1.70 | May 25, 2007 |
| 175,000 | 175,000 | 1.70 | January 14, 2008 |
| 625,000 | 625,000 | 0.56 | November 5, 2008 |
| 312,500 | 312,500 | 1.00 | August 26, 2009 |
| 37,500 | 37,500 | 1.12 | September 17, 2009 |
| 13,075,000 | 12,175,000 | 1.70 | May 24, 2011 |
| 350,000 | 350,000 | 1.70 | November 27, 2011 |
| 17,350,000 | 16,450,000 | | |

(d) Share purchase warrants

During the six months ended December 31, 2006, no share purchase warrants were issued, exercised or cancelled.

The following table summarizes information concerning outstanding warrants at December 31, 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 | | |

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

7. 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:

| | Six months ended December 31, 2006 |
|--|---|
| Risk free interest rate | 3.9% |
| Expected dividend yield | 0% |
| Expected option life (years) | 3 |
| Expected stock price volatility | 49% |
| Weighted average fair value of options granted at market prices | \$0.31 |

8. Non-controlling interests

The Company holds an indirect interest in Barplats of 69.0% (June 2006 - 69.0%).

The non-controlling interests are comprised of the following:

| | December 31, 2006 |
|---|----------------------|
| | \$ |
| Balance, beginning of period | 15,120 |
| Non-controlling interests' share of income in Barplats | 1,381 |
| Non-controlling interests' share of contributed surplus arising from stock options and cumulative translation adjustment for the period | 34 |
| Non-controlling interests' share of currency translation adjustment | (805) |
| | 15,730 |

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

9. Currency translation adjustment

| | |
|--|-----------------|
| | \$ |
| Balance, June 30, 2006 | (67,857) |
| Translation adjustments for the period | 33,214 |
| Balance, December 31, 2006 | (34,643) |

The Company operates in two functional currencies: Canadian dollar and South African Rand. Translation gains or losses on the consolidation of the financial statements of self-sustaining operations are accumulated in the currency translation adjustment account on the consolidated balance sheet. Translation adjustments arise as a result of fluctuations in foreign currency exchange rates. The currency translation adjustment for the six month period ending December 31, 2006 resulted from the 9% strengthening of the South African Rand against the Canadian dollar.

10. Related party transactions

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

| | Six months ended December 31, | |
|-----------------|-------------------------------|------|
| | 2006 | 2005 |
| | \$ | \$ |
| Consulting fees | 200 | 120 |
| Directors' fees | 110 | 60 |
| Management fees | 307 | 60 |
| Severance | 400 | - |
| Rent | 36 | 36 |

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

- (b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2006 included \$2,637 (June 30, 2006 - \$5,000) of directors' fees and expenses.

11. Commitments

The Company has committed to capital expenditures through its indirect investment in Barplats of approximately \$21.1 million (R126.0 million) as at December 31, 2006.

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

12. Segmented information

- (a) Operating segment - The Company operates in one segment: the acquisition, exploration and production of PGMs in South Africa.
- (b) Geographic segments - The Company's assets as at December 31, 2006 and June 30, 2006, and revenues and expenses by geographic areas for the three and six month periods ended December 31, 2006 and 2005 are as follows:

| | December 31, 2006 | | |
|-------------------------------|-------------------|---------------|----------------|
| | South Africa | Canada | Total |
| | \$ | \$ | \$ |
| Property, plant and equipment | 676,170 | 26 | 676,196 |
| Total assets | 759,829 | 58,486 | 818,315 |

| | | | |
|--|--------|---|--------|
| Property, plant and equipment expenditures | 27,111 | - | 27,111 |
|--|--------|---|--------|

| | June 30, 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 |
|--|-------|---|-------|

| | Three months ended December 31, 2006 | | |
|---|--------------------------------------|---------|----------|
| | South Africa | Canada | Total |
| | \$ | \$ | \$ |
| Revenues | 28,363 | - | 28,363 |
| Production costs | (18,943) | - | (18,943) |
| Depletion and depreciation | (3,513) | - | (3,513) |
| Expenses | (3,319) | (1,231) | (4,550) |
| Interest income | 1,308 | 648 | 1,956 |
| Interest expense | (1,467) | - | (1,467) |
| Foreign exchange gain (loss) | 5,835 | (1) | 5,834 |
| Income (loss) before income taxes and non-controlling interests | 8,264 | (584) | 7,680 |

