

Consolidated financial statements of

Eastern Platinum Limited

December 31, 2019 and 2018

Eastern Platinum Limited

December 31, 2019 and 2018

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Independent auditor's report

To the Shareholders of Eastern Platinum Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Eastern Platinum Limited and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of loss for the years ended December 31, 2019 and 2018;
- the consolidated statements of comprehensive loss for the years ended December 31, 2019 and 2018;
- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years ended December 31, 2019 and 2018;
- the consolidated statements of cash flows for the years ended December 31, 2019 and 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Frans Minnaar.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 26, 2020

Eastern Platinum Limited

Consolidated statements of loss

(Expressed in thousands of U.S. dollars, except for per share amounts)

	Note	Year ended December 31	
		2019	2018
Revenue		\$ 39,242	\$ 414
Production costs		(31,233)	(427)
Production costs - depreciation		(2,485)	—
Mining operation income (loss)		5,524	(13)
Expenses			
General and administrative		2,642	2,236
Care and maintenance		6,718	7,852
Care and maintenance - depreciation and amortization		151	144
Impairment expense	6(f)	—	15,496
Impairment reversal associated with assets held for sale	6(e)	(1,603)	—
Operating loss		(2,384)	(25,741)
Other income (expense)			
Gain on disposal of property, plant and equipment		1,177	190
Interest income		708	1,108
Other income		1,822	2,290
Finance costs	8	(3,241)	(569)
Foreign exchange gain (loss)		994	(3,236)
Loss before income taxes		(924)	(25,958)
Income tax expense	9	(222)	(308)
Net loss for the year		(1,146)	(26,266)
Net (loss) income attributable to			
Non-controlling interest	10	(1,249)	(4,446)
Equity shareholders of the Company		103	(21,820)
Net loss for the year		\$ (1,146)	\$ (26,266)
Earnings (loss) per share			
Basic and diluted		\$ 0.00	\$ (0.24)
Weighted average number of common shares outstanding in thousands			
Basic	7(b)	92,599	92,599
Diluted	7(b)	92,791	92,599

The accompanying notes are an integral part of these consolidated financial statements

"George Dorin"

George Dorin, Director

"Mike Cosic"

Mike Cosic, Director

Eastern Platinum Limited

Consolidated statements of comprehensive loss
(Expressed in thousands of U.S. dollars)

		Year ended December 31	
	Note	2019	2018
Net loss for the year		\$ (1,146)	\$ (26,266)
Other comprehensive income (loss)			
Items that may subsequently be reclassified to loss or profit			
- Exchange differences on translating foreign operations		3,700	(24,017)
- Exchange differences on translating non-controlling interest	10	(1,190)	6,477
Comprehensive income (loss) for the year		1,364	(43,806)
Comprehensive income (loss) attributable to			
Equity shareholders of the Company		3,803	(45,837)
Non-controlling interest		(2,439)	2,031
Comprehensive income (loss) for the year		\$ 1,364	\$ (43,806)

The accompanying notes are an integral part of these consolidated financial statements

Eastern Platinum Limited

Consolidated statements of financial position
(Expressed in thousands of U.S. dollars)

	Note	As at December 31 2019	As at December 31 2018
Assets			
Current assets			
Cash and cash equivalents	11	\$ 1,957	\$ 4,213
Short-term investments		—	1,397
Trade and other receivables	12	15,796	1,345
Inventories		1,090	1,055
		18,843	8,010
Non-current assets			
Restricted cash		89	84
Inventories		1,748	807
Property, plant and equipment	6	135,397	133,704
Other assets	13	6,789	7,940
Assets held for sale	6(e)	1,982	—
		\$ 164,848	\$ 150,545
Liabilities			
Current liabilities			
Trade and other payables		\$ 9,145	\$ 2,979
Deferred revenue	14	2,527	2,195
Lease payable	17	18	—
		11,690	5,174
Non-current liabilities			
Deferred revenue	14	10,012	11,131
Contracts payable	14	42,307	35,834
Lease payable	17	45	—
Provision for environmental rehabilitation	15	3,371	3,239
Deferred tax liabilities	9	3,368	3,147
Liabilities associated with assets held for sale	6(e)	554	—
		71,347	58,525
Equity			
Issued capital	7	1,230,171	1,230,171
Treasury shares	7	(204)	(204)
Equity-settled employee benefits reserve		501	410
Accumulated other comprehensive loss		(292,188)	(295,888)
Deficit		(800,041)	(800,170)
Total equity attributable to equity shareholders of the Company		138,239	134,319
Non-controlling interest	10	(44,738)	(42,299)
		93,501	92,020
		\$ 164,848	\$ 150,545
Contingencies (Note 21)			

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

Eastern Platinum Limited

Consolidated statements of changes in equity
(Expressed in thousands of U.S. dollars)

	Issued capital	Treasury shares	Equity- settled employee benefits reserve	Accumulated other comprehensive income (loss)	Deficit	Total equity attributable to equity shareholders of the company	Non- controlling interest	Equity
Balance, December 31, 2017	\$ 1,230,171	\$ (204)	\$ 569	\$ (271,871)	\$ (778,640)	\$ 180,025	\$ (44,330)	\$ 135,695
Net loss	—	—	—	—	(21,820)	(21,820)	(4,446)	(26,266)
Other comprehensive (loss) income	—	—	—	(24,017)	—	(24,017)	6,477	(17,540)
Total comprehensive (loss) income	—	—	—	(24,017)	(21,820)	(45,837)	2,031	(43,806)
Share-based compensation	—	—	131	—	—	131	—	131
Transfer equity reserve relating to expired options	—	—	(290)	—	290	—	—	—
Balance, December 31, 2018	\$ 1,230,171	\$ (204)	\$ 410	\$ (295,888)	\$ (800,170)	\$ 134,319	\$ (42,299)	\$ 92,020
Net income (loss)	—	—	—	—	103	103	(1,249)	(1,146)
Other comprehensive income (loss)	—	—	—	3,700	—	3,700	(1,190)	2,510
Total comprehensive income (loss)	—	—	—	3,700	103	3,803	(2,439)	1,364
Share-based compensation	—	—	117	—	—	117	—	117
Transfer equity reserve relating to expired options	—	—	(26)	—	26	—	—	—
Balance, December 31, 2019	\$ 1,230,171	\$ (204)	\$ 501	\$ (292,188)	\$ (800,041)	\$ 138,239	\$ (44,738)	\$ 93,501

The accompanying notes are an integral part of these consolidated financial statements

Eastern Platinum Limited

Consolidated statements of cash flows
(Expressed in thousands of U.S. dollars)

	Year ended December 31	
	2019	2018
Operating activities		
Loss before income taxes	\$ (924)	\$ (25,958)
Adjustments to net loss for non-cash items		
Depreciation and amortization	2,636	144
Stock based compensation	117	131
Impairment of receivable provisions	—	26
Impairment (reversal) of mineral properties	(1,603)	15,496
Gain on disposal of property, plant and equipment	(1,177)	(190)
Interest income	(708)	(1,108)
Finance costs	3,241	569
Foreign exchange loss	(994)	3,236
Net changes in non-cash working capital items		
Trade and other receivables	(14,016)	(1,062)
Inventories	(32)	50
Trade and other payables	5,862	1,205
Deferred revenue	(1,817)	3,562
Cash used in operations	(9,415)	(3,899)
Adjustments to net loss for cash items		
Interest income received	722	1,210
Finance costs paid	(18)	—
Taxes paid	(132)	(155)
Net operating cash flows	(8,843)	(2,844)
Financing activities		
Contracts payable	2,765	3,556
Net financing cash flows	2,765	3,556
Investing activities		
Purchases of short-term investments	(500)	(10,086)
Redemptions of short-term investments	1,915	25,513
Decrease (increase) of other assets	1,332	(778)
Property, plant and equipment expenditures	(589)	(19,292)
Disposal of property, plant and equipment	1,393	256
Net investing cash flows	3,551	(4,387)
Effect of exchange rate changes on cash and cash equivalents	271	(504)
Decrease in cash and cash equivalents	(2,256)	(4,179)
Cash and cash equivalents, beginning of year	4,213	8,392
Cash and cash equivalents, end of year	\$ 1,957	\$ 4,213

The accompanying notes are an integral part of these consolidated financial statements

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

1. Nature of operations

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

The Company was incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange (primary listing) and the Johannesburg Stock Exchange (secondary listing). The head office and principal address of the Company are located at 1080 – 1188 West Georgia Street, Vancouver, British Columbia, Canada.

On March 1, 2018, the Company and its subsidiary Barplats Mines (Pty) Limited ("Barplats") entered into an agreement (the "Framework Agreement") with Union Goal Offshore Solution Limited ("Union Goal"). The Framework Agreement provides for construction, re-mining and processing of the tailings resource, and the subsequent offtake of chrome concentrate from the Barplats Zandfontein UG2 tailings facility ("Retreatment Project"). Since May 1, 2019 the Retreatment Project operations were ramped up as expected and therefore operating as intended by management. Operations from re-mining the tailings material produce chrome concentrate. Since August 2013, the Company's other existing projects have been either in care and maintenance or on hold.

The Company's presentation currency is U.S. dollars. All monetary amounts presented in these consolidated financial statements are in thousands of U.S. dollars ("\$"), thousands of Canadian dollars ("Cdn\$") or thousands of South African Rand ("ZAR"), except for per share amounts or otherwise indicated.

