

Platmin Limited

Annual Consolidated Financial Statements
Years ended February 28, 2007 and 2006
(expressed in U.S. dollars, unless otherwise stated)

(a development stage entity)

May 15, 2007

PricewaterhouseCoopers LLP
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Auditors' Report

**To the Shareholders of
Platmin Limited**

We have audited the consolidated balance sheets of **Platmin Limited** (the "Company") as at February 28, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

Platmin Limited


(a development stage entity)

Consolidated Balance Sheets

(expressed in U.S. dollars, unless otherwise stated)

	As at	
	February 28, 2007 \$ 000	February 28, 2006 \$ 000
Assets		
Current assets		
Cash and cash equivalents	43,408	19,935
Loan due from related party (note 4)	13,552	113
Receivables	418	422
Prepaid expenses	68	341
	<hr/>	<hr/>
	57,446	20,811
Property, plant and equipment (note 6)	785	304
Mineral rights (note 8)	1,108	1,108
Mineral exploration properties (note 9)	4,619	4,619
Deferred exploration expenses (note 9)	21,503	13,787
	<hr/>	<hr/>
	85,461	40,629
Liabilities		
Current liabilities		
Accounts payable	3,221	989
Accrued liabilities	155	27
	<hr/>	<hr/>
	3,376	1,016
Loan payable (note 14)	659	580
Asset retirement obligation (note 15)	493	-
	<hr/>	<hr/>
	4,528	1,596
Shareholders' Equity		
Common shares (note 10)	99,542	27,286
Common shares to be issued (note 10)	-	11,169
Preferred shares (note 10)	-	12,483
Contributed surplus (note 10)	2,480	2,146
Deficit	(21,089)	(14,051)
	<hr/>	<hr/>
	80,933	39,033
	<hr/>	<hr/>
	85,461	40,629
Contingencies and commitments (note 17)		
Approved by the Board of Directors		

 Director

 Director

The accompanying notes are an integral part of the consolidated financial statements.

Platmin Limited

(a development stage entity)

Consolidated Statements of Operations and Deficit

(expressed in U.S. dollars, unless otherwise stated)

	For the years ended	
	February 28, 2007 \$ 000	February 28, 2006 \$ 000
Administrative expenses		
Management and consulting fees	6,029	3,234
Travelling and promotion	267	163
Rental	67	60
Office	873	764
Professional fees	376	359
Interest and penalties	102	48
Amortization of property, plant and equipment	126	123
Foreign exchange loss/(gain)	187	249
	<hr/>	<hr/>
	(8,027)	(5,000)
Research and development costs	(169)	(171)
Deferred exploration costs written off	(47)	(118)
	<hr/>	<hr/>
	(8,243)	(5,289)
Other income	48	7
Interest income	1,157	131
	<hr/>	<hr/>
Loss for the year	(7,038)	(5,151)
Deficit – Beginning of year	(14,051)	(8,900)
	<hr/>	<hr/>
Deficit – End of year	(21,089)	(14,051)
	<hr/>	<hr/>
Basic and diluted loss per common share (note 7)	0.09	0.12
Weighted average number of common shares outstanding	77,719,629	41,529,330

The accompanying notes are an integral part of the consolidated financial statements.

Platmin Limited

(a development stage entity)

Consolidated Statements of Cash Flows

(expressed in U.S. dollars, unless otherwise stated)

	For the years ended	
	February 28, 2007 \$ 000	February 28, 2006 \$ 000
Cash provided by/(used in)		
Operating activities		
Loss for the year	(7,038)	(5,151)
Non-cash items		
Amortization of property, plant and equipment	126	123
Gain on sale of property, plant and equipment	-	(7)
Stock-based compensation expense	2,215	1,643
Foreign exchange loss	187	-
Changes in non-cash working capital items (note 5)	455	(821)
	<u>(4,055)</u>	<u>(4,213)</u>
Investing activities		
Purchase of property, plant and equipment	(134)	(130)
Proceeds from disposal of property, plant and equipment	20	28
Increase in deferred exploration expenses - net	<u>(5,534)</u>	<u>(5,298)</u>
	<u>(5,648)</u>	<u>(5,400)</u>
Financing activities		
(Decrease)/increase in loan receivable	(13,360)	252
Issue of common shares	52,791	8,759
Cash received for shares to be issued	-	11,169
Issue of preferred shares	-	500
Share issue expenses	<u>(6,068)</u>	-
	<u>33,363</u>	<u>20,680</u>
Net increase in cash and cash equivalents during the period	23,660	11,067
Effect of exchange rate changes on cash held in foreign currencies	(187)	-
Cash and cash equivalents - Beginning of year	<u>19,935</u>	<u>8,868</u>
Cash and cash equivalents - End of year	<u>43,408</u>	<u>19,935</u>
Supplementary information		
Interest paid	<u>102</u>	<u>78</u>

The accompanying notes are an integral part of the consolidated financial statements.

Platmin Limited

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Notes to the Consolidated Financial Statements

(expressed in U.S. dollars, unless otherwise stated)

1 Nature of operations

Platmin Limited (the “Company”) is a development stage natural resources company engaged in the acquisition and exploration of Platinum Group Metal (“PGM”) properties, which was incorporated under the Canada Business Corporation Act on May 23, 2003. These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company is in the process of exploring and evaluating its mineral properties and projects and has recorded losses and net cash outflows from operations for the past two years. The Company is also required to make expenditures (as outlined in note 17 to the financial statements) in the near term to keep its mineral property rights in current.

The Company’s ability to advance its exploration properties is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or the sale of a property.

