Consolidated financial statements of

Eastern Platinum Limited

December 31, 2013 and 2012

Eastern Platinum Limited

December 31, 2013

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Independent Auditor's Report
To the Shareholders of
Eastern Platinum Limited

We have audited the accompanying consolidated financial statements of Eastern Platinum Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2013, December 31, 2012 and January 1, 2012, and the consolidated statements of loss, comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2013 and December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012, in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Accountants
Vancouver, British Columbia
March 11, 2014

Eastern Platinum Limited

Consolidated statements of loss

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

	Note		**Year ended December 31, 2013**		Year ended December 31, 2012 (Note 3(b)) (Note 3(c))
Revenue	22(c)	**$**	**31,783**	$	102,433
Cost of operations					
Production costs			**47,045**		115,389
Depletion and depreciation	6		**4,840**		13,512
Impairment	6(e) & 15		**147,787**		88,278
(Gain) loss on disposal of property, plant and equipment			**(2,177)**		584
			197,495		217,763
Mine operating loss			**(165,712)**		(115,330)
Expenses					
General and administrative			**7,282**		9,451
Care and maintenance	6(a)(b)(c)		**5,323**		681
Care and maintenance depreciation	6(d)		**1,735**		63
Share-based payments	7(d)(e)		**3,206**		2,374
			17,546		12,569
Operating loss			**(183,258)**		(127,899)
Other income (expense)					
Interest income			**2,137**		3,407
Other income			**1,675**		1,460
Finance costs	8		**(1,327)**		(5,619)
Foreign exchange gain			**200**		741
Loss before income taxes			**(180,573)**		(127,910)
Income tax (expense) recovery	9		**(358)**		13,968
Net loss for the period		**$**	**(180,931)**	$	(113,942)
Attributable to					
Non-controlling interest	3(b) & 10	**$**	**(24,079)**	$	(10,234)
Equity shareholders of the Company			**(156,852)**		(103,708)
Net loss for the period		**$**	**(180,931)**	$	(113,942)
Loss per share					
Basic	11	**$**	**(0.17)**	$	(0.11)
Diluted	11	**$**	**(0.17)**	$	(0.11)
Weighted average number of common shares outstanding in thousands					
Basic	11		**927,805**		927,525
Diluted	11		**927,805**		927,525

Approved and authorized for issue by the Board on March 11, 2014.

"David Cohen"	***"Robert Gayton"***
David Cohen, Director	Robert Gayton, Director

Eastern Platinum Limited

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

	Year ended December 31, 2013	Year ended December 31, 2012 (Note 3(b))
Net loss for the period	**$ (180,931)**	$ (113,942)
Other comprehensive loss		
Items that may subsequently be reclassified to loss or profit		
Exchange differences on translating foreign operations	**(106,257)**	(25,021)
Exchange differences on translating non-controlling interest	**4,469**	524
Comprehensive loss for the period	**$ (282,719)**	$ (138,439)
Attributable to		
Non-controlling interest	**(19,610)**	(9,710)
Equity shareholders of the Company	**(263,109)**	(128,729)
Comprehensive loss for the period	**$ (282,719)**	$ (138,439)

Eastern Platinum Limited

Consolidated statements of financial position as at
December 31, 2013, December 31, 2012 and January 1, 2012
(Expressed in thousands of U.S. dollars)

	Note	**December 31, 2013**	**December 31, 2012**	January 1, 2012
			(Notes 3(b) & 4(a))	
Assets				
Current assets				
Cash and cash equivalents	12	**$ 14,489**	$ 70,699	$ 151,838
Short-term investments		**78,471**	60,226	98,963
Trade and other receivables	13 & 3(b)	**3,608**	14,854	22,842
Inventories	14	**2,777**	4,746	7,989
		99,345	150,525	281,632
Non-current assets				
Property, plant and equipment	6	**336,628**	577,031	615,439
Refining contract	15	**2,095**	7,270	9,009
Other assets	16	**9,180**	9,062	7,995
		$ 447,248	**$ 743,888**	**$ 914,075**
Liabilities				
Current liabilities				
Trade and other payables	17 & 3(b)	**$ 6,086**	$ 17,387	$ 39,945
Finance leases		**-**	-	1,675
		6,086	17,387	41,620
Non-current liabilities				
Provision for environmental rehabilitation	18	**9,414**	12,066	8,390
Deferred tax liabilities	9	**16,803**	19,977	33,520
		32,303	49,430	83,530
Equity				
Issued capital	7	**1,230,358**	1,230,358	1,230,358
Treasury shares	7(c)(e)	**(204)**	(204)	(334)
Equity-settled employee benefits reserve	4(a)	**5,334**	8,991	34,391
Foreign currency translation reserve	3(b)	**(208,420)**	(102,163)	(77,142)
Deficit	3(b) & 4(a)	**(581,103)**	(431,114)	(355,028)
Capital and reserves attributable to equity shareholders of the Company		**445,965**	705,868	832,245
Non-controlling interest	10	**(31,020)**	(11,410)	(1,700)
		414,945	694,458	830,545
		$ 447,248	**$ 743,888**	**$ 914,075**