Eastern Platinum Limited

Notes to the consolidated financial statements

December 31, 2006

(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

12. Segmented information (continued)

(b) (continued)

| Six months ended December 31, 2006 | | | |
|---|--------------|---------|----------|
| | South Africa | Canada | Total |
| | \$ | \$ | \$ |
| Revenues | 53,813 | - | 53,813 |
| Production costs | (36,046) | - | (36,046) |
| Depletion and depreciation | (6,485) | - | (6,485) |
| Expenses | (6,026) | (2,332) | (8,358) |
| Interest income | 2,243 | 1,612 | 3,855 |
| Interest expense | (2,915) | - | (2,915) |
| Foreign exchange gain (loss) | 1,806 | (162) | 1,644 |
| Income (loss) before income taxes and non-controlling interests | 6,390 | (882) | 5,508 |

| Three months ended December 31, 2005 | | | |
|---|--------------|--------|-------|
| | South Africa | Canada | Total |
| | \$ | \$ | \$ |
| Revenues | - | - | - |
| Production costs | - | - | - |
| Depletion and depreciation | - | - | - |
| Expenses | (248) | (245) | (493) |
| Interest income | - | 338 | 338 |
| Foreign exchange gain | 188 | (3) | 185 |
| (Loss) income before income taxes and non-controlling interests | (60) | 90 | 30 |

| Six months ended December 31, 2005 | | | |
|---|--------------|--------|---------|
| | South Africa | Canada | Total |
| | \$ | \$ | \$ |
| Revenues | - | - | - |
| Production costs | - | - | - |
| Depletion and depreciation | - | - | - |
| Expenses | (289) | (977) | (1,266) |
| Interest income | - | 685 | 685 |
| Foreign exchange gain | 189 | - | 189 |
| Loss before income taxes and non-controlling interests | (100) | (292) | (392) |

For the six months ended December 31, 2006, 100% of revenue was from two customers and as at December 31, 2006, 82% of trade receivables was from two customers.

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

Six Months ended December 31, 2006

This portion of the Quarterly Report provides Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations to enable the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("ELR", "Eastplats" or "the Company") as at, and for the three and six months ended, December 31, 2006 in comparison to the previous quarter and corresponding previous year comparative quarter. Management believes that a comparison to the previous quarter from an operating perspective is more meaningful to the reader, as the Company did not have operational/production results in the quarter ended December 31, 2005. This MD&A and supporting notes have been prepared in accordance with Canadian Generally Accepted Accounting Principals (Canadian GAAP). All monetary amounts are in Canadian dollars unless otherwise specified

This MD&A should be read in conjunction with the June 30, 2006 annual audited consolidated financial statements and the related notes thereto. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com. This MD&A contains forward looking statements that are subject to risk factors set out in the cautionary note contained herein.

1. Overview

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

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

2. Second Quarter Highlights

Eastplats recorded **revenue of \$28.4 million (0.01 per share)** for the second quarter ended December 31, 2006 ("Q2-07") compared with nil revenue for the second quarter for the three month period ended 31st December 2005. Highlights for the quarter included:

- Production and sales up to 25,873 ounces of PGM from 22,666 ounces produced in Q1-07, the previous quarter.
- Revenues of \$28.4 million with operating costs of \$18.9 million.
- Operating margin in the quarter was \$228.31/oz PGM
- A Net Income of \$7.4 million results from increased production at CRM and from the Foreign Exchange Gain for the quarter of \$5.8 million (six months ended December 31, 2006 \$1.6 million).
- At December 31, 2006, the Company had a **cash position** (including temporary investments) of \$70.7 million.