On May 1, 2004, the Mineral and Petroleum Resources Development Act (“MPRDA”) came into effect in South Africa. As a result of the MPRDA, the state has become the custodian of all mineral rights within the country and will issue prospecting and mining rights to parties on application.

Rights held as at May 1, 2004 are known as “old order” rights and must be lodged for conversion into “new order” rights within a transition period being two years from May 1, 2004 for old order prospecting rights and five years from May 1, 2004 for old order mining rights. All applications for conversion of old order rights into new order rights have been submitted by the Company and conversions have been received for 13 of the Company’s 15 rights on its four most advanced projects.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2 Basis of presentation

The Company was incorporated for the purposes of acquiring all the issued and outstanding shares of Platmin Resources Limited (“PRL”), a private company registered in the British Virgin Islands. This transaction was between related parties and as such the consolidated financial statements are prepared using the continuity of interests method of accounting. Under this method, all activities of PRL and its subsidiaries are included in the consolidated financial statements of the Company as if the Company had been the parent company for all periods presented.

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Notes to the Consolidated Financial Statements

(expressed in U.S. dollars, unless otherwise stated)

3 Summary of significant accounting policies

The consolidated financial statements of the Company are prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The significant accounting policies followed by the Company are as follows:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries over which control is exercised. Where shareholding is below 50%, but control is exercised over the Board of Directors, the entity is consolidated. All material inter-company balances and transactions have been eliminated. The following entities have been consolidated due to the Company’s control of the Board of Directors of the entities or percentage ownership:

	February 28, 2007 %	February 28, 2006 %
Platmin Resources Ltd.	100.0	100.0
Platmin Nickel Limited ⁽¹⁾	-	100.0
Boynton Investments (Pty) Ltd. (“Boynton”) ⁽²⁾	72.4	82.0
Bubesi Investments 38 (Pty) Ltd.	72.4	82.0
Pilanesberg Platinum Mines (Pty) Ltd	72.4	-
Setseka Mining (Pty) Ltd. (“Setseka”)	39.2	43.0
Taung Minerals (Pty) Ltd. (“Taung Minerals”) ⁽³⁾	72.4	43.0
Sengani Family Mining and Exploration (Pty) Ltd.	35.5	40.2
Mahube Mining (Pty) Ltd. (“Mahube”) * ⁽⁴⁾	57.2	60.4
Taung Platinum Exploration (Pty) Ltd. (“Taung Platinum”)	37.9	40.8

* Which further consolidates Tameng Mining and Exploration (Pty) Ltd (“Tameng”) which is 95% owned by Mahube in each period presented.

- (1) The interest in Platmin Nickel Limited was sold during the second quarter of fiscal 2007 to two of the Company’s former directors for no consideration.
- (2) The interest in Boynton was reduced with the issuance of the following additional shares: 27,027 shares to Sephaku Development (Pty) Ltd and 100 shares to Moepi Capital (Pty) Ltd on September 19, 2006; 24,976 shares to Moepi Capital (Pty) Ltd on January 10, 2007; and 109,710 shares to Taung Minerals shareholders on January 10, 2007. This reduced the effective holding of the Company in all the Boynton subsidiaries.
- (3) The interest in Taung Minerals was increased on January 10, 2007 with the consolidation of the Company, refer to (2) above.
- (4) The interest in Mahube was increased on November 29, 2006 with the consolidation of the Company, refer to (2) above.

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Notes to the Consolidated Financial Statements

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Accounting estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and notes to the consolidated financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Significant estimates include those related to the recoverability of the carrying value of mineral exploration properties and deferred exploration expenses, and fair value estimates of options issued. Actual results may differ materially from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with an original maturity of three months or less. The Company invests cash in interest-bearing instruments with high credit quality financial institutions.

Foreign currency translation and functional currency

Monetary assets and liabilities of integrated foreign operations are translated to U.S. dollars at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at exchange rates in effect at the transaction dates. Revenue and expenses are translated at the average rate in effect during the year, with the exception of amortization, which is translated at the historical rate. Gains and losses are included in the consolidated statements of operations and deficit for the year. All financing has been based upon U.S. dollars and a significant proportion of expenditures are in currencies other than ZAR. It is also anticipated that eventual revenue from the mineral properties will be received in U.S. dollars. Subsidiaries have no means of self-support and, as such, they are not considered to be self-sustaining operations.

Property, plant and equipment

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its fair value. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Property, plant and equipment are stated at historical cost less accumulated amortization. Amortization is calculated on the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of property, plant and equipment are as follows:

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Notes to the Consolidated Financial Statements

(expressed in U.S. dollars, unless otherwise stated)

	<u>Useful life</u> <u>(years)</u>
Vehicles	5
Computer equipment	3
Computer software	2
Office equipment	6
Furniture and fittings	6
Other equipment	5

Mineral exploration properties and deferred exploration expenses

Exploration, evaluation and development expenditures are accumulated and accounted for in each separate area of interest or mineral resource. This includes attributed direct general and administrative support costs.

The Company follows the practice of capitalizing all costs related to acquisition, exploration and development of mineral exploration properties until such time as mineral properties are put into commercial production, sold or become impaired. If commercial production commences, these capitalized costs will be amortized prospectively on a units-of-production basis.