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 (Note 4(a))	Foreign currency translation reserve (Note 3(b))	Deficit (Note 4(a)) (Note 3(b))	Capital and reserves attributable to equity shareholders of the Company	Non-controlling interest (Note 3(b))	Equity
Balance as previously reported January 1, 2012	**$ 1,230,358**	**$ (334)**	**$ 41,563**	**$ (103,479)**	**$ (333,856)**	**$ 834,252**	**$ (3,483)**	**$ 830,769**
Transfer (Note 4(a))	-	-	(7,172)	-	7,172	-	-	-
Adjustment (Note 3(b))	-	-	-	26,337	(28,344)	(2,007)	1,783	(224)
Adjusted balance, January 1, 2012	**$ 1,230,358**	**$ (334)**	**$ 34,391**	**$ (77,142)**	**$ (355,028)**	**$ 832,245**	**$ (1,700)**	**$ 830,545**
Net loss (Note 3(b))	-	-	-	-	(103,708)	(103,708)	(10,234)	(113,942)
Currency translation adjustment	-	-	-	(25,021)	-	(25,021)	524	(24,497)
Total comprehensive loss	-	-	-	(25,021)	(103,708)	(128,729)	(9,710)	(138,439)
Share-based payments	-	-	2,222	-	-	2,222	-	2,222
Vesting of key skills retention plan shares (Note 7(c)(e))	-	130	-	-	-	130	-	130
Transfer (Note 4(a))	-	-	(27,622)	-	27,622	-	-	-
Balance, December 31, 2012	**$ 1,230,358**	**$ (204)**	**$ 8,991**	**$ (102,163)**	**$ (431,114)**	**$ 705,868**	**$ (11,410)**	**$ 694,458**
Net loss	-	-	-	-	(156,852)	(156,852)	(24,079)	(180,931)
Currency translation adjustment	-	-	-	(106,257)	-	(106,257)	4,469	(101,788)
Total comprehensive loss	-	-	-	(106,257)	(156,852)	(263,109)	(19,610)	(282,719)
Share-based payments	-	-	3,206	-	-	3,206	-	3,206
Transfer (Note 4(a))	-	-	(6,863)	-	6,863	-	-	-
Balance, December 31, 2013	**$ 1,230,358**	**$ (204)**	**$ 5,334**	**$ (208,420)**	**$ (581,103)**	**$ 445,965**	**$ (31,020)**	**$ 414,945**

Eastern Platinum Limited

Consolidated statements of cash flows

(Expressed in thousands of U.S. dollars)

	Note	**Year ended December 31, 2013**	Year ended December 31, 2012
Operating activities			
Loss before income taxes		**$ (180,573)**	$ (127,910)
Adjustments to net loss for non-cash items			
Depletion and depreciation	6	**6,118**	13,775
Impairment	6(e) & 15	**147,787**	88,278
(Gain) loss on disposal of property, plant and equipment		**(2,177)**	584
Refining contract amortization	15	**1,149**	1,350
Share-based payments	7(d)(e)	**3,206**	2,374
Interest income		**(2,137)**	(3,407)
Finance costs	8	**1,327**	5,619
Foreign exchange gain		**(200)**	(741)
Environmental expense		**(439)**	-
Allowance for bad debts			89
Net changes in non-cash working capital items			
Trade and other receivables		**10,116**	6,829
Inventories		**1,165**	2,830
Trade and other payables		**(8,760)**	(10,111)
Cash used in operations		**(23,418)**	(20,441)
Adjustments to net loss for cash items			
Interest income received		**2,099**	3,726
Finance costs paid		**(1,335)**	(4,692)
Taxes received		**694**	906
Taxes paid		**-**	(363)
Net operating cash flows		**(21,960)**	(20,864)
Investing activities			
Net maturity of short-term investments		**(22,550)**	40,835
Purchase of other assets		**(2,019)**	(1,504)
Property, plant and equipment expenditures		**(9,961)**	(92,549)
Disposal of property, plant and equipment		**4,268**	1,845
Net investing cash flows		**(30,262)**	(51,373)
Financing activities			
Acquisition of Lion's Head		**-**	(10,000)
Payment of finance leases		**-**	(1,554)
Net financing cash flows		**-**	(11,554)
Effect of exchange rate changes on cash and cash equivalents		**(3,988)**	2,652
Decrease in cash and cash equivalents		**(56,210)**	(81,139)
Cash and cash equivalents, beginning of period		**70,699**	151,838
Cash and cash equivalents, end of period		**$ 14,489**	$ 70,699

1. Nature of operations

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

Eastern Platinum Limited is a publicly listed company 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, Alternative Investment Market, and the Johannesburg Stock Exchange.