3. Results of Operations for the six months ended December 31, 2006

| | Three months ended December 31, 2006 | | Six months ended December 31, 2006 | |
|---|---|----------|---------------------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| Production 5 PGE + Au oz¹ | 25,873 | - | 48,539 | - |
| Realized Basket Price per oz ² | \$ 1,046 | \$ - | \$ 1,109 | \$ - |
| Canadian \$ '000's | | | | |
| Total revenue | \$28,363 | \$ - | \$53,813 | \$ - |
| Total Cash Costs ³ | \$19,792 | \$ - | \$36,871 | \$ - |
| Depletion and depreciation | \$ 3,513 | \$ - | \$ 6,485 | \$ - |
| Total Production Costs | \$22,038 | \$ - | \$40,491 | \$ - |
| EBITDA⁴ | \$ 4,870 | \$ (487) | \$ 9,409 | \$ (1,253) |
| Net Income (Loss) for the period | \$ 7,413 | \$ 30 | \$ 4,934 | \$ (392) |

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

2 Realized Basket Price is the price received under the off-take agreement.

3 Total Cash Costs is a non-GAAP measure and is used in this MD&A and represents all costs associated with production and development and excludes amortization, depreciation and inventory accounting adjustments.

4 EBITDA – Earnings Before Interest (income and expense including foreign exchange gains and losses and non-controlling interests), Taxes (income and capital), Depreciation and Amortization (including depletion) is a non-GAAP measure. See EBITDA note in section 14 page 7 for more details on EBITDA.

The Company's assets are comprised of direct and indirect investments and interests in Barplats Investments Limited ("Barplats"), Mareesburg Platinum JV ("Mareesburg") and Spitzkop PGM Project ("Spitzkop").

4. Review of Financial Results

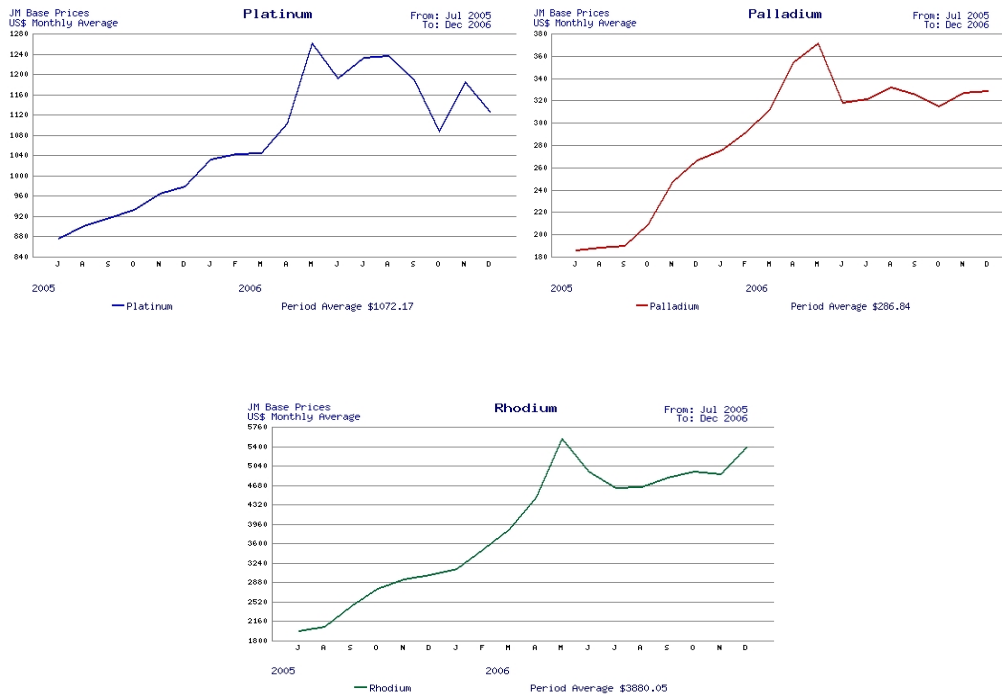
The Company was transformed during April 2006 by acquiring a 69% interest in Barplats which owns operational PGM properties at the Crocodile River Mine ("CRM") and the Kennedy's Vale Project (separate development properties). Revenues and costs directly attributable to Barplats activity have caused the changes in the financial results when compared to the three and six month periods ended December 31, 2005. During the three and six months ended December 31, 2005, the Company's continues to explore its Kennedy's Vale, Mareesburg and Spitzkop properties.