The Company started generating revenue from its Retreatment Project in December 2018, and at consistent expected levels since May 1, 2019. Although the Retreatment Project has generated cash flows, the Crocodile River Mine ("CRM") underground remains in care and maintenance and all other properties and projects are on hold. The projected cash flows for 2020 are sufficient to cover the Company's operating expenses, approved capital expenditures and all other care and maintenance expenses. However significant judgements and estimates are involved in projecting the future cash flows including the level of production of the Retreatment Project. The Retreatment Project is also dependent on its operating cash inflows from Union Goal, its sole off taker of chrome concentrate (see Notes 14(d) and 23), in order to fund its current operating activities and eventually fulfil all obligations under the Framework Agreement. Lastly, in addition to cash inflows from current operations, additional funding will be required in the future to commence underground production at CRM, and to develop the Kennedy's Vale ("KV"), Spitzkop PGM ("Spitzkop") and Mareesburg Project (the "Eastern Limb Projects") and to bring them into production. For more information, refer to liquidity risk (Note 20 (e) (v)).

Additionally, the Company's business could be significantly adversely affected by the effects of the recent outbreak of novel coronavirus ("COVID-19"). Several significant measures have been implemented in Canada, and South Africa (See Note 24) and the rest of the world in response to the increased impact from COVID-19. The Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions to the Optimization Program or other objectives and targets and other factors that will depend on future developments beyond the Company's control. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries (including South Africa, Canada and China), resulting in an economic downturn that could negatively impact the Company's financial position, financial performance, cash flows, and its ability to raise capital, in 2020. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's anticipated activities, and operations, cannot be reasonably estimated at this time.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

2. Basis of preparation

(a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2020.

(b) *Judgements and estimates*

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Notes 4(t) and (u).

(c) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis except for those as explained in the accounting policies below.

3. Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2019, and have not been applied in preparing these consolidated financial statements. None of these pronouncements are expected to have material impact on the Company's consolidated financial statements.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) *Basis of consolidation*

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has (i) power over the investee, (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, revenues and expenses have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of profit or loss and other comprehensive income or loss since the date of acquisition, even if this results in the non-controlling interest having a deficit balance. Changes in the Company's ownership percentage in subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Company's interest and the non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the adjustment to the Company's non-controlling interest is recognized directly to equity.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Any costs directly attributable to the business combination are generally recognized in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized immediately in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(b) *Investments in associates*

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company or a subsidiary of the Company transacts with an associate of the Company, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

(c) *Presentation currency and foreign currency translation*

The Company's presentation currency is the U.S. dollar. The functional currencies of the Company, its BVI and Barbados intermediate holding companies are the Canadian dollar, while the South African subsidiaries are the South African Rand. These consolidated financial statements have been translated to the U.S. dollar in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All resulting exchange differences are recognized directly in other comprehensive income.

(d) *Foreign currency transactions*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(e) *Cash and cash equivalents*

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

(f) *Short-term investments*

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

(g) *Inventories*

Inventories, comprising consumable parts and supplies, are valued at the lower of cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Cost is determined using the weighted average method and includes direct mining expenditures and an appropriate portion of normal overhead expenditure. Certain parts and supplies which may not be used within 1 year are classified as non-current.

(h) *Property, plant and equipment*

(i) *Mining assets*

Assets owned and mineral properties being depleted are recorded at cost less accumulated depreciation and accumulated impairment losses. Mineral properties not being depleted are recorded at cost less accumulated impairment losses. All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mineral properties being depleted and amortized using the units-of-production method following commencement of commercial production. Interest on borrowings incurred to finance mining assets is capitalized until the asset is capable of carrying out its intended use.

Mining properties and mining and process facility assets are amortized on a units-of-production basis which is measured by the portion of the mine's proven and probable ore reserves recovered during the period. Capital work-in-progress, which is included in mining assets, is not depreciated until the assets are ready for their intended use.

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

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(ii) Residential properties and other property, plant and equipment

Residential properties and other property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. These assets are depreciated using the straight-line method based on estimated useful lives. Land is not depreciated.

Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is ready for its intended use.

(iii) Assets held for sale

Assets or asset groups that are held for sale are measured at fair value less cost of disposal.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition. Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(iv) Depreciation

The depreciation method, useful life and residual values are assessed annually. The carrying amounts of property, plant and equipment are depreciated using either the straight-line or unit-of-production method over the short of the estimated useful life of asset or the life of mine. The estimated useful lives of property, plant and equipment are as follows:

Plant and equipment owned	
Underground and other assets	life of mine
Mine houses	50 years
Office buildings	20 years
Plant	life of mine
Tailings retreatment plant	life of mine
Computer equipment	3 years
Mineral properties being depleted	life of mine
Residential properties	50 years
Lease	lease terms of 3 years

(v) Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

(vi) Impairment

The Company's tangible assets are reviewed for indications of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit ("CGU"), exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(vii) Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Financial instruments

The Company follows IFRS 9 – Financial Instrument ("IFRS 9") to account its financial instruments. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

Under IFRS 9, financial assets are classified into one of three categories below:

- amortized cost;
- fair value changes through other comprehensive income ("FVTOCI"); and
- fair value through profit or loss ("FVTPL")

Under IFRS 9, financial liabilities are classified into one of two categories below:

- amortized cost; and
- FVTOCI

(i) Initial recognition

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case transaction costs are expensed as incurred.

(ii) Subsequent measure of financial assets

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income. Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ("OCI"). Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

As at years ended December 31, 2019 and 2018, the Company does not have any financial assets that are classified as FVTPL and FVTOCI.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(i) *Financial instruments (continued)*

(iii) *Impairment of financial assets carried at amortized cost*

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

(iv) *Subsequent measure of financial liabilities*

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss.

(v) *Derecognition of financial assets and financial liabilities*

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass - through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process. Gains and losses on derecognition of equity investments designated as FVTOCI (including any related foreign exchange component) are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statement of income.

(vi) *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

(vii) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

(j) Leases

Effective January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which requires leases to be reported on the statement of financial position unless certain requirements for exclusion are met.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if we are reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless we are reasonably certain not to terminate early.

The Company did not have any significant operating leases as at December 31, 2018. The Company's head office lease is treated as short-term lease at the initial adoption date by applying the practical expedients as the original lease expired on September 30, 2019. On May 1, 2019, the Company signed a new office lease agreement with an effective date of October 1, 2019 (the "New Lease Agreement"). The New Lease Agreement extends the lease term for another three years expiring September 30, 2022, and adjusted an annual lease payment to Cdn\$34,496 for the first year, Cdn\$35,035 for the second year and Cdn\$35,574 for the third year. A right of use assets has been recognized for the new lease in accordance with IFRS 16 (see Note 17).

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(k) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(l) Environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive 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. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation provision is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs in the consolidated statements of comprehensive loss. The rehabilitation asset is depreciated on the same basis as mining assets.

The rehabilitation provision is re-measured at the end of each reporting period for changes of estimates and circumstances. Changes in estimates and circumstances include changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. The carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit or loss as incurred.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(m) Employee benefits

(i) Employee post-retirement obligations – defined contribution retirement plan

The Company's South African subsidiaries operate a defined contribution retirement plan for its employees. The pension plan is funded by payments from the employees and the subsidiaries and payments are charged to profit and loss for the period as incurred. The assets of the different plans are held by independently managed trust funds. The South African Pension Funds Act of 1956 governs these funds.

(ii) Leave pay

Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at period end.

(n) Revenue recognition

The Company's revenue consists of chrome concentrate sales based on an offtake agreement with Union Goal and other income. The Company followed IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") to recognize revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer.

Chrome concentrate revenue is recognized when control is transferred to Union Goal which is when the chrome concentrate is produced by the chrome processing circuits and related technology (the "Chrome Circuit") equipment which is the point of time the control is transferred in accordance with offtake agreement with Union Goal.

The sales price of chrome concentrate is determined based on a direct cost recovery basis including capital, operational, processing cost and logistics plus an upfront payment and a per ton fee based on the number of tons of material from re-mining the tailings made available to the chrome processing plant (based on the September 2017 feasibility study).

Additionally, IFRS 15 requires entities to apportion the transaction price attributable to contracts from customers to distinct performance obligations on a relative standalone selling price basis. In accordance with the terms of the offtake agreement with Union Goal, the Company must contract for and pay certain logistic cost. Therefore, a portion of the revenue representing the obligation to fulfill these services that occur after the transfer of control, is deferred and recognized over time (although a very short period) as the obligations are fulfilled. Revenue relating to the logistic costs deferred is not material for the years ended December 31, 2019 and 2018.

Other income consists of rental income and scrap metals sale. The Company concluded that there was no change in the timing of other income amounts with respect to rental income and scrap metal sales. Rental income from residential properties is recognized on a straight-line basis over the term of the lease. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Scrap metals sale is incidental income and is recognized when goods are delivered and the collection from the sale is assured which is the same time as transfer of control.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(o) *Share-based payments*

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the average of the closing market price on the 5 days preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. When fully vested stock options expire, are forfeited or are cancelled, the expenses previously recognized within equity-settled employee benefits reserve is reallocated to deficit.