The head office, principal address and records office of the Company are located at 837 West Hastings Street, Suite 501, Vancouver, British Columbia, Canada, V6C 3N6. The Company's registered address is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS").

(b) Going Concern

These consolidated financial statements, including comparatives, have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at March 11, 2014, the Company has sufficient funds to satisfy its commitments for at least one year.

On August 1, 2013, the Company ceased production and as at March 11, 2014, the Company does not have any producing operations (Note 6(a)). Additional funding will be required to bring the Eastern Limb projects into production. There can be no assurance that additional funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, including funds generated from producing operations, the Company may be required to delay or reduce the scope of these development projects or current mining operations.

(c) Comparative periods

During the year ended December 31, 2013, the Company changed the presentation of its financial statements in order to provide financial statement users with more relevant information. Prior period comparative figures have been amended to conform to the current period's presentation. Previously, the Company's general and administrative expenses included care and maintenance costs and other income was netted against production costs and general and administrative expenses. Care and maintenance costs, including depreciation, and other income have now been disclosed separately.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

2. Basis of preparation (continued)

(c) Comparative periods (continued)

	Year ended December 31, 2012			
	Prior to change in presentation	Effect of change	Change in accounting policy discussed in Note 3(c)	Subsequent to change in presentation
Production costs	95,653	398	19,338	115,389
General and administrative	9,133	318	-	9,451
Care and maintenance	-	681	-	681
Care and maintenance depreciation	-	63	-	63
Other income	-	1,460	-	1,460

(d) Judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may 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 estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 4(x) and 4(y).

3. Application of new and revised International Financial Reporting Standards

Effective January 1, 2013, the Company adopted the following new and revised International Financial Reporting Standards ("IFRSs") that were issued by the International Accounting Standards Board ("IASB").

(a) Amendment to IFRS 7 Financial Instruments: Disclosures

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

3. Application of new and revised International Financial Reporting Standards (continued)

(b) New standard IFRS 10 Consolidated Financial Statements

IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements. The application of this IFRS resulted in accounting for an investment in an associate in accordance with equity accounting. Previously, this associate, which the Company owns 49.99% of, was considered a special purpose entity and was consolidated in accordance with SIC 12 – Special Purpose Entities ("SIC 12"). SIC 12 was superseded by IFRS 10, effective January 1, 2013. This change affected the Company's non-controlling interest but had no effect on the Company's mine operating loss, net loss, cash flows or basic or diluted earnings per share.

(i) *Impact on consolidated statements of comprehensive loss*

In accordance with the transitional provisions of IFRS 10, the application of IFRS 10 was applied retrospectively and the effects on the comparative consolidated statements of net loss and the comparative consolidated statements of financial position have been outlined below.

	Year ended December 31, 2012		
	Prior to application of new accounting policy	Effect of application	Subsequent to application of new accounting policy
Non-controlling interest	(12,989)	2,755	(10,234)
Exchange differences on translating foreign operations	(25,289)	268	(25,021)
Exchange differences on translating non-controlling interest	778	(254)	524

(ii) Impact on consolidated statements of financial position

	December 31, 2012			
	Prior to retrospective application of new accounting policy	Effect of retrospective application	Change in accounting policy discussed in Note 4(a)	Subsequent to retrospective application of new accounting policy
Trade and other receivables	15,556	(702)	-	14,854
Trade and other payables	17,879	(492)	-	17,387
Foreign currency translation reserve	(128,768)	26,605	-	(102,163)
Deficit	(434,809)	(31,099)	34,794	(431,114)
Non-controlling interest	(15,694)	4,284	-	(11,410)

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

3. Application of new and revised International Financial Reporting Standards (continued)

(b) New standard IFRS 10 Consolidated Financial Statements (continued)

(ii) Impact on consolidated statements of financial position (continued)

	January 1, 2012			
	Prior to retrospective application of new accounting policy	Effect of retrospective application	Change in accounting policy discussed in Note 4(a)	Subsequent to retrospective application of new accounting policy
Trade and other receivables	23,580	(738)	-	22,842
Trade and other payables	40,459	(514)	-	39,945
Foreign currency translation reserve	(103,479)	26,337	-	(77,142)
Deficit	(333,856)	(28,344)	7,172	(355,028)
Non-controlling interest	(3,483)	1,783	-	(1,700)

(c) New standard IFRS 11 Joint Arrangements

IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement. The application of this IFRS resulted in the Company recording its share of revenues and cost of sales from its interest in a jointly controlled operation to the respective revenue and cost of sales lines in the consolidated financial statements. Previously, net profits from the jointly controlled operation were recorded as revenue in the consolidated statements of income or loss. This change had no effect on the Company's mine operating loss, net loss, cash flows or basic or diluted earnings per share.