For the three months ended December 31, 2006, PGM production/sales were 25,873 ounces (previous quarter 22,666 and NIL for the three and six months ended December 31, 2005).

The Net Profit for the three months ended December 31, 2006, results from increased production at CRM and from the Foreign Exchange Gain for the quarter of \$5.8 million (six months ended December 31, 2006 \$1.6 million).

4.1 Metal Prices

As depicted below the market prices of three of the PGM elements that significantly impact the Company's revenues (platinum, rhodium and palladium) have experienced volatility over the last six quarters. (Source: Johnson Matthey, www.platinum.matthey.com)



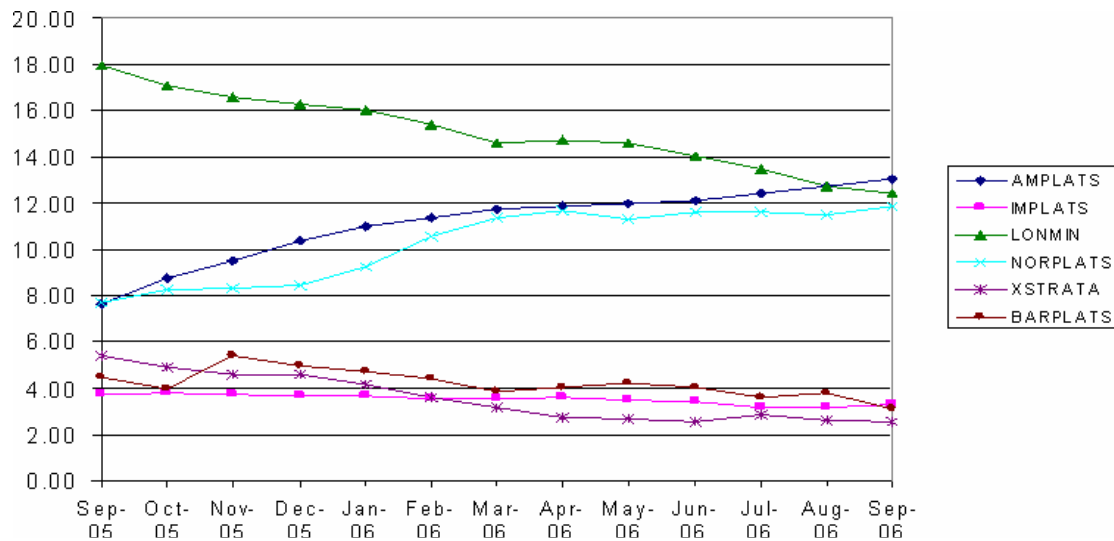
4.2 Currency Exchange Rates

Approximately 90% of the Company's production and development costs are denominated in South African Rand ("ZAR") and therefore the Company is exposed to fluctuations in both Canadian and US exchange rates. With 100% of production revenue being US dollar based (on a Canadian dollar, Canadian GAAP reporting basis), the Company is exposed to exchange rate fluctuations. As the Company does not hedge any transactions, it is inherently exposed to the devaluation of both the US dollar and the ZAR over the reporting quarter (and remains exposed to future fluctuations in currency exchange rates to the ZAR).

Foreign currency denominated monetary assets and liabilities are translated at the period-end exchange rate. Gains and losses arising from foreign currency translation are recognized in the statement of operations and deficit. Translation gains or losses on the consolidation of the financial statements of self-sustaining operations are accumulated in the currency translation account ("CTA") on the consolidated balance sheet. Translation adjustments arise as a result of fluctuations in foreign currency exchange rates. The currency translation adjustment for this quarter was caused by a 9% strengthening of the ZAR to the Canadian dollar, and the adjustment of \$58.2 million (\$33.2 million for the six months ended December 31, 2006) recorded in the CTA is a result of translating the Barplats financial statements.