(p) *Finance costs*

Finance costs primary comprise interest payable on provision for environmental rehabilitation. Interest payable on provision for environmental rehabilitation is calculated using the effective interest method.

(q) *Income taxes*

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(r) *Earnings (loss) per share*

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

(s) *Other comprehensive income (loss)*

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit (loss) such as fair value movements in certain investments designated through other comprehensive income, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. As at December 31, 2019 and 2018, the Company's other comprehensive income (loss) was comprised of foreign currency translation gains and losses.

(t) *Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

(i) *Impairment of property, plant and equipment*

Impairment of property, plant and equipment is based on the Company's estimate of the recoverable amount of cash generating unit. The estimate of recoverable amounts of a cash generating unit involving a mineral property is a complex estimate involving significant judgement and assumptions including analyzing the observable market transactions with the comparable assets, analyzing appropriate offtake contracts, estimating the quantity and grade of the recoverable resources, future production rates and operating costs, future capital requirements, future metal prices, discount rates, and appropriate foreign exchange rates. The estimate of the recoverable resources involves assumptions about mining costs and metal prices, and is based on information compiled by appropriately qualified persons relating to data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. If any of these estimates or assumptions prove to be inaccurate, or if the Company's operating plans are revised in the future, there could be a material impact on the estimated fair value of a mineral property. The significant assumptions utilized in the Company's impairment analysis from 2018 are discussed in detail in Note 6.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(t) Critical accounting estimates (continued)

(i) Impairment of property, plant and equipment (continued)

The Company had determined that there were no impairment indicators as at December 31, 2019. The Company has determined that there were impairment indicators as at December 31, 2018 and performed an impairment test on December 31, 2018 resulting in an impairment charge of \$15,496 to the existing CRM underground property (Note 6). Since 2016, management reassessed how the Eastern Limb projects would be brought to further development and into production, and concluded to advance the three Eastern Limb properties (consisting of Kennedy's Vale ("KV"), Spitzkop PGM ("Spitzkop") and Mareesburg Project) separately rather than concurrently. Therefore, it was determined that the Eastern Limb Projects comprised three independent CGUs. As such, for the purposes of the Company's impairment testing in 2017 forward, management identified CRM, KV, Spitzkop and Mareesburg each as separate CGUs. There are no changes of the Company's CGUs in 2019 and 2018. Determination of the CGUs requires significant estimates and judgements.

In 2019, a partial reversal of impairment taken historically (prior to 2018) was recorded for the Maroelabult property, as a result of being classified as held for sale as at December 31, 2019. Also see Note 6(e).

(ii) Environmental rehabilitation provision

Environmental rehabilitation obligations have been estimated by appropriately qualified external persons based on the Company's interpretation of current regulatory and best practice requirements and have measured at the net present value of expected future cash expenditures that would be required upon mine closure. These estimates require significant judgement about the nature, cost and timing of work to be completed, and may change with future changes to costs, environmental laws, regulations and remediation practices and the expected timing of remediation work. The details of assumptions used in calculation of the Company's environmental rehabilitation provision are disclosed in Note 15.

(iii) Union Goal Contracts

The Company purchased the Chrome Circuit equipment based on the Union Goal Contracts in connection with the Retreatment Project (Note 14). The Chrome Circuit equipment is subject to put and call options in the event that either party is not satisfied with the agreed pricing or performance of the Chrome Circuit equipment during the initial contract period. There are significant estimates and uncertainties involved in assessing the future performance of the Chrome Circuit equipment and the total economic assessment of the project. The Company currently does not have other producing properties other than the Retreatment Project which has an estimated remaining life of over 4 years based on the estimated production. Management believes the Chrome Circuit equipment can be utilized after the completion of the Retreatment Project. Therefore, the Chrome Circuit equipment is amortized based on the unit of production with the total production estimated inclusion of the projected underground ore tonnage.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

4. Summary of significant accounting policies (continued)

(u) Critical accounting judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

(i) Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currencies of the Company and its South African subsidiaries are the Canadian dollar and South African Rand, respectively as these are the currencies of the primary economic environment in which the companies operate.

(ii) Provision and contingencies

The Company is subject to claims and legal proceedings arising in the ordinary course of business activities, each of which is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. For matters that are probable and can be reasonably estimated, the Company establishes provisions in its consolidated financial statements. When evaluating legal proceedings that are pending against the Company, the Company and its legal counsel assess the perceived merits of the legal proceedings along with the perceived merits of the amount of relief sought. Management assesses the probability of liability being payable as either remote, more than remote or probable. If liability is considered to be less than probable, then the liability is not recorded and it is only disclosed as a contingent liability. See Note 21.

In June 2016, the former management signed certain agreements in connection with the proposed purchase/cancellation of certain non-controlling interests in the Company's South African operations (Note 21 (c)) and sale of the CRM (which was terminated in November 2017). These transactions are complex and the agreements are subject to interpretations of laws under the various jurisdictions. The Company has been unable to complete the proposed non-controlling interest's acquisition/cancellation transaction due to difficulties in accessing the underlying documents, obtaining the cooperation of various parties and the review of the implications these transactions under the Company's mining rights and certain provisions under the *Mineral & Petroleum Resources Development Act (South African)*.

(iii) Liquidity and Going concern – cash flow projections

The Company has projected 2020 cash flows that are sufficient to cover the Company's operating expenses, approved capital expenditures and all other care and maintenance expenses. However significant judgements and estimates are involved in projecting the future cash flows including the level of production of the Retreatment Project. The Retreatment Project is also dependent on its operating cash inflows from Union Goal, its sole off taker of chrome concentrate (see Notes 14(d) and 23), in order to fund its current operating activities and eventually fulfil all obligations under the Framework Agreement.

Additionally, the Company's business could be significantly adversely affected by the effects of the recent outbreak of COVID-19 (See Note 24).

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

5. Subsidiaries and associates

(a) Subsidiaries

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			December 31, 2019	December 31, 2018
Eastern Platinum Holdings Limited	Holding company	BVI (i)	100%	100%
Eastplats Holdings Limited	Holding company	BVI (i)	100%	100%
Eastplats Acquisition Co. Ltd.	Holding company	BVI (i)	100%	100%
Eastplats International Incorporated	Holding company	Barbados	100%	100%
Royal Anthem Investments 134 (Pty) Ltd.	Holding company	South Africa	100%	100%
Spitzkop Joint Venture	Mining	South Africa	93.37%	93.37%
Barplats Investments (Pty) Ltd.	Holding company	South Africa	87.49%	87.49%
Barplats Mines (Pty) Ltd.	Mining	South Africa	87.49%	87.49%
Rhodium Reefs (Pty) Ltd.	Mining	South Africa	87.49%	87.49%
Spitzkop Platinum (Pty) Ltd.	Mining	South Africa	86.74%	86.74%
Mareesburg Joint Venture	Mining	South Africa	87%	87%
Lion's Head Platinum (Pty) Ltd.	Holding company	South Africa	74%	74%
SA Victoria International Technology Pty Ltd.	Mining	South Africa	78.74%	78.74%
Brilliant Bravo Science and Technology Pty Ltd.	Mining	South Africa	78.74%	78.74%
SA Tian Jin Bo Yi Communications Technology Pty Ltd.	Mining	South Africa	78.74%	78.74%
SA New Land Communication Technology Pty Ltd.	Mining	South Africa	78.74%	78.74%

(b) Associates

Details of the Company's associates are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			December 31, 2019	December 31, 2018
Afriminer Holdings (Pty) Ltd.	Holding company	South Africa	49.00%	49.00%
Gubevu Consortium Investment Holdings (Pty) Ltd.	Holding company	South Africa	49.99%	49.99%

During the year ended December 31, 2019 and 2018, these associates are inactive.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

6. Property, plant and equipment

	(Note 14) Plant and equipment owned \$	Mineral properties previously depleted \$	Mineral properties not being depleted \$	(Note 15) Properties and land \$	Total \$
Cost					
Balance as at December 31, 2017	378,666	82,116	335,126	15,946	811,854
Assets acquired	64,180	—	334	—	64,514
Environmental provision change in estimate	(2,448)	—	(304)	—	(2,752)
Assets disposed	(63)	—	—	(102)	(165)
Foreign exchange movement	(59,931)	(11,595)	(47,361)	(2,239)	(121,126)
Balance as at December 31, 2018	380,404	70,521	287,795	13,605	752,325
Assets acquired (net of \$888 spare parts reclassified to long-term inventory)	1,112	—	20	—	1,132
Environmental provision change in estimate	(25)	—	285	—	260
Assets disposed	(724)	—	—	(260)	(984)
Reclassify as assets held for sale (e)	(1,982)	—	—	—	(1,982)
Foreign exchange movement	10,347	1,917	7,838	359	20,461
Balance as December 31, 2019	389,132	72,438	295,938	13,704	771,212
Accumulated depreciation and impairment losses					
Balance as at December 31, 2017	331,503	67,103	301,207	2,410	702,223
Depreciation	31	—	—	113	144
Depreciation of disposed assets	(63)	—	—	(36)	(99)
Impairment loss	15,496	—	—	—	15,496
Foreign exchange movement	(46,930)	(9,337)	(42,531)	(345)	(99,143)
Balance as at December 31, 2018	300,037	57,766	258,676	2,142	618,621
Depreciation	2,534	—	—	102	2,636
Depreciation of disposed assets	(688)	—	—	(80)	(768)
Impairment reversal (e)	(1,603)	—	—	—	(1,603)
Foreign exchange movement	8,294	1,544	7,032	59	16,929
Balance as December 31, 2019	308,574	59,310	265,708	2,223	635,815
Carrying amounts					
At December 31, 2017	47,163	15,013	33,919	13,536	109,631
At December 31, 2018	80,367	12,755	29,119	11,463	133,704
At December 31, 2019	80,558	13,128	30,230	11,481	135,397