Management of the Company reviews the net carrying value of each mineral property when events or changes in circumstances indicate that the carrying value may not be recoverable. Where information is available and conditions suggest possible impairment, estimated future net undiscounted cash flows from each property are calculated using estimated future prices, reserves, and operating, capital and reclamation costs on an undiscounted basis. If the carrying value of the property exceeds the estimated future net undiscounted cash flows, the property will be written down to fair value. Where estimates of future net undiscounted cash flows are not available and where conditions suggest possible impairment, management assesses whether the carrying value can be recovered. This assessment may be estimated by use of quantifiable evidence of a geological resource or reserve or the Company's assessment of its ability to sell the property for an amount greater than the carrying value. If management estimates that the carrying value of the property cannot be recovered, the property will be written down to fair value.

Management, directors and technical advisors review the merits of each of the Company's property interests to assess whether the property merits further exploration and development expenditure and whether the carrying value of the property is greater than the future expected return from that property. Empirical evidence such as geochemical analysis, drilling results, assays, mapping and field observation are the primary evidence that is assessed against other factors such as commodity markets, exchange rates, political risk and closeness to other known operations when making decisions on impairment.

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The amounts shown for mineral properties represent costs incurred to date net of writedowns, and are not intended to reflect present or future values. Government assistance, mining duty credits and optionee contributions are applied against the deferred exploration expenses.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and income tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted income tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company establishes a valuation allowance against the future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax asset will not be realized.

Stock-based compensation plan

The Company has a stock-based compensation plan, as described in note 11. The Company recognizes the fair value of options granted and vested as stock-based compensation expense in the statement of operations and deficit. All options are granted at the closing market price on the date of issuance. When holders exercise their options, any consideration received and any contributed surplus related to those options is credit to common shares.

Asset retirement obligations

Future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are recognised and recorded as a liability at fair value. The liability is accreted over time through periodic charges to earnings. The fair value of the costs is capitalised as part of the assets' carrying value and amortised over the assets' useful lives. During fiscal 2007, the Company has provided the Department of Minerals and Energy ("DME") with guarantees in respect of future environmental rehabilitation in order to obtain certain mining rights in the Pilanesberg area.

Research and development costs

Research costs are expensed in the year incurred. Development costs are expensed in the year incurred, unless the Company believes a development project meets Canadian GAAP criteria for deferral. To date, no development costs have been deferred.

Financial Instruments, Comprehensive Income and Hedges

Cash and cash equivalents, receivables, accounts payable and accrued liabilities are short-term financial instruments whose fair values approximate their carrying values.

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In January 2005, the CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company will adopt these new standards effective March 1, 2007.

Funding of BEE Partners

Platmin, through its subsidiaries, has historically funded the cash requirements of its minority BEE partners in its subsidiaries under a shareholder or joint venture agreement. In accordance with the relevant shareholder or joint venture agreements, contributions to funding by way of cash calls are, in the first instance, booked to the loan account between the joint venture entity and each shareholder contributing to it. The right, but not the obligation, exists for shareholders in each joint venture entity who contribute their *pro-rata* portion to further contribute *pro-rata* to any shortfall in terms of a cash call not met by all shareholders in the joint venture entity. Non-funding shareholders could then have their interests as shareholders recalculated which effectively dilutes the equity interest of a non-funding shareholder. Platmin's minority BEE partners have not historically been diluted on the basis that such funding has been provided on an inter-company loan, rather than equity, basis. Platmin's minority BEE partners will be entitled to future earnings based on their respective ownership of shares, but only once these inter-company loan accounts plus interest have been repaid.

4 Loans due from related parties

	February 28, 2007 \$ 000	February 28, 2006 \$ 000
Moepi Capital (Pty) Ltd. ⁽¹⁾	13,369	-
5 Brothers Mining (Pty) Ltd.	3	3
Private Preview Investments (Pty) Ltd.	120	75
Tafida Investments (Pty) Ltd.	3	4
Born Free Investments 144(Pty) Ltd.	4	4
Born Free Investments 330(Pty) Ltd.	4	-
Keenan Investments (Pty) Ltd.	38	25
Dream World Investments (Pty) Ltd	3	-
Moepi Resources Limited	6	-
Crowned Cormorant Investments 13 (Pty) Ltd.	2	2
	<u>13,552</u>	<u>113</u>

The above entities are related to the Company through contractual arrangements in relation to potential prospecting permit applications.

These loans, except as identified below, bear no interest and have no fixed terms of repayment.

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⁽¹⁾ The above loan relates to the bridging finance agreement signed between Moepi Capital (Pty) Ltd and Platmin Limited during fiscal 2007. The loan bears interest at LIBOR and is repayable within one year. The shares that were acquired by Moepi with the loan are held by Platmin as security for the loan.

5 Supplementary cash flow information

Changes in non-cash working capital items are as follows:

	February 28, 2007 \$ 000	February 28, 2006 \$ 000
Receivables	4	(222)
Prepaid expenses	273	(107)
Accounts payable	50	(156)
Accrued liabilities	128	(336)
Increase/(Decrease)	455	(821)

6 Property, plant and equipment

	February 28, 2007		
	Cost \$ 000	Accumulated amortization \$ 000	Net \$ 000
Vehicles	353	154	199
Computer equipment	175	118	57
Computer software	58	52	6
Office equipment	22	13	9
Furniture and fittings	36	18	18
Other equipment	14	11	3
Rehabilitation asset	493	-	493
	1,151	366	785

	February 28, 2006		
	Cost \$ 000	Accumulated amortization \$ 000	Net \$ 000
Vehicles	283	92	191
Computer equipment	149	82	67
Computer software	50	40	10
Office equipment	20	10	10
Furniture and fittings	33	13	20
Other equipment	14	8	6
Rehabilitation asset	-	-	-
	549	245	304

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(expressed in U.S. dollars, unless otherwise stated)

7 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during the year.