5. Safety Results

Through the second quarter the Company continued to operate fatality free. During the quarter CRM achieved 1.5 million fatality free shifts, while reporting four lost time injuries (previous quarter one lost time injury) resulting in a Lost Time Injury Frequency Rate ("LTIFR") of 3.53 (LTIFR previous quarter 0.93 and six months ended December 31, 2006 2.26). This compares well against some of the other platinum producers in South Africa, indicated in the graph below, whose average LTIFR was above 8.00 according to information compiled by the Bushveld Safety Forum.



6. Operating Results

The Company's Financial Statements present a measure of historical information that differentiates between operating and development costs. The Company's operating results are affected by the fact that the Company is exposed to exchange rate fluctuations to the ZAR and the US Dollar and these exchange fluctuations are reflected in the current financial results.

During the quarter the Company experienced a 4% drop in the realized revenue per ounce to \$1,046 from \$1,082 due to a decline in platinum pricing when compared to the previous quarter. Production costs have stayed consistent over the period on a per ounce basis at approximately \$755 ounce, which is in line with management's current expectations, as the Company continues to fast track development and made the decision to accelerate the current development activity build a production profile of 160,000 tonnes per month. To accomplish this, the Company will continue to develop its reserves so that there is 18 to 24 months of completed development. The Company expenses on-reef development in the period in which the costs are incurred.

The average total mining rate during the second quarter of fiscal 2007 was 70,000 tonnes per month (previous quarter 64,800 tonnes and six month average 67,400 tonnes per month) at an average PGM grade of 4.02 g/t (5PGE+Au). With the increased ore production at Zandfontein, ore transport from underground at Zandfontein is being transformed from truck haulage to an underground conveyor system. Underground development increased to 2,438m during the quarter (prior quarter 2,351m) which is integral in generating additional mineable reserves which in turn allows for continued production build up.

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

7. Other Costs and Expenses

Amortization

The depreciation and amortization due to Barplats' activities for the current quarter is \$3.5 million (previous quarter \$3.0 million and six months ended December 31, 2006 \$6.5 million) based upon the fair value allocation to these assets.

Non-Controlling Interest

Non-controlling interest during the quarter was \$0.7 million (previous quarter \$0.7 million and six months ended December 31, 2006 \$1.4 million) due to Barplats' non-controlling shareholders.

Corporate Administration

The general and administrative expenses for the current quarter were \$4.3 million (previous quarter \$3.8 million and six months ended December 31, 2006 \$8.1 million). Included within these balances are costs associated with managing the South African operations and severance paid to a past director and officer of the Company.

Stock-Based Compensation

In the current quarter the Company expensed \$0.2 million (previous quarter \$0.06 million) in share based compensation. The value of the options has been calculated using the Black-Scholes option-pricing model.

Interest Income

Interest income recorded during the current quarter totaled \$2.0 million (previous quarter \$1.9 million and six months ended December 31, 2006 \$3.9 million). Interest continued to accrue on bank and short-term investment balances

Interest Expense

During the quarter the Company paid and accrued interest on Barplats' outstanding debt as agreed at the time of acquisition. Portions of this debt are still outstanding and interest continues to accrue.

8. Summary of Quarterly Results

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

| | Dec 31, 2006 | Sept 30, 2006 | June 30, 2006 | Mar 31, 2006 | Dec 31, 2005 | Sept 30, 2005 | June 30, 2005 | Mar 31, 2005 |
|---|-----------------|------------------|------------------|-----------------|-----------------|------------------|------------------|-----------------|
| In '000's | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial results | | | | | | | | |
| Revenue | 28,363 | 25,450 | 14,082 | - | - | - | - | - |
| Net income (loss) for period | 7,413 | (2,479) | (3,184) | (1,083) | 30 | (422) | (1,160) | (174) |
| Cash expenditures on mineral properties | 15,768 | 11,343 | 6,444 | 352 | 241 | 405 | 386 | - |
| Basic income (loss) per share | 0.01 | (0.00) | (0.02) | (0.01) | 0.00 | (0.01) | (0.06) | (0.01) |
| Balance sheet data | | | | | | | | |
| Cash and short term deposits | 70,692 | 91,649 | 134,184 | 24,808 | 24,590 | 22,837 | 23,599 | 1,565 |
| Deferred acquisition costs | - | - | - | 53 | - | 36,113 | 36,113 | - |
| Property, plant and equipment | 676,196 | 588,021 | 600,739 | 100,540 | 100,188 | 26,554 | 34,840 | 382 |

9. Development Activity

Management evaluates development priorities on a continuous basis and in the second quarter continued with development on approved activities.