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

6. Property, plant and equipment (continued)

The following is property, plant and equipment categorized by project:

	Crocodile River Mine (a and e) \$	Mareesburg Project (b) \$	Kennedy's Vale and Concentrator (c) \$	Spitzkop PGM Project (d) \$	Other property plant and equipment \$	Total \$
Cost						
Balance as at December 31, 2017	376,887	19,703	339,073	76,028	163	811,854
Assets acquired	174	334	40	—	—	548
Retreatment Project additions	63,966	—	—	—	—	63,966
Environmental provision change in estimate	(1,181)	(140)	(1,267)	(164)	—	(2,752)
Assets disposed	(149)	—	(16)	—	—	(165)
Foreign exchange movement	(59,688)	(2,825)	(47,867)	(10,734)	(12)	(121,126)
Balance as at December 31, 2018	380,009	17,072	289,963	65,130	151	752,325
Assets acquired	—	20	—	—	77	97
Retreatment Project additions (net of \$888 spare parts reclassified to long-term inventory)	1,035	—	—	—	—	1,035
Environmental provision change in estimate	30	291	(55)	(6)	—	260
Assets disposed	(984)	—	—	—	—	(984)
Reclassify as assets held for sale (e)	(1,982)	—	—	—	—	(1,982)
Foreign exchange movement	10,325	478	7,880	1,770	8	20,461
Balance as December 31, 2019	388,433	17,861	297,788	66,894	236	771,212
Accumulated depreciation and impairment losses						
Balance as at December 31, 2017	298,067	8,553	324,346	71,129	128	702,223
Depreciation	71	—	62	—	11	144
Depreciation of disposed assets	(83)	—	(16)	—	—	(99)
Impairment loss	15,496	—	—	—	—	15,496
Foreign exchange movement	(42,077)	(1,209)	(45,801)	(10,044)	(12)	(99,143)
Balance as at December 31, 2018	271,474	7,344	278,591	61,085	127	618,621
Depreciation	2,562	—	58	—	16	2,636
Depreciation of disposed assets	(768)	—	—	—	—	(768)
Impairment reversal (e)	(1,603)	—	—	—	—	(1,603)
Foreign exchange movement	7,487	200	7,574	1,661	7	16,929
Balance as December 31, 2019	279,152	7,544	286,223	62,746	150	635,815
Carrying amounts						
At December 31, 2017	78,820	11,150	14,727	4,899	35	109,631
At December 31, 2018	108,535	9,728	11,372	4,045	24	133,704
At December 31, 2019	109,281	10,317	11,565	4,148	86	135,397

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Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

6. Property, plant and equipment (continued)

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

The Company holds directly and indirectly an 87.5% interest in CRM, through Barplats Investments (Pty) Ltd. ("Barplats Investment"), which is located on the eastern portion of the western limb of the Bushveld Complex. In 2018, the Company constructed the Retreatment Project, began providing material from re-mining the tailings and production in December 2018 (See Notes 14 and 21(c)). The underground operations of the CRM were placed on care and maintenance since 2013.

(b) *Mareesburg Project*

The Company holds directly and indirectly an 87% interest in the Mareesburg Project located on the eastern limb of the Bushveld Complex.

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

The Company holds directly and indirectly an 87.5% interest in KV, which is located on the eastern limb of the Bushveld Complex. The concentrator located on the KV property has been on care and maintenance since 2012.

(d) *Spitzkop PGM Project ("Spitzkop")*

The Company holds directly and indirectly a 93.4% interest in the Spitzkop PGM Project located on the eastern limb of the Bushveld Complex. The Spitzkop PGM Project has been on hold since 2012.

(e) *Assets held for sale*

On October 24, 2019, the Company and its subsidiary Barplats entered into a sales agreement (the "Sale Agreement") with Eland Platinum (Pty) Limited ("Eland"). The Sales Agreement provides for sale of the mining rights, immovable property, infrastructure and equipment of the Maroelabult resource property (collectively referred as the "Maroelabult Assets") located near Brits in South Africa. The consideration to be received is ZAR20,000 (approximately \$1,428), the assumption of the rehabilitation obligation and immediate assumption of the care and maintenance costs (the "Purchase Price") subject to representations and warranties by both parties. The Purchase Price is payable and enforceable on closing the transaction following the transfer of legal title and the completion of the various legal and regulatory obligations required in South Africa.

As at December 31, 2019, the sale of Maroelabult Assets has not been completed. The carrying value of the Maroelabult Assets of \$1,982 (ZAR27,768) have been presented as assets held for sale and the related rehabilitation obligation in the amount of \$554 (ZAR7,768) has been presented as liabilities associated with the assets held for sale. The Company recorded an impairment reversal of \$1,603 in 2019 as a result of classifying Maroelabult Assets as assets held for sale.

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Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

6. Property, plant and equipment (continued)

(f) Impairment of property, plant and equipment

(i) Year ended December 31, 2019

During 2019 and as at December 31, 2019, management determined that there were no indicators of impairment for the CRM and Mareesburg CGU. Also see above (e), an impairment reversal of \$1,603 was recorded in 2019 as a result of classifying Maroelabult Assets as assets held for sale.

Consistent with prior year, the KV and Spitzkop projects recoverable amounts were determined on a FVLCTS basis with reference to market transactions as well as an updated purchase offer received. No impairment was determined based on these assessments.

(ii) Year ended December 31, 2018

Mineral properties are tested for impairment when events or changes in circumstance indicate that the carrying amount may not be recoverable, or previous impairment on assets is recoverable. In cases where the Company has current plans to develop a particular mineral property into an operating mining operation, management considers its internal discounted cash flow economic models as a proxy for the calculation of fair value less cost to sell ("FVLCTS"), given a willing market participant would use such models in establishing a value for the properties. In situations where management does not currently intend to advance a particular mineral property into production, management will use reference market transactions and/or recent offers on the properties as a proxy for FVLCTS.

The Company assesses the carrying values of its mineral properties for indication of impairment at each quarter end. During the fourth quarter of 2018, management determined that there were indicators of impairment due to the significant fluctuation in the forecasted metal prices and the decline in the forecasted platinum prices.

For the purpose of the impairment assessment, the Company considered CRM, KV, Spitzkop and Mareesburg each as separate CGUs which is consistent with the prior year impairment assessment.

As a result, management performed the impairment assessment of CRM and Mareesburg based on fair value less cost to sell ("FVLCTS") (level 3 in the fair value hierarchy). The projected cash flows in the Company's economic models were updated using a weighted average cost of capital of 11.27% and the current forecasted metal prices and forecasted foreign exchange rates based on an average of analysts' consensus issued in January 2019, as presented in the table below. The Company has updated its economic models in Q4 2018 to reflect management's current assessment in relation to costs, timing and recoveries. As a result of this analysis, the Company recorded an impairment charge of \$15,496 in relation to the underground at CRM and no impairment charge was required for Mareesburg because its recoverable amount exceeded the carrying amount.

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Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

6. Property, plant and equipment (continued)

(f) Impairment of property, plant and equipment (continued)

(ii) Year ended December 31, 2018 (continued)

	2019	2020	2021	2022	2023	2024+
South African Rand						
Per U.S Dollar	14.15	14.15	14.15	14.15	14.15	14.15
Platinum US\$/oz	838	889	936	970	959	1,117
Palladium US\$/oz	1,172	1,053	979	943	932	980

KV and Spitzkop projects are both at the early stage of development. As at December 31, 2018, the recoverable amounts of the KV and Spitzkop projects were determined on a FVLCTS basis (level 3 in the fair value hierarchy) with reference to market transactions as well as a purchase offer received. During the year ended December 31, 2018, there were no significant changes on the observable market transactions for the properties that are similar to KV and Spitzkop. Therefore, no impairment charge was recorded for the KV or Spitzkop projects during the year ended December 31, 2018.

When management utilizes internal discounted cash flow economic models in determining the recoverable value of the Company's mineral properties, the key assumptions are metal prices, operating and capital costs, foreign exchange rates and discount rates. As at December 31, 2018, the Company performed a sensitivity analysis on all these key assumptions by assuming a 10% change to each individual assumption while holding the other assumptions constant. The effect of the change is below. An adverse 10% movement in any of the key assumptions in isolation caused the recoverable amount to be below the CGU carrying value for CRM. An adverse 10% movement in any of the key assumptions in isolation does not cause the recoverable amount to be below the CGU carrying value for Mareesburg.

Key assumptions as at December 31, 2018	Crocodile River Mine (CRM)
Metal prices	\$28,137
Foreign exchange	\$29,608
Operating costs	\$31,651
Capital costs	\$3,560
Discount rates	\$9,649

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

7. Issued 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 and outstanding

As at December 31, 2019 and 2018, the Company had 92,639,032 common shares issued and 92,599,310 common shares outstanding (also see below (c)). There were no changes to the number of common shares issued and outstanding during the years ended December 31, 2019 and 2018.