	For the years ended	
	February 28, 2007	February 28, 2006
Loss attributable to shareholders (\$000)	7,038	5,151
Weighted average number of common shares outstanding	77,719,629	41,529,330
Basic and diluted loss per common share in US\$ per share	0.09	0.12

On August 10, 2006, the Company converted preference shares into common shares and implemented a ten-for-one split of its common shares. The split is reflected as if it took place at the beginning of all reporting periods presented.

As the Company is reporting a loss for all years presented and all potential common shares are anti-dilutive, diluted loss per share equals basic loss per share. There are no other securities with potential dilutive effect as at February 28, 2007 other than the 9,635,633 outstanding options described in note 11.

8 Mineral rights

Boynton is the registered owner of an undivided 1/9 share (11.1%) of all mineral rights (excluding the chrome and chrome ore rights) of the property known as Vogelstruisnek 173, Registration Division J.P., Province North West (415.9548 ha) and of mineral rights over certain portions of the farm, Ruighoek 169, Registration Division J.P., Province North West.

	February 28, 2007 \$ 000	February 28, 2006 \$ 000
Balance - beginning and end of year	1,108	1,108

The previous year's mineral rights were obtained under the old Minerals Act when mineral rights could still be bought. Both of these properties form part of the Pilanesberg project and the new order prospecting rights have been granted in terms of the MPRDA.

During fiscal 2007, the Company purchased from Sephaku the rights to the agreement entered into exercisable within one month of the completion of a bankable feasibility to purchase from BHP the new order rights in respect of Annex Grootboom and Scheiding for a cash consideration of \$8.00 per ounce of the in-situ indicated and measured resources and probable and proven reserves of platinum, palladium, rhodium and gold. These rights were purchased by issuing 27,027 shares of the Company's subsidiary, Boynton. This transaction was accounted for at the carrying amount of the exchanged assets and, as a result, there was no impact on the consolidated financial statements.

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(expressed in U.S. dollars, unless otherwise stated)

9 Mineral exploration properties and deferred exploration expenses

	For the years ended	
	February 28, 2007	February 28, 2006
Balance brought forward	13,787	8,247
Additions	8,260	5,540
Revenue credited	(544)	-
Balance carried forward	21,503	13,787

The acquisition cost and deferred exploration expenses by project are set out as follows:

	February 28, 2007		February 28, 2006	
	Acquisition cost \$ 000	Deferred exploration expenses \$ 000	Acquisition cost \$ 000	Deferred exploration expenses \$ 000
Pilanesberg project				
Tuschenkomst	25	7,833	25	5,019
Witkleifontein	-	1,665	-	1,423
Rooderand	-	1,148	-	658
Ruighoek	-	3,067	-	2,413
Vogelstruisnek	-	50	-	31
Bakhoutrantje	-	30	-	12
Palmietfontein	-	531	-	508
M'Phatlele project	3,055	4,181	3,055	2,369
Grootboom project				
Grootboom	1,514	1,469	1,514	969
Grootboom Tailings	-	42	-	-
Annex	-	454	-	34
Loskop project				
Loskop 2	-	388	-	92
Rietfontein	-	33	-	24
Golden Valley	-	59	-	-
Oorlogsfontein	-	84	-	84
Apiesboomen	-	94	-	67
Woolrich area 2	-	3	-	3
Woolrich area 3	-	3	-	3
Woolrich area 4	-	2	-	2
Veeplaats	-	10	-	3
Vogelenzang	-	71	-	53
Setseka area	25	7	25	5
Defacto area	-	16	-	15
Scheiding	-	224	-	-
Bashoek	-	5	-	-
Tweelaagte, Diamant & Kleingenog	-	34	-	-
	4,619	21,503	4,619	13,787

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i) Pilanesberg project

The Pilanesberg project comprises seven properties (from north to south): Tuschenkomst 135JP; Witkleifontein 136JP; Rooderand 46JQ; Ruighoek 169JP; Vogelstruisnek 173JP; Bakhoutrandje 205JP and Palmietfontein 208JP. Boynton has entered into separate option contracts with the mineral rights owners in respect of the material portions of the farms. The Tuschenkomst, Witkleifontein and Rooderand properties are contiguous, forming the northern part of the Pilanesberg project. The remaining four properties form a contiguous area (the southern part of the Pilanesberg project) and are separated by approximately 4 km.

The Company holds a beneficial interest of approximately 72.4% on the Tuschenkomst, Rooderand (portion 3) and on the other properties (other than Groenfontein 138JP). All of the prospecting permits in terms of the old law have been lodged (July 12, 2004) for conversion under the MPRDA as described above. The farms Bakhoutrandje 205JP, Rooderand 46JQ, Ruighoek 169JP, Tuschenkomst 135JP, Vogelstruisnek 173JP and Witkleifontein 136JP's permits have all been converted to new order prospecting rights during the period under review. Boynton holds the exclusive prospecting rights over the entirety of all the properties except for Tuschenkomst and Rooderand (portion 3), which are held by Taung Minerals, and except for Ruighoek 169 JP where Boynton has exclusive rights over portions 1 (now RE 1, 10, 11, 12, 13, 14) and 2, 3, 4, 6, 9 and 15 of the farm. During the current year Taung Minerals and Boynton ceded their rights on the Tuschenkomst, Rooderand (portion 3), Witkleifontein and Ruighoek properties to Pilanesberg Platinum Mines.

Boynton has entered into a consolidation agreement with the outside shareholders of Taung Minerals (owner of the Tuschenkomst and Rooderand interest) whereby Boynton acquired all the shares in Taung Minerals in exchange for shares in Boynton.