CRM

Design at Crocette has progressed and will be finalized along with the environmental impact study in the third quarter of the current fiscal year.

Management has awarded the \$1.5 million infill drilling program on Kareespruit to OM Tsehla Drilling. As at January 31, 2007, 1,580 meters had been drilled at an average drilling rate of 32 meters per shift.

Kennedy's Vale

Drilling on the De Goedeverwachting farm totalled 9,172 meters at the end of the second quarter which completes Phase I of the drilling program. Samples have been submitted for assay and results are awaited. The seismic data which exists over portions of Kennedy's Vale is being re-processed and the final report is expected during the third quarter.

Mareesburg

There was no additional exploration work at Mareesburg during the period.

Spitzkop

During the quarter 11,262 meters were drilled leaving only 2,000 meters to be completed in 2007. To date assay results have been received back for the first four batches comprising 31 holes on the UG2 reef and nine holes on the Merensky reef. All results are in line with management expectations (see the Company release "*More High Grade Platinum – Rhodium rich UG2 Reef Intersections reported at Spitzkop*", January 30, 2007). Existing seismic data over portions of Spitzkop is being re-processed and the final report is expected during the third quarter.

| Eastern Platinum Limited Summary of Mineral Resources | | | |
|--|----------------------|----------------------|------------------------|
| <u>Mineral Resource - UG2</u> | | | |
| Crocodile River Mine | Tonnes ('000) | 3PGE+Au (g/t) | 3PGE+Au (000oz) |
| Measured | 6,894 | 4.19 | 928 |
| Indicated | 30,324 | 4.41 | 4,303 |
| Inferred | 52,482 | 4.41 | 7,449 |
| Total | 89,700 | 4.40 | 12,680 |
| Kennedy's Vale | Tonnes ('000) | 5PGE+Au (g/t) | 5PGE+Au (000oz) |
| Indicated | 152,100 | 5.41 | 26,475 |
| Inferred | 70,000 | 6.17 | 13,880 |
| Total | 222,100 | 5.65 | 40,355 |
| Spitzkop Project | Tonnes ('000) | 5PGE+Au (g/t) | 5PGE+Au (000oz) |
| Measured | 37,460 | 7.70 | 9,270 |
| Total | 37,460 | 7.70 | 9,270 |
| Mareesburg Project | Tonnes ('000) | 3PGE+Au (g/t) | 3PGE+Au (000oz) |
| Measured | 8,757 | 5.38 | 1,515 |
| Indicated | 6,737 | 2.31 | 501 |
| Total | 15,494 | 4.05 | 2,016 |

| Mineral Resource - Merensky | | | |
|------------------------------------|----------------------|----------------------|------------------------|
| Kennedy's Vale | Tonnes ('000) | 5PGE+Au (g/t) | 5PGE+Au (000oz) |
| Indicated | 96,500 | 3.88 | 12,038 |
| Inferred | 67,300 | 3.44 | 7,443 |
| Total | 163,800 | 3.70 | 19,481 |
| Spitzkop Project | Tonnes ('000) | 5PGE+Au (g/t) | 5PGE+Au (000oz) |
| Indicated | 47,380 | 2.43 | 3,710 |
| Total | 47,380 | 2.43 | 3,710 |

10. Investing Activity

On August 1, 2006 subsequent to the Barplats acquisition, the Company purchased the Nedbank Capital loan of \$16.7 million on August 1, 2006 and purchased \$9.5 million of Gubevu Consortium Holdings (Pty) Limited ("Gubevu") debt from Nedbank Capital. (Gubevu is the Barplats BEE partner.)

11. Liquidity and Capital Resources

As at December 31, 2006, the Company's working capital position was \$78.8 million (previous quarter \$79.4 million) and its cash and cash equivalents and short-term investments totalled \$70.7 million (previous quarter \$91.6 million). The decrease in the cash balances from previous quarter is due in part to exploration expenditures including associated property, plant and equipment totalling \$15.8 million (previous quarter \$11.3 million).