During the year ended December 31, 2019, 1,650,000 stock options are dilutive if issued and will increase the EPS denominator by 191,530 common shares. During the year ended December 31, 2018, stock options are not included in the computation of loss per share as such inclusion would be anti-dilutive.

(c) Treasury shares

As at December 31, 2019 and 2018, the Company held 39,722 treasury shares. There were no changes to the number of treasury shares during the years ended December 31, 2019 and 2018.

(d) Share options

The Company has an incentive plan (the "2016 Plan"), approved by the Company's shareholders at its special meeting held on October 12, 2016, under which options to purchase common shares may be granted to its directors, officers, employees and others at the discretion of the Board of Directors. Options granted before the meeting continue to be governed by the old stock option plan but no further options can be issued under the old stock option plan.

During the year ended December 31, 2019, the Company granted 1,800,000 stock options to the directors and officers of the Company to acquire common shares of the Company at a weighted average exercise price of Cdn\$0.21 per share expiring in five years from the date of grant. These stock options vested 90 days from the grant date.

During the year ended December 31, 2018, the Company granted 300,000 stock options to the directors, officers and employees of the Company to acquire common shares of the Company at a weighted average exercise price of Cdn\$0.37 per share expiring in five years from the date of grant. These stock options vested 90 days from the grant date.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

7. Issued capital (continued)

(d) Share options (continued)

The fair value of the options granted in 2019 and 2018 were estimated using the Black-Scholes options pricing model with the following assumptions:

	2019	2018
Fair value (Cdn\$)	0.09	0.17
Risk-free interest rate	1.40%	2.06%
Dividend yield	0%	0%
Expected volatility	49.92%	52.10%
Expected life of options	5	5

Option pricing models require the input of highly subjective assumptions including the expected volatility. The Company's expected volatility is based on historical volatility of the Company's share price.

During the year ended December 31, 2019, a total of \$117 (2018 - \$131) was recorded as share-based compensation expense relating to general and administrative services.

The following is a summary of stock option transactions:

	Number of options	Weighted average exercise price Cdn\$
Balance, December 31, 2017	2,582,500	0.68
Granted	300,000	0.37
Expired	(807,500)	0.92
Balance, December 31, 2018	2,075,000	0.54
Granted	1,800,000	0.21
Expired	(275,000)	0.28
Balance, December 31, 2019	3,600,000	0.40

The following table summarizes information concerning outstanding and exercisable options at December 31, 2019:

Number of options outstanding	Number of options exercisable	Exercise price Cdn\$	Remaining contractual life (Years)	Expiry date
200,000	200,000	1.05	1.51	July 4, 2021
300,000	300,000	1.05	1.62	August 14, 2021
100,000	100,000	1.05	1.72	September 20, 2021
100,000	100,000	0.40	2.15	February 24, 2022
600,000	600,000	0.32	2.86	November 9, 2022
550,000	550,000	0.33	2.94	December 7, 2022
100,000	100,000	0.39	3.32	April 26, 2023
1,650,000	1,650,000	0.21	4.45	June 13, 2024
3,600,000	3,600,000			

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Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

8. Finance costs

	Year ended December 31	
	2019	2018
	\$	\$
Interest on provision for environmental rehabilitation (Note 15)	316	569
Accretion on contract payable (Note 14)	2,913	—
Other interest	12	—
	3,241	569

Accretion on the Union Goal Contract (Note 14) was capitalized, using the effective interest rate method, as part of development cost until the asset was ready for its intended use. Accretion in the amount of \$1,357 (2018 – \$2,310) was capitalized under the property, plant and equipment (Note 6) during the year ended December 31, 2019.

9. Income tax

The income tax recognized in profit or loss is comprised of:

	December 31, 2019	December 31, 2018
	\$	\$
Current tax expense	132	171
Deferred tax expense	90	137
Income tax expense	222	308

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

	December 31, 2019	December 31, 2018
	\$	\$
Loss before income tax	(924)	(25,958)
Statutory tax rate	27%	27%
Expected tax recovery at the applicable tax rate	(249)	(7,009)
Difference in tax rates between foreign jurisdictions and Canada	33	(246)
Items not deductible for income tax purposes	631	6,415
Tax losses not recognized	763	1,148
Tax losses utilized	(956)	—
Income tax expense	222	308

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

9. Income tax (continued)

The approximate tax effect of each item that gives rise to the Company's deferred tax liabilities are as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Deferred tax liabilities		
Property, plant and equipment	(1,308)	(1,208)
Other temporary difference	(2,060)	(1,939)
	(3,368)	(3,147)

At December 31, 2019, the Company has approximately Cdn\$63,577 non-capital losses available to offset future taxable income in Canada expiring in various amounts from 2025 to 2039. In South Africa, the Company has unredeemed capital expenditures of approximately ZAR5,839,000 (approximately \$416,810) and estimated tax losses of ZAR264,000 (approximately \$18,828) available for utilization against future taxable income. The South African losses do not expire unless the Company's business activities cease.

The tax benefit of the Company's Canadian and South African tax losses has not been recorded as assets in the consolidated financial statements due to the uncertainty of their realization.

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net profit or loss, tax assets, tax liabilities and operating loss carry-forwards. The Company provides for such reassessments when it is probable that a taxation authority will not sustain the Company's filing position and the amount of the tax exposure can be reasonably estimated.

10. Non-controlling interest

The Company has the following significant non-controlling interests in South Africa for the projects:

Holding company, incorporated and operating in South Africa	South Africa Project	Effective interest owned by non-controlling interest
Gubevu Consortium Investment Holdings (Pty) Ltd.	CRM and KV	12.5%
Lion's Head Platinum (Pty) Ltd.	Mareesburg	13%
Afriminerals Holdings (Pty) Ltd.	Spitzkop PGM	6.6%

The proportion of equity and total comprehensive loss is allocated to the non-controlling interests. The non-controlling interests are comprised of the following amounts:

	\$
Balance, December 31, 2017	(44,330)
Non-controlling interests' share of loss	(4,446)
Foreign exchange movement	6,477
Balance, December 31, 2018	(42,299)
Non-controlling interests' share of loss	(1,249)
Foreign exchange movement	(1,190)
Balance, December 31, 2019	(44,738)

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Notes to the consolidated financial statements

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11. Cash and cash equivalents

Cash and cash equivalents are comprised of:

	December 31, 2019	December 31, 2018
	\$	\$
Cash in bank	216	1,075
Money market instruments	1,741	3,138
	1,957	4,213

12. Trade and other receivables

Trade and other receivables are comprised of:

	December 31 2019	December 31 2018
	\$	\$
Trade receivables	12,966	408
VAT receivable	2,178	715
Other receivables	1,006	464
Allowance for doubtful debts for other receivables	(354)	(242)
	15,796	1,345

13. Other assets

Other assets consist of various money market fund investments that are classified as amortized cost and serve as security for a guarantee issued by the Company, the majority to the Department of Mineral Resources of South Africa in respect to environmental rehabilitation. Changes to other assets for the years ended December 31, 2019 and 2018 are as follows:

	\$
<u>Balance, December 31, 2017</u>	<u>8,557</u>
Additional investment	135
Service fees	(59)
Interest income	702
Foreign exchange movement	(1,395)
<u>Balance, December 31, 2018</u>	<u>7,940</u>
Funds released	(1,842)
Service fees	(46)
Interest income	556
Foreign exchange movement	181
<u>Balance, December 31, 2019</u>	<u>6,789</u>

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Notes to the consolidated financial statements

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14 Union Goal Contracts

On March 1, 2018, the Company entered into a Framework Agreement with Union Goal relating to the Retreatment Project, located at the CRM. Pursuant to the Framework Agreement, Union Goal made a non-refundable upfront payment of ZAR42,200 (approximately \$2,932) (the "Upfront Payment") to Barplats and financed and supplied Barplats' Chrome Circuit while Barplats developed and is re-mining and operating the Retreatment Project. On August 31, 2018, the Company and Union Goal completed the various condition precedents under the Framework Agreement including signing various transactional agreements: equipment and chrome plant agreement, loan agreement, escrow agreement and offtake agreement (See Note 23). In December 2018, the Company began to generate revenues from the Retreatment Project.