During the third quarter of the current year an incidental income of \$544,317 was received for the processing of trial mining ore on the Tuschenkomst property. This income was credited against the deferred exploration expenses.

ii) M'Phatlele project

The Company currently holds an approximate 57.2% (beneficial interest of 54.3%) in the M'Phatlele project through its subsidiaries Mahube and Tameng. Tameng has entered into a notarial prospecting contract with the South African State granting the exclusive right to prospect on the farm M'Phatlele 457KS constituting the M'Phatlele project. Application for conversion of Tameng's prospecting rights under the old law to rights under the MPRDA was granted on September 21, 2006.

iii) Grootboom project

The Company holds a 72.4% interest in the Grootboom project through its subsidiary, Boynton. Boynton holds an exclusive right to prospect on the entire Grootboom project, excluding the chrome rights that belong to Samancor.

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iv) Loskop project

The Loskop project area comprises the four farms: Rietfontein 70JS; Kameeldoorn 71JS; De Wagendrift 79JS (the following portions (RE P1, 12 (now 13), 13 (now 14), 14 (now 15), 16 (now 14)); and Loskop Suid 53JS.

Boynton has entered into separate option contracts with the mineral rights owners in respect of the material portions of the farms.

The Company currently holds a 72.4% interest in the Loskop project. Boynton holds prospecting rights over the entire project area which was granted under the MPRDA.

On January 29, 2003, Boynton entered into an option and joint venture agreement with a subsidiary of Lonmin plc (Lonmin) in respect of the Loskop project area. Under the agreement, Lonmin's subsidiary acquired the right to acquire a 50% interest in the various prospecting and option contracts comprising the Loskop project, provided that it spends \$3,000,000 over a three year period. It is also required to fund the cost of acquisition (which could be an amount up to approximately \$4,000,000) should it decide to exercise its option and acquire the 50% interest. Over the three year period a substantial portion of the \$3,000,000 was spent. The shortfall has been spent in the 2006 calendar year and the Company has started to contribute pro rata to portions of the venture from September 2006.

v) Other projects

The Company's other projects consist of various portions of the farms, Golden Valley 621IQ, Oorlogsfontein 25 KS, Vogelenzang 794KS, Annex Grootboom 335KT and Scheiding 407KS, and Tweelaagte, Diamant 206JP and Kleingenoeg. These farms are not adjacent to one another.

Golden Valley

Boynton has a current prospecting right covering the Golden Valley farm area.

Oorlogsfontein

The Company's interest in Oorlogsfontein is pursuant to an agreement with Platinum Group Metals (RSA) (Pty) Ltd. (PTM) and Africa Wide Investments, whereby the Company has an indirect 39.4% interest and a 15% free carried interest in the Oorlogsfontein farm until the completion of a full bankable feasibility study by PTM on the property at Oorlogsfontein.

Annex Grootboom and Scheiding

A Prospecting Contract was entered into on April 28, 2005 between Boynton, Sephaku Development (Pty) Ltd ("Sephaku"), BHP Billiton SA Limited ("BHP") and Samancor Limited ("Samancor"). In terms of the agreement, the old order Mining Rights of Annex

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Grootboom 335KT and Scheiding 407KS, originally held by Samancor, are to be transferred to BHP subsequent to a conversion being granted under the MPRDA. In terms of the same agreement, Sephaku was appointed to carry out exploration activities on Annex Grootboom and Scheiding on a contract basis.

The Company's subsidiary, Boynton, has entered into an agreement on February 14, 2006 with Sephaku. The purpose of this agreement is to consolidate Sephaku's rights pertaining to the properties Annex Grootboom 335KT and Scheiding 407KS and in the case of Boynton, its rights to the M'Phatlele project. Consolidation took place on November 29, 2006 for a consideration of 27,027 Boynton shares being issued to Sephaku. This transaction was accounted for at the carrying amount of the exchanged assets and, as a result, there was no impact on the consolidated financial statements.

Chrome

In a Memorandum of Agreement entered into on May 15, 2006 between Platmin Limited, Boynton Investments (Pty) Ltd, Sephaku Holdings Limited ("Sephaku") and certain officers of Sephaku (the "Sephaku Alliance Agreement"), it was agreed that all existing and future rights held or acquired by any company in the Sephaku Group during a period of 2 years from June 1, 2006 in respect of chrome or any mineral on certain of Platmin's project areas will be relinquished in favour of, and transferred to, Boynton or its nominee.

It was further agreed that Boynton will be entitled to purchase from the relevant company in the Sephaku Group the interest in the Prospecting Right in respect of chrome on Tuschenkomst as soon as the right has been granted for a purchase consideration of ZAR10,000.

The Sephaku Alliance Agreement further states that in the event that further prospecting rights are granted on certain other properties, Boynton and Sephaku will negotiate in good faith for Boynton to purchase such rights from Sephaku.

Tweelaagte, Diamant and Kleingenoeg

The prospecting right to the above properties was granted on January 11, 2007, and an initial payment of \$27,415 in respect of prospecting fees was made.

10 Share capital

(a) Common shares

An unlimited number of common shares without par value have been authorized.