12. Contractual Obligations and Commitments

During the second quarter the Company incurred capital obligations for capital projects as follows:

| | |
|------------------------------|--|
| Barplats Operating Capital | \$4.7 million (previous quarter \$7.3 million) |
| Barplats Development Capital | \$3.3 million (previous quarter \$2.5 million) |

The Company has remaining commitments in the current fiscal year for capital expenditures as follows:

| | |
|------------------------------|----------------|
| Barplats Operating Capital | \$5.3 million |
| Barplats Development Capital | \$14.9 million |

13. Hedging

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

14. EBITDA

Earnings before interest (income and expense, foreign exchange gains and losses, non-controlling interests), taxes (income and capital), depreciation and amortization (including depletion) ("EBITDA" a non-GAAP measure), was \$4.9 million during the second quarter (previous quarter \$4.5 million). The Company uses this non-GAAP measure to evaluate the financial productivity of operations, allowing management to evaluate similar operations taking into consideration the various financing mechanisms and exchange exposures within which these operations exist.

| | Three months ended December 31 | | Six months ended December 31 | |
|----------------------------------|-----------------------------------|----------|---------------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| Net Income (loss) for the period | \$ 7,413 | \$ 30 | \$ 4,934 | \$ (392) |
| Adjustments: | | | | |
| Depletion and depreciation | 3,513 | 6 | 6,485 | 13 |
| Interest expense | 1,467 | - | 2,915 | - |
| Interest income | (1,956) | (338) | (3,855) | (685) |
| Future income tax recovery | (404) | - | (807) | - |
| Non controlling interest | 671 | - | 1,381 | - |
| Foreign Exchange Adjustments | (5,834) | (185) | (1,644) | (189) |
| Adjusted to EBITDA | \$ 4,870 | \$ (487) | \$ 9,409 | \$ (1,253) |

15. Operational Risks

Management is aware that the government has proposed a 3% royalty based upon gross mining revenues with a projected effective date of January 1, 2009. This proposal is currently under industry review with comments due back to government early in calendar 2007. Management continues to work with other mining companies active in South Africa to draft an objection to the proposed royalty.

16. Mineral Tenture - Department of Minerals and Energy

A new order mining right was granted to Barplats' operating property, CRM over the eastern part of the Maroelabult section, allowing for mining to continue on these areas. Additional new order prospecting rights were granted at CRM and KV bringing the total number of prospecting rights issued to 11 (out of 18 applications filed) at CRM and 2 (out of 3 applications filed) at KV.

A new order prospecting right was granted for Mareesburg.

Barplats has had its Social and Labour Plan approved.

17. Property Plant and Equipment

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

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

18. Asset Retirement Obligations and Remediation

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

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

19. 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:

| | Six Months ended December 31 | |
|-----------------|-------------------------------------|-------------|
| | 2006 | 2005 |
| Consulting fees | \$200,000 | \$120,000 |
| Director's fees | 110,000 | 60,000 |
| Management fees | 307,000 | 60,000 |
| Severance | 400,000 | - |
| Rent | 36,000 | 36,000 |

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

- (b) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2006 included \$2,637 (June 30, 2006 - \$5,000) of directors fees and expenses.

20. Internal Control

Management continues to evaluate the effectiveness of our disclosure controls and procedures. Management has concluded, that based upon our evaluation that the Company's control environment is 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.

21. Off Balance Sheet Arrangements

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

22. Outstanding Share Data

As at February 13, 2007 there were 516,228,985 common shares issued and outstanding. There were also 17,350,000 stock options outstanding to directors and consultants with exercise prices ranging between \$0.56 and \$1.70 per share. 16,450,000 of the outstanding options have vested. There were also 87,999,370 warrants outstanding which expire between

March 18, 2007 and March 28, 2009 with exercise prices ranging between \$1.50 and \$2.40 per share. Refer to Note 7 of the December 31, 2006 unaudited interim consolidated financial statements for more details on these outstanding securities.

23. Cautionary Statement On Forward Looking Information

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

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