	December 31 2019 \$	December 31 2018 \$
Deferred revenue		
Balance, beginning of year	13,326	—
Additions		
- Non-refundable front payment (a)	—	2,932
- Discounting effect from Chrome Circuit equipment payable (b)	—	10,328
- Discounting effect from Credit Facility (c)	673	1,004
	673	14,264
Recognized as revenue	(1,817)	—
Foreign exchange	357	(938)
Balance, end of year	12,539	13,326
Deferred revenue - current	2,527	2,195
Deferred revenue - non-current	10,012	11,131

	December 31 2019 \$	December 31 2018 \$
Contracts payable - Chrome Circuit equipment payable (b)		
Carrying value, beginning of year	33,309	—
Additions		
- Face value	—	41,423
- Discounting effect	—	(10,328)
- Net present value	—	31,095
- Accretion	3,670	2,214
Carrying value, end of year	36,979	33,309

Contracts payable - Credit Facility (c)		
Carrying value, beginning of year	2,525	—
Additions		
- Face value	2,765	3,556
- Discounting effect	(673)	(1,004)
Net present value	2,092	2,552
- Accretion	600	96
- Foreign exchange	111	(123)
Carrying value, end of year	5,328	2,525
Contracts payable, carrying value - total	42,307	35,834

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Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

14 Union Goal Contracts (continued)

- (a) The upfront payment is recognized as revenue based upon material re-mined from the tailings and made available on a per ton basis to the chrome processing plant over the operations of the Retreatment Project, and it has been presented as deferred revenue on the Company's statement of financial position as at December 31, 2019 and 2018.
- (b) Pursuant to the equipment and chrome plant agreement, Union Goal is financing the equipment. The purchase price will not be due until the first 6.4 million tons of tailings from Barplats has been processed by the plant (the "Due Date") and is subject to Barplats' put option and Union Goal's call option for the re-purchase of the Chrome Circuit equipment by Union Goal in the event that either party is not satisfied with the agreed pricing or performance of the Chrome Circuit. The purchase price shall bear an interest rate equal to LIBOR rate plus 1 percent per annum commencing from April 2020 (being the later of May 1, 2019 and the last day of a period of 240 days after the start of production of the plant as defined in the Framework Agreement). The Company has an option to pay the purchase price and the related interest before the Due Date. Subject to the Company's board's and the required regulatory approval, the Company has an option to settle the debt by issuing shares of the Company

In 2018, the Chrome Circuit equipment payable was recognized at an initial amortized cost value of \$31,095 determined by discounting the future payments of interest and principal using an estimated market rate of 10.50%. The difference of the Chrome Circuit equipment payable's initial net present value and its face value is \$10,328. This was credited to deferred revenue and is recognized as revenue based on material re-mined from the tailings and made available on a per ton basis to the chrome processing plant over the operations of the Retreatment Project. As at December 31, 2019 and 2018, the total face value of Chrome Circuit equipment payable is \$41,423.

- (c) Pursuant to the loan agreement, Union Goal granted the Company a non-revolving term loan in the amount of ZAR50,000 (approximately \$3,569) (the "Credit Facility") in order to finance the plant construction cost. Both parties subsequently agreed to increase the term loan amount, and are in the process of amending the agreement. The Credit Facility bears an interest rate equal to the LIBOR rate plus 1 percent per annum commencing from April 2020 (being the later of May 1, 2019 and the last day of a period of 240 days after the agreed start of production of the plant as defined in the Framework Agreement). Interest will be calculated daily and compounded monthly in arrears and payable on or before the Due Date.

In 2018, the Credit Facility was recognized at an initial amortized cost value of \$2,552 determined by discounting the future payments of interest and principal using an estimated market rate of 12.90%. The difference of the Credit Facility's initial present value and its face value, \$1,004 was credited to deferred revenue and will be recognized as revenue based on material re-mined from the tailings and made available on a per ton basis to the chrome processing plant over the operations of the Retreatment Project.

During the year ended December 31, 2019, the Company drew down an additional ZAR39,150 (approximately \$2,765) from this Credit Facility. The Company recognized an additional discounting effect of \$673 calculated by discounting the future payments of interest and principal using an estimated market rate of 12.90%. This discounting effect was credited to deferred revenue. As at December 31, 2019, total drawdown from the Credit Facility is ZAR87,289 (approximately \$6,230) (December 31, 2018 – ZAR48,139 (approximately \$3,345)).

- (d) Pursuant to the offtake agreement, Union Goal agreed to acquire all the chrome concentrate produced by Barplats from the Retreatment Project on the basis of the number of tons of material re-mined from the tailings and made available to the plant at a price equivalent to the aggregate of all the qualifying operating costs in the mining process and the logistics cost, plus other additional amount as agreed in the Framework Agreement (also see Notes 19(c) and 23).

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15. Provision for environmental rehabilitation

The environmental rehabilitation provision was estimated based on information currently available, including the estimated timing of recommencing operations, the remaining mine life, closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

Actual costs in future periods can differ materially from the estimates. Accordingly, future changes to environmental laws and regulations, life-of-mine estimates and discount rates can affect the carrying amount of this provision. In particular from November 20, 2015 in South Africa, regulations governing financial provisions for asset retirement obligations was transitioned from the MPRDA to the National Environmental Management ("NEMA"). These regulations were amended in October 2016. There is currently uncertainty regarding the revised requirements for financial provisions and funding thereof pursuant to NEMA and their actual implementation for the Company. The introduction of NEMA has been again deferred and will become effective February 2021. Once effective NEMA may require changes to the estimate of the liabilities and the way in which the entity funds the obligation.

The provision for environmental rehabilitation (including \$554 (ZAR7,768) relating to Maroelabult which is presented as liabilities associated with the assets held for sale (Note 6(e)) at December 31, 2019 is \$3,925 (ZAR54,987) (December 31, 2018 - \$3,239 (ZAR46,617)). The provision was determined using the following assumptions:

	2019	2018
Inflation rate	5.03%	5.30%
Weighted average discount rate	9.87%	9.74%
Estimated life of mine		
- Zandfontein (yrs)	23	20
- Maroelabult (yrs)	12	12
- Crocette (yrs)	27	27
- Kennedy's Vale (yrs)	21	21
- Spitzkop (yrs)	24	24
- Mareesburg (yrs)	7	7

As at December 31, 2019, cash in the amount of \$6,789 (December 31, 2018 - \$7,940) was pledged as security for the guarantee issued to the Department of Mineral Resources of South Africa in respect to environmental rehabilitation (Note 13). Furthermore, as at December 31, 2019, certain of the Company's residential properties in the amount of \$1,513 (ZAR21,200) (December 31, 2018 - \$1,473 (ZAR21,200)) were also pledged as security for the guarantee issued to the Department of Mineral Resources for the same reason. These guarantees will be utilized to cover expenses incurred to rehabilitate the mining area upon closure of the mine.

As at December 31, 2019, the undiscounted and inflated value of this liability (including the amount associated with the assets held for sale) is approximately \$29,140 (ZAR408,256) (December 31, 2018 - \$21,945 (ZAR315,815)).

Changes to the environmental rehabilitation provision are as follows:

	\$
Balance, December 31, 2017	6,340
Revision in estimates	(2,752)
Accretion	569
Foreign exchange movement	(918)
Balance, December 31, 2018	3,239
Revision in estimates	260
Accretion (Note 8)	316
Reclassify as liabilities associated to assets held for sale (Note 6 (e))	(554)
Foreign exchange movement	110
Balance, December 31, 2019	3,371

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16 Refining contracts

The Company has a life of mine offtake contracts governing the sales of PGM concentrate production from CRM and a separate contract with Rhodium Reefs (Pty) Limited. The original carrying value of the refining contract related to CRM was the assigned value based on the purchase price allocation when the Company acquired the equity interests in Barplats Investments through a series of acquisition transactions from 2006 to 2008. The carrying value of the refining contract was fully amortized in prior years.

17. Lease

The following table summarizes the lease obligation related to the Company's head office lease. The Company discounted the lease payments using an estimated incremental borrowing rate of 8%. The related right-of-use asset in the amount of \$65 has been recorded within the property, plant and equipment in Note 6:

	\$
Balance, December 31, 2018	—
Future aggregate minimum lease payments under operating lease	65
Lease payments in cash	(4)
Non-cash accretion	1
Foreign exchange movement	1
Balance, December 31, 2019	63
Less: current portion	(18)
Non-current portion of lease payable	45

The following table presents a reconciliation of the Company's undiscounted cash flows to their present value for its lease payable as at December 31, 2019:

	\$
Within 1 year	24
Between 1 - 2 years	25
Over 2 years	21
Total undiscounted amount	70
Less: accretion	(7)
Total discounted amount	63

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18. Related party transactions

Related party transactions have been measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these consolidated financial statements are listed below:

(a) Trading transactions

The Company's related parties consist of (i) private companies owned by current and former executive officers and directors; (ii) the Company's black economic empowerment partner; and (iii) a public company over which a former director has significant influence.

The Company incurred the following fees and expenses in the normal course of operations:

	Year ended December 31	
	2019	2018
	\$	\$
Director fees	168	156
Management fees	297	212
Share-based payments	117	115
	582	483

- (i) The Company has a consulting agreement with Oriental Fortune Consulting Services Limited ("Oriental Fortune") which is controlled by the Company's chief operating officer ("COO"). The Company agreed to pay \$19 (Cdn\$25) per month to Oriental Fortune for management consulting services rendered. During the year ended December 31, 2019, Oriental Fortune also received a bonus payment of \$69 (Cdn\$92) (2018 - Nil).
- (ii) At December 31, 2019, the Company held a loan receivable from Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu"), 49.99% owned by the Company, in the amount of \$75,266 (ZAR1,054,473) (December 31, 2018 - \$66,830 (ZAR961,583)). This loan is secured by Gubevu's interest in Barplats Investments Limited, bears interest at the Johannesburg Interbank Agreed Rate ("JIBAR") + 3% and has been provided for in full. The Company did not record any interest income with regards to this loan or receive cash from, or lend any further cash to, Gubevu during the years ended December 31, 2019 and 2018.
- (iii) Accounts receivable before bad debt provision as at December 31, 2019 included \$38 (December 31, 2018 - \$37) due from Remington Resources Inc. ("Remington") representing the reimbursement receivable for certain general and administrative expenses incurred by the Company on behalf of Remington. The Company's former management are the principal shareholders of Remington.