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	Number of shares	Amount \$000
Movement during fiscal 2006		
Balance, March 1, 2005	3,770,240	14,717
Private Placements	416,650	5,250
Exercise of options	680,060	3,508
Fair value of options exercised	-	3,811
Balance, February 28, 2006	<u>4,866,950</u>	<u>27,286</u>
Movement during fiscal 2007		
Balance, March 1, 2006	4,866,950	27,286
Rights Issue	733,154	14,663
Exercise of options	10,000	62
Conversion of preferred shares	<u>2,173,000</u>	<u>12,483</u>
Balance, August 10, 2006 - before ten-for-one split	<u>7,783,104</u>	54,494
Ten-for-one split	77,831,040	
Common shares – issued for IPO	11,375,000	40,565
Over allotment – option under IPO	1,706,250	6,160
Exercise of options	873,460	990
Fair value of options exercised	-	422
Fair value of warrants exercised	-	1,459
Exercise of warrants	2,000,000	1,460
Broker compensation options exercised	<u>17,063</u>	<u>60</u>
Balance, February 28, 2007	<u>93,802,813</u>	<u>105,610</u>
Share issue expenses		<u>(6,068)</u>
		<u>99,542</u>

On January 17, 2006, the Company announced a one-for-nine shares held rights issue at \$20 per share. The first round closed on February 27, 2006 and the Company received \$11,169,200. During fiscal 2007, the Company received \$3,493,800 for the second and third rounds of the rights issue. All the shares related to this rights issue were issued during fiscal 2007.

On August 10, 2006, the Company's shares were listed on the Toronto Stock Exchange ("TSX") and the Alternative Investment Market of the London Stock Exchange ("AIM"). On this day, the 2,173,000 preference shares were converted into common shares taking the total common shares prior to a ten-for-one split to 7,783,104. These 7,783,104 common shares were then subject to a ten-for-one split giving a total of 77,831,040 common shares outstanding after the split.

In the initial public offering on August 10, 2006, 11,375,000 common shares were issued. On August 25, 2006, the underwriters exercised the over allotment option and the Company issued a further 1,706,250 common shares.

During the second quarter, and prior to the TSX and AIM listings and the ten-for-one split, 10,000 options were exercised at \$6.25 per option.

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During the third quarter, 30,000 options at \$0.63 and 130,000 options at \$1.20 were exercised.

As part of the listing process, a total of 767,813 compensation options at CAD 4.00 were issued to the brokers. During the third quarter, 17,063 of these broker options were exercised at \$3.53.

During the fourth quarter, 10,000 options at \$0.20, 50,000 options at \$0.63 and 653,460 options at \$1.20 were exercised.

Exercise date	Exercise price \$	Number of options
Options exercised during fiscal 2007		
June 7, 2006	6.25	10,000
September 20, 2006	0.63	30,000
September 20, 2006	1.20	65,000
October 4, 2006	1.20	10,000
October 31, 2006	1.20	55,000
November 24, 2006	3.53	17,063
December 4, 2006	0.20	10,000
January 22, 2007	1.20	75,000
February 15, 2007	1.20	578,460
February 21, 2007	0.63	50,000
		<u>900,523</u>
Options exercised during fiscal 2006		
April 4, 2005	2.00	150,000
July 8, 2005	6.25	1,000
November 8, 2005	2.00	10,000
November 16, 2005	2.00	11,000
November 16, 2005	6.25	10,000
November 21, 2005	2.00	10,000
November 28, 2005	2.00	1,000
December 12, 2005	12.00	20,000
January 17, 2006	6.25	55,000
January 17, 2006	7.50	42,000
January 17, 2006	10.00	42,000
January 17, 2006	2.00	4,000
January 25, 2006	6.25	11,000
January 25, 2006	2.00	1,000
January 26, 2006	2.00	1,000
February 8, 2006	2.00	60,060
February 8, 2006	5.00	10,000
February 8, 2006	6.25	141,000
February 9, 2006	6.25	20,000
February 17, 2006	6.25	80,000
		<u>680,060</u>

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(b) Preferred shares

An unlimited number of preferred shares have been authorised.

	Number of shares	Amount \$ 000
Movement during fiscal 2006		
Balance, March 1, 2005	2,093,000	11,983
Warrants exercised	<u>80,000</u>	<u>500</u>
Balance, February 28, 2006	<u>2,173,000</u>	<u>12,483</u>
Movement during fiscal 2007		
Balance, March 1, 2006	2,173,000	12,483
Conversion to common shares	<u>(2,173,000)</u>	<u>(12,483)</u>
Balance, February 28, 2007	<u>-</u>	<u>-</u>

The preferred shares were converted on August 10, 2006 to common shares on a one-for-one basis. They had no preferential rights over the common shares other than a preferential right to repayment of capital on liquidation.

(c) Contributed surplus

	February 28, 2007 \$ 000	February 28, 2006 \$ 000
Balance - Beginning of year	2,146	4,314
Surplus - options issued	2,215	1,643
Surplus - warrants exercised	(1,460)	-
Surplus - options exercised	<u>(422)</u>	<u>(3,811)</u>
Balance - End of year	<u>2,480</u>	<u>2,146</u>

11 Stock option plan and warrants

The Board of Directors adopted a resolution dated May 3, 2005, which established a stock option plan (the "Plan"), pursuant to which options may be granted to directors, officers, employees and persons providing ongoing and contract services to the Company. The purpose of the Plan is to attract persons by offering to such persons the opportunity to acquire (or to increase) an equity

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interest in the Company through the purchase of shares under the Plan. Subject to adjustment made in the case of a share split of the issued common shares of the Company, the aggregate number of common shares that may be issuable pursuant to options granted under the Plan is fixed at 9% of the outstanding common shares of the Company and shall be calculated on an as-needed basis. Prior to the establishment of the Plan, options were issued to directors and employees, at the discretion of management, to compensate for services provided.