(b) Compensation of key management personnel

The Company's key management includes the CEO, CFO, COO and previously the Vice-President of South African Operations until August 31, 2018 when he resigned. The total remuneration to the key management, which included management fees from the table above in Note 18 (a), for the year ended December 31, 2019 was \$933 (2018 - \$956) with the breakdown below:

- (i) Management salaries, bonuses and consulting fees of \$865 (2018 - \$894); and
- (ii) Share-based compensation of \$68 (2018 - \$62).

Key management personnel were not paid post-employment benefit, termination fees or other long-term benefits during the years ended December 31, 2019 and 2018.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

19. Segmented Information

- (a) Operating segments - The Company's operations are primarily directed towards the Mining exploration and development of platinum group metals in South Africa. The Company has three reportable segments – CRM, Eastern Limb and corporate. Eastern Limb consists of KV, Spitzkop and Mareesburg projects. Barbados, BVI and Canada collectively are corporate segment.
- (b) Geographic segments - The Company's expenses by geographic areas for the years ended December 31, 2019 and 2018, and assets by geographic areas as at December 31, 2019 and 2018, are as follows:

Year ended December 31, 2019					
	CRM	Eastern	Total	Canada,	Total
	\$	Limb	South	Barbados	
	\$	\$	Africa	and BVI	\$
Property, plant and equipment expenditures (net of \$888 spare parts reclassified to long term inventory)	1,035	20	1,055	77	1,132
Cost of property, plant and equipment disposed	(955)	(55)	(1,010)	—	(1,010)
Revenue	39,242	—	39,242	—	39,242
Production costs - depreciation	(2,472)	—	(2,472)	(13)	(2,485)
Impairment reversal	1,603	—	1,603	—	1,603
Care and maintenance depreciation and amortization	(135)	—	(135)	(16)	(151)
Income (loss) before income taxes	1,825	(233)	1,592	(2,516)	(924)
Income tax expense	(132)	(26)	(158)	(64)	(222)
Net income (loss)	1,693	(259)	1,434	(2,580)	(1,146)
Year ended December 31, 2018					
	CRM	Eastern	Total	Canada,	Total
	\$	Limb	South	Barbados	
	\$	\$	Africa	and BVI	\$
Property, plant and equipment expenditures	64,140	374	64,514	—	64,514
Cost of property, plant and equipment disposals	(149)	(16)	(165)	—	(165)
Revenue	414	—	414	—	414
Impairment	(15,496)	—	(15,496)	—	(15,496)
Care and maintenance depreciation and amortization	(133)	—	(133)	(11)	(144)
Loss before income taxes	(24,420)	(323)	(24,743)	(1,215)	(25,958)
Income tax recovery (expense)	76	(327)	(251)	(57)	(308)
Net loss	(24,344)	(650)	(24,994)	(1,272)	(26,266)

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

19. Segmented Information (continued)

(c) *Geographic segments (continued)*

December 31, 2019					
	CRM	Eastern	Total	Canada,	Total
	\$	Limb	South	Barbados	
		\$	Africa	and BVI	\$
Total assets	137,847	26,138	163,985	863	164,848
Total liabilities	59,867	2,351	62,218	9,129	71,347
December 31, 2018					
	CRM	Eastern	Total	Canada,	Total
	\$	Limb	South	Barbados	
		\$	Africa	and BVI	\$
Total assets	120,611	25,273	145,884	4,661	150,545
Total liabilities	51,088	1,912	53,000	5,525	58,525

(c) *Revenue*

All revenues generated during the years ended December 31, 2019 and 2018 are related to the processing of chrome concentrate (Notes 14(d) and 23).

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

20. Financial instruments

(a) Management of capital risk

The capital structure of the Company consists of contracts payable (Note 14) and equity attributable to common shareholders, comprised of issued capital, treasury shares, equity-settled employee benefits reserve, deficit, and accumulated other comprehensive loss. The Company's objectives when managing capital are to: (i) obtain the best available return investing in mining; (ii) preserve capital; and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or issue debt instruments.

The Company is not subject to externally imposed capital requirements.

(b) Categories of financial instruments

	December 31 2019	December 31 2018
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	1,957	4,213
Restricted cash	89	84
Trade and other receivables (excluding taxes receivable)	13,618	630
Short-term investments *	—	1,397
Other assets **	6,789	7,940
	22,453	14,264
Financial liabilities		
Amortized cost		
Trade and other payables	9,145	2,979
Lease payable	63	—
Contracts payable	42,307	35,834
	51,515	38,813

* Short-term investments were mainly GICs at financial institutions with market interest rates

** Other assets are mainly money market fund investments and are measured at the amortized cost

(c) Fair value of financial instruments

(i) Fair value estimation of financial instruments

The fair values of cash and cash equivalents, short-term investments, restricted cash, trade and other receivables, other assets, trade and other payables approximate their carrying values due to the short-term to maturities of these financial instruments.

Contracts payable required assessing the appropriate market interest rates on the liabilities. Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. The Union Goal contracts payable did not contain any derivatives that required bifurcation and measured at fair value through profit and loss.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

20. Financial instruments (continued)

(c) *Fair value of financial instruments (continued)*

(ii) *Fair value measurements recognized in the statement of financial position*

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments that are measured at fair value on a recurring basis are financial assets consisting of short-term investments and other assets. Short-term investments are mainly GICs at financial institutions with market interest rates and other assets are mainly money market fund investments. These are level 1 financial instruments at December 31, 2019 and 2018. As at December 31, 2019 and 2018, the Company did not have financial liabilities measured at fair value on a recurring basis. There were no transfers between levels during the years ended December 31, 2019 and 2018.

(d) *Reclassification of financial assets*

There was no reclassification of financial assets during the years ended December 31, 2019 and 2018.

(e) *Financial risk management*

The Company's financial instruments are exposed to certain financial risks, including currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

(i) *Currency risk*

The Company reports its financial statements in U.S dollars. The functional currency of head office and its BVI and Barbados intermediate holding companies is Canadian dollars and the functional currency of all South African subsidiaries is South African Rand. The Company is exposed to foreign exchange risk when the Company undertakes transactions and holds assets and liabilities in currencies other than its functional currencies.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

20. Financial instruments (continued)

(e) Financial risk management (continued)

(i) Currency risk (continued)

The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. The Company's exposure to currency risk affecting net income is summarized as below:

	December 31 2019 \$	December 31 2018 \$
Financial assets		
Denominated in USD at Canadian head office	508	2,751
Denominated in USD at South African Subsidiaries	—	408
Denominated in Rand at Canadian head office	1	995
Total	509	4,154
Financial liabilities		
Contracts payable denominated in Rand at Canadian head office	5,328	2,525
Contracts payable denominated in USD at South African subsidiaries	36,979	33,309
Total	42,307	35,834

As at December 31, 2019, with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against U.S dollars would have decreased (increased) net income by approximately \$46; with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against the South African Rand would have increased (decreased) net income by approximately \$484; with other variables unchanged, a 10% strengthening (weakening) of the South African Rand against U.S dollars would have increased (decreased) net income by approximately \$3,362.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its short-term investments. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments is limited because these investments, although financial assets, will mature within 12 months from the year end and are generally not sold before maturity. The Company also staggers the maturity dates of its investments over different time periods and dates to minimize exposure to interest rate changes. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk. The sensitivity of the Company's net earnings due to changes in interest rates is not material.

(iii) Commodity price risk

The Company is not exposed to commodity price risk with respect to fluctuations in the prices of platinum group metals or chrome concentrate as there were no revenues from PGM sales during the years ended December 31, 2019 and 2018 and chrome concentrate sales were not structured based on a long-term chrome concentrate commodity price according to the Union Goal contract.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

20. Financial instruments (continued)

(e) Financial risk management (continued)

(iv) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, trade and other receivables and other assets. The carrying value of these assets included in the consolidated statement of financial position represents the maximum credit exposure.

All of the Company's revenue is from the chrome concentrate production to Union Goal under an offtake agreement (Note 14(d)). As at December 31, 2019, the Company had receivable balances associated with Union Goal of \$12,966 (December 31, 2018 – \$408). The trade and other receivable balances are monitored on an ongoing basis. The Company seeks to maintain strict control over its outstanding receivables to minimize credit risk. Provision for doubtful debts is calculated based on the payment history. With respect to credit risk arising from cash and cash equivalents and other assets, the Company limits its counterparty credit risk on these assets by dealing only with financial institutions with strong credit ratings.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments.

The Company started generating revenue from its Retreatment Project in December 2018, and at consistent expected levels since May 1, 2019. Despite the Retreatment Project cash flows, CRM underground remains in care and maintenance and all other properties and projects are on hold. The Company also generated some income from interest and other income and sale of non-core properties, and although not expected to be significant, some of which will be recurring in 2020. As described in Note 1, the projected cash flows for 2020 are sufficient to cover the Company's operating expenses, approved capital expenditures and all other care and maintenance expenses. Also, in addition to cash inflows from current operations, additional funding will be required in the future to commence underground production at CRM, and to develop and bring the Eastern Limb Projects into commercial production (See Note 24).

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

20. Financial instruments (continued)

(e) *Financial risk management (continued)*

(v) *Liquidity risk (continue)*

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments (undiscounted) and corresponding maturities as at December 31, 2019. The Company currently does not have expected payments of obligations and commitments beyond 3 years.

	<1 year	1 - 3 years	Total
	\$	\$	\$
Trade and other payables	9,145	—	9,145
Contracts payable and interests	—	50,659	50,659
<u>Lease payable</u>	<u>24</u>	<u>46</u>	<u>70</u>
	9,169	50,705	59,874

21. Contingencies

The Company is subject to claims and legal proceedings arising in the ordinary course of business activities, each of which is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. These include the following matters:

(a) On July 19, 2018, the Company was served with a claim by AlphaGlobal Capital, Inc. ("Alpha Global") initiated in the British Virgin Islands for recovery of amounts allegedly owed under the 2007 promissory note. Alpha Global is seeking payment of an amount of ZAR30,797 (approximately \$2,198) plus an amount it alleges is owing for default interest, for a total claim of ZAR142,887 (approximately \$10,198).

The Company is of the view that no amount is currently owing to Alpha Global and as a result it is not entitled to any remedy in connection with its alleged claim. The Company has filed its defence to oppose the claim and the Company is now proceeding to trial.

On January 23, 2019, Alpha Global withdrew its claim in South Africa with costs, related to the same 2007 promissory note.

(b) On November 6, 2018, the Company received a petition filed with the Supreme Court of British Columbia, by 2538520 Ontario Limited, a shareholder of the Company, seeking leave from the court to commence a derivative action on behalf of the Company against certain of its current and former directors in relation to the approval of the transactions between the Company and Union Goal. The Board of Directors of the Company formed a Special Committee of three non-management Directors to review the petition and make a recommendation on the appropriate action. Following its detailed review of this matter, the Special Committee of the Board of Directors recommended opposing this petition, and this recommendation was accepted by the Board of Directors. As such, the Company filed its opposition to the petition and was provided security for costs. In June 2019 the petition was heard by the court and was dismissed on August 27, 2019. On September 27, 2019, the petitioner filed an appeal of the judgement and is expected to be heard in court during June 2020. The Company is of the view that this is without merit and that no provision in this matter is required.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

21. Contingencies (continued)

- (c) On March 5, 2020 the Company received a further claim filed by 2538520 and its CEO, Rong Kai Hong, ("Plaintiffs") regarding various allegations, including that the Company was acting to oppress the Plaintiffs' rights among other claims. Several of these claims are similar to the derivative action that was dismissed by the Court and appear to primarily relate to 2538520's unsuccessful attempt to acquire control of the Company. The Plaintiffs seek orders requiring a change to the Company ownership, election of new Directors, several changes to senior management and damages of US\$50 million (or such greater amount as may be proven at trial) from the Company, certain present and former Directors and Officers, and separately seven other listed defendants.

The Company intends to vigorously defend the lawsuit and to refute the information and many of the allegations made in the claim. The Company and others will respond in due course.

- (d) On June 30, 2016, two days after concluding the sale of CRM (which agreements were subsequently terminated), the former management of the Company purportedly entered into a number of share purchase agreements (the "BEE Buyout Agreements") with Ingwenya Incorporated ("Ingwenya") and Serina Service AG ("Serina") (collectively the "Vendors") to acquire/cancel all of the Company's black economic empowerment partners' (the "BEE Partners") interests in the Company's South African projects except for the 17.65% equity interest in Afriminerals Holdings (Pty) Ltd. ("Afriminerals") for a total of \$13,367. The Vendors represented to the Company that they are or will be the registered and beneficial owners of the respective equity interests in the Company's South African projects as at the closing date defined under the BEE Buyout Agreements. The transactions under the BEE Buyout Agreements consist of the acquisition of (i) 44.12% equity interest in Gubevu for a total of \$8,955 and an 18% equity interest in Lion's Head Platinum (Pty) Ltd. ("Lion's Head") for \$1,099 from Ingwenya; and (ii) 8% interest in Lion's Head for \$502, a 5.89% equity interest in Gubevu for \$1,194 and a 33.35% equity interest in Afriminerals for \$1,617 from Serina.

To date, the BEE Buyout Transactions have not been completed. However, the Company has been advised by some of its BEE partners of Gubevu and Lion's Head that they have purportedly relinquished their interests in those companies in varying amounts to either Serina or Ingwenya. This could give rise to non-compliance with the mining rights and certain provisions of the MPRDA in respect of black economic empowerment requirements in South Africa. Further, in September 2018 a new Mining Charter was issued in South Africa that includes new ownership and other new BEE requirements. In December 2018 additional implementation guidelines were published. The Company is reviewing the issues and monitoring ongoing disputes in relation to the new Mining Charter to determine the effect on its business and operations. Depending on the results of the review and other factors there may be a significant impact on the Company's future operations.

- (e) On June 7, 2018, the Company filed a claim in the Supreme Court of British Columbia against Serina and Ingwenya in relation to the payment of \$13,367. The claim alleges that the BEE Buyout Agreements are not binding, that the funds were not properly received by them, are an unjust enrichment to them and should be returned. The Company filed an application for default judgment against Serina in the British Columbia Supreme Court in December 2018, and default judgment was granted in 2019, as Serina provided no response to the claim. Service of the claim on Ingwenya is continuing.

Eastern Platinum Limited

Notes to the consolidated financial statements

(Expressed in thousands of U.S. dollars, except for per share amounts)

21. Contingencies (continued)

- (f) On June 7, 2018, the Company filed a notice of civil claim in the British Columbia Supreme Court against certain former officers and directors of the Company. It alleges that the former officers and directors purported to enter into agreements with Serina and Ingwenya on behalf of the Eastplats Companies pursuant to which \$13,367 was transferred to Serina and Ingwenya without consideration, without conditions precedent for delivery of the funds being met, and without any apparent benefit to the Eastplats Companies. The Company is seeking damages from the former directors and officers on a number of legal grounds.

As a response to the claim the former Directors and Officers have filed a counterclaim claiming indemnity for costs and claims. The Company has filed its defense to oppose this claim. The Company is of the view that this is without merit and that no provision in this matter is required.

- (g) On October 16, 2017, the Company filed a claim in the Supreme Court of British Columbia against its former CFO and Corporate Secretary, Mr. Lee for breach of fiduciary duty and conflict of interest and its former general and administrative service provider Sterling West Management Ltd. in regards to recovery of termination fees, withholding of deposits, recovery of property and records, breach of contract, conspiracy and negligence. The Company is demanding recovery of the payments, value of property withheld, general and punitive damages.
- (h) The Company has recently received a notice from the DMR of an appeal launched with the DMR of its mineral license issued in 2012 relating to the Spitzkop property. The Company with the assistance of counsel are addressing and intend to defend this issue related to the validity of the issued mineral rights of Spitzkop.

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22. Headline and diluted headline loss per share

The Company's shares are also listed on the Johannesburg Stock Exchange which requires the Company to present headline and diluted headline loss per share. Headline loss per share is calculated by dividing headline loss attributable to equity shareholders of the Company by weighted average number of the common shares issued and outstanding during the year. Diluted headline loss per share is determined by adjusting the headline loss attributable to equity shareholders of the Company and the weighted average number of common shares issued and outstanding during the year after taking all potential dilutive effects. For the years ended December 31, 2019 and 2018, the Company's diluted headline loss per share is identical to the headline loss per share as inclusion of stock options would be anti-dilutive.

The following table summarized the adjustments to loss attributable to equity shareholders of the Company for the purpose of calculating headline loss attributable to the equity shareholders of the Company, and the headline loss and diluted headline loss per share.

	Year ended	
	December 31	
	2019	2018
	\$	\$
Income (loss) attributable to shareholders of the Company	103	(21,820)
Adjusted for:		
Gain on disposal of property, plant and equipment	(1,030)	(166)
Impairment (reversal) expense of mineral properties	(1,402)	13,557
Headline loss attributable to shareholders of the Company	(2,329)	(8,429)
Headline loss and diluted headline loss per share	(0.03)	(0.09)

23. Economic dependence

During the years ended December 31, 2019 and 2018, 100% of the Company's revenue was generated from one customer (Notes 14(d) and 19(c)). As at December 31, 2019 and 2018, all of the trade receivable balance (Note 12) is from this customer.

24. Subsequent Event

During Q1 2020 various measures have been implemented in Canada, South Africa, China and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). On March 23, 2020 the president of South Africa, Mr. Cyril Ramaphosa, announced a twenty-one (21) day lockdown in South Africa to fight the coronavirus outbreak. The lockdown will begin nation-wide in South Africa at midnight on March 26 and end at midnight on April 16. Individuals will not be allowed to leave their homes except under strictly controlled circumstances, such as to seek medical care and buy food and medicine.

As a result, the Company will temporarily close all operations in South Africa including the current re-mining operations at CRM, except for some critical underground care and maintenance activities where the Company can obtain an exception.

While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration of the lockdown in South Africa and the effects and impact on overall customer demand, cannot be reasonably estimated at this time. This pandemic could have material adverse impacts on our business, liquidity, results of operations, financial position and cash flows in 2020.