Details of stock options issued under and prior to the Plan, are as follows:

	<u>Number of options</u>	<u>Weighted average exercise price \$</u>
Movement during fiscal 2006		
Options outstanding, March 1, 2005	833,060	4.68
Granted	482,128	12.00
Exercised	<u>(680,060)</u>	(5.16)
Options outstanding, February 28, 2006	<u>635,128</u>	9.72
Options exercisable, February 28, 2006	<u>218,000</u>	5.36
Movement during fiscal 2007		
Options outstanding, March 1, 2006	635,128	9.72
Granted	350,000	20.00
Exercised	(10,000)	(6.25)
Options outstanding, August 31, 2006 – before the ten-for-one split	<u>975,128</u>	13.44
Options outstanding, September 1, 2006 – after the ten-for-one split	9,751,280	1.34
Granted	934,876	3.68
Exercised – compensation options	(17,063)	(3.53)
Exercised – options	(873,460)	(1.09)
Options cancelled - resignations	(160,000)	(1.20)
Options outstanding, February 28, 2007	<u>9,635,633</u>	1.58
Options exercisable, February 28, 2007	<u>7,695,313</u>	1.44

These options were all subject to the August 10, 2006 ten-for-one split, and as a result the number of options and the exercise price have both been adjusted by a factor of 10.

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As at February 28, 2007, the following options were outstanding:

Expiry date	Exercise price \$	Number of options
September 6, 2007	0.20	1,090,000
September 6, 2007	0.63	400,000
August 10, 2007	0.90	50,000
August 10, 2007	3.51	665,437
August 25, 2007	3.51	102,376
November 3, 2010	1.20	500,000
December 6, 2010	1.20	3,177,820
April 12, 2011	2.00	3,500,000
September 18, 2011	3.86	150,000
Weighted average	1.58	9,635,633

As at February 28, 2006, the following options were outstanding:

Expiry date	Exercise price \$	Number of options
September 6, 2007	2.00	110,000
September 6, 2007	6.25	58,000
August 10, 2007	9.00	5,000
November 3, 2010	12.00	80,000
December 6, 2010	12.00	382,128
Weighted average	9.72	635,128

The Company records stock-based compensation expense as required by CICA Handbook Section 3870. This is reflected in the consolidated statements of operations and deficit as follows:

	February 28, 2007 \$000	February 28, 2006 \$000
Management and consulting fees	2,215	1,643

The fair value of stock options granted is recorded as an increase in contributed surplus.

The fair value of stock options issued, which had not been charged to employee expenses, was \$213,248 (2006: \$1,555,634).

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The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	February 28, 2007	February 28, 2006
Expected dividend yield	0.0%	0.0%
Expected volatility	100.0%	100.0%
Risk-free interest rate	3.5%	3.5%
Expected life	3.5 years	3.5 years

Warrants

The details of warrants issued are as follows:

	Number of options	Weighted average exercise price \$
Movement during fiscal 2006		
Warrants outstanding, March 1, 2005	696,650	11.19
Exercised	(496,650)	(11.57)
Warrants outstanding, February 28, 2006	<u>200,000</u>	<u>7.30</u>
Warrants exercisable, February 28, 2006	<u>200,000</u>	<u>7.30</u>
Movement during fiscal 2007		
Warrants outstanding, March 1, 2006	<u>200,000</u>	<u>7.30</u>
Warrants outstanding, September 1, 2006 - after ten-for-one split	2,000,000	0.73
Exercise of warrants	(2,000,000)	(0.73)
Warrants outstanding, February 28, 2007	<u>-</u>	<u>-</u>

The warrants were exercised on November 7, 2006, which resulted in 2,000,000 common shares being issued for \$1,460,000.

12 Income tax losses carried forward

The Company's income tax provision (recovery) has been calculated as follows:

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	February 28, 2007 \$000	February 28, 2006 \$000
Loss from ordinary activities before income tax expense	7,038	5,151
Income tax recovery (provision) at Canadian federal and provincial rates	(2,543)	(1,861)
Current year losses not recognized	2,543	1,861
Income tax expense	-	-

The Company's future income tax assets are summarized as follows:

	February 28, 2007 \$000	February 28, 2006 \$000
Non-capital losses carried forward	6,792	5,877
Net future income tax assets	6,792	5,877
Valuation allowance	(6,792)	(5,877)
Net future income tax asset recorded	-	-

The Company has recorded a full valuation allowance for all of its net future income tax assets because management believes that the future income tax assets in respect of such losses are not likely to be realized in the carry forward period.

No benefit in respect of the potential application of these losses has been recorded in these consolidated financial statements. The Canadian losses carried forward expire in various fiscal years, as indicated in the following table:

	\$ 000
2011	579
2015	1,746
2016	3,551
2017	916
	<u>6,792</u>

The Company has non-capital losses carried forward for South African income tax purposes of approximately \$30,405,104 (2006 - \$21,250,104)

The South African losses do not have an expiry date and consist of losses carried forward and unredeemed capital expenditure.

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13 Related party transactions

Olive Tree Designs CC

During the financial year ended February 28, 2006, printing and design services totalling \$4,239 took place at fair value between Boynton and Olive Tree Designs CC, a company over which one of Platmin's former directors exercised a significant influence.

Platmin Nickel Limited

The interest in Platmin Nickel Limited was sold during the second quarter of fiscal 2007 to two of the Company's former directors for no consideration.

Ledima Investments (Pty) Ltd

During the financial year ended February 28, 2007, transactions took place between Boynton and Ledima Investments (Pty) Ltd, over which one of the Boynton directors, appointed November 29, 2006, exercised significant influence. Consulting services totalling \$24,815 were undertaken by Ledima Investments (Pty) Ltd. These services were provided to Boynton at the exchange amount, which is the amount agreed to by each party, which was considered by the Board of Directors to be fair, and was paid in full.

14 Loan payable

The long-term loan from Corridor Mining Resources (a subsidiary of Limpopo Economic Development Enterprise, previously Northern Province Development Corporation) bears interest at South African prime rate which is currently 12.5% (February 28, 2006 – 10.5%), until otherwise agreed by the shareholders, and has no fixed terms of repayment. The loan is used by Mahube to fund exploration activities. The loan is to be repaid from the proceeds generated by the project in Tameng, a subsidiary of Mahube.

15 Asset retirement obligation

The DME required a guarantee of \$493,325 before approving the application for a bulk sample. The full amount has been provided for in the current year. The final retirement obligation will only be established on completion of the bankable feasibility study, and would be provided for once construction has commenced.

16 Segmented information

The Company operates in one geographic segment, South Africa, and one industry segment, exploration of precious metals properties, mainly platinum group elements.

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Funds raised by the Company are held in USD, GBP and CAD interest bearing accounts in Canada and Guernsey until required by the South African operations.

17 Contingencies and commitments

- The Company has guaranteed the rehabilitation of numerous exploration targets. As at year-end, the total guarantees held by a bank were \$66,255 (February 28, 2006 - \$55,679).
- Boynton has entered into an agreement with Impala Platinum Limited (Impala) for the right of first refusal to purchase PGM concentrate produced by Boynton from the farms, Ruighoek 169JP, Vogelstruisnek 173JP and Palmietfontein 208JP. Should Boynton elect not to accept the terms proposed by Impala, a break fee of \$2,067,996 in aggregate will be payable to Impala.
- Under the terms of a joint venture agreement between Boynton and Ranger Minerals Limited (Ranger), a subsidiary of Perilya Ltd., Boynton has committed to contribute up to \$90,000 towards the initial funding on prospecting areas identified by Ranger. The contribution is a pro rata contribution in accordance with Boynton's 30% shareholding in the joint venture.
- Boynton entered into an agreement with Woolrich and Associates (Pty) Ltd., whereby Boynton paid an amount of \$9,987 in aggregate prior to July 31, 2003. The Company undertook to spend \$220,586 in aggregate on prospecting activities on certain prospecting areas within a period of one year from the date on which prospecting permits have been issued. The only prospecting permit received to date is on the Groenfontein area, on which the Company spent \$120,004.
- An amount of \$27,573 (February 28, 2006 - \$32,378) will be payable by Boynton to Anglovaal Mining Ltd. (Anglovaal) in respect of research reports that Anglovaal had assigned to Boynton, if Boynton decides to establish an operation to recover PGMs from the site to which the reports relate.
- Boynton has an obligation, which cannot be quantified, pro rata to its shareholding in Mahube to provide funding to Tameng to undertake the necessary exploration and development on the M'Phatlele project. The consequence of not contributing accordingly results in dilution of Boynton's shareholding.
- Boynton has undertaken to provide enough funding up to completion of a first bankable feasibility study, subject to a maximum of \$1,378,664, on projects held by Setseka. The completion of a feasibility study is at Boynton's sole discretion; Boynton has the right to withdraw from prospecting on any particular property held in the joint venture.
- In respect of a joint venture agreement with Western Platinum Ltd. (Lonmin JV), Lonmin will contribute a maximum of \$620 per hectare toward mineral rights existing under the joint venture and toward any additional mineral rights included later. Any costs beyond \$620 per hectare will be shared equally between Lonmin and Boynton.

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- Boynton has entered into an agreement with Codoca – Beleggings cc (Codoca) where Codoca will transfer its Mineral Rights to Boynton. A deposit of \$242,840 was paid to Codoca.

The remaining balances will be paid by Boynton if the following requirements are met:

Payment of 50% of the balance of the consideration amount within 30 days of being notified by the DME that a prospecting right in terms of the MPRDA has been granted and issued to Boynton, enabling and entitling Boynton to commence prospecting activities and also in respect of Codoca's undivided share in the Mineral Rights by Boynton to Codoca. The remaining balance for this, less the deposit, will be \$220,559.

- A Prospecting Contract was entered into on April 28, 2005 between Boynton and a BEE company, Sephaku, BHP and Samancor with respect to the farm Annex Grootboom 335KT (“Annex Grootboom”). In terms of the agreement, Samancor as the holder of certain old order rights pertaining to Annex Grootboom 335KT and Scheiding 407KS (Scheiding), was obligated to apply for conversion of these rights under the provisions of the MPRDA. Subsequent to a conversion being granted, Samancor is obligated in terms of the agreement to transfer the rights to PGM's and all metals and minerals mineralogically associated therewith in the UG2 Reef on Annes Grootboom and Scheduling (the “PGM rights”), to BHP.

Samancor lodged an application for conversion of the mining license in December 2006. In terms of the same agreement, Sephaku was appointed to carry out exploration activities on Annex Grootboom and Scheiding on a contract basis.

In terms of the agreement, Sephaku has the right to, within one month of the completion of a Bankable Feasibility Study on Annex Grootboom, acquire from BHP the PGM Rights for cash consideration of \$8.00 per resource ounce as determined in a Bankable Feasibility Study in accordance with the SAMREC Code.

In an Assignment Agreement dated February 14, 2006 between Boynton and Sephaku, Sephaku agreed, subject to the fulfillment of various conditions precedent, to assign to Boynton all of its rights and obligations as described above. All conditions precedent have recently been satisfied.