The application of IFRS 11 was applied retrospectively as at January 1, 2013 and the effects on the comparative consolidated statements of net loss have been outlined below.

	Year ended December 31, 2012			
	Prior to application of new accounting policy	Change in presentation as discussed in Note 2(c)	Effect of application	Subsequent to application of new accounting policy
Revenue	83,095	-	19,338	102,433
Production costs	95,653	398	19,338	115,389

3. Application of new and revised International Financial Reporting Standards (continued)

(d) New standard *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the disclosure for future transactions or arrangements.

(e) New standard *IFRS 13 Fair Value Measurement*

IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements. The application of this IFRS had an immaterial impact on disclosures within the notes to the consolidated financial statements.

(f) New interpretation *IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*

IFRIC Interpretation 20 summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(g) Amended standard *IAS 1 Presentation of Financial Statements*

The amendments to IAS 1 pertain to the number of comparative financial statements required in different circumstances and disclosure required in the statement of comprehensive loss. The application of this IFRS had an immaterial impact on disclosures within the statement of comprehensive loss.

(h) Amended standard *IAS 16 Property, Plant and Equipment*

The amendments to IAS 16 clarify when spare parts, stand-by equipment and servicing equipment are to be classified as inventory or property, plant and equipment. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(i) Amended standard *IAS 19 Employee Benefits*

IAS 19 outlines the accounting treatment and required disclosures for employee benefits. The amendments applicable to the Company consist of modification of the accounting treatment for termination benefits and the clarification of miscellaneous issues including the classification of employee benefits. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

3. Application of new and revised International Financial Reporting Standards (continued)

(j) Amended standard *IAS 27 Separate Financial Statements*

IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, non-consolidated, financial statements. The previous standard was titled *IAS 27 Consolidated and Separate Financial Statements*. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years and is not expected to affect the accounting for future transactions or arrangements.

(k) Amended standard *IAS 28 Investments in Associates and Joint Ventures*

IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting in investments in associates and joint ventures. The previous standard was titled *IAS 28 Investments in Associates*. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(l) Amended standard *IAS 32 Financial Instruments: Presentation*

The amendments to IAS 32 clarify the treatment of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

4. Summary of significant accounting policies

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The Company's principal accounting policies are outlined below.

(a) *Change in accounting policy*

(i) *Share-based payments*

As at December 31, 2012 and prior to December 31, 2012, when fully vested stock options expired, were forfeited or were cancelled, no accounting entry was made. The expense previously recognized within the equity-settled employee benefits reserve was not adjusted.

As at January 1, 2013, when fully vested stock options expire, are forfeited or are cancelled, the expense previously recognized within the equity-settled employee benefits reserve will be reallocated to deficit. As a result, going forward, the equity-settled employee benefits reserve will provide more relevant information as it will equal the stock options expensed and outstanding at that point in time.

This change in accounting policy was applied retrospectively as at January 1, 2013 and the effects on the comparative statements of financial position have been outlined below. These changes had no effect on basic or diluted loss per share.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

4. Summary of significant accounting policies (continued)

(a) Change in accounting policy (continued)

(i) Share-based payments (continued)

December 31, 2013	Prior to retrospective application of new accounting policy	Effect of retrospective application	Application of new standard IFRS 10	Subsequent to retrospective application of new accounting policy
Equity-settled employee benefits reserve	46,991	(41,657)	-	5,334
Deficit	(592,571)	41,657	(30,189)	(581,103)

December 31, 2012	Prior to retrospective application of new accounting policy	Effect of retrospective application	Application of new standard IFRS 10 (Note 3(b))	Subsequent to retrospective application of new accounting policy
Equity-settled employee benefits reserve	43,785	(34,794)	-	8,991
Deficit	(434,809)	34,794	(31,099)	(431,114)

January 1, 2012	Prior to retrospective application of new accounting policy	Effect of retrospective application	Application of new standard IFRS 10 (Note 3(b))	Subsequent to retrospective application of new accounting policy
Equity-settled employee benefits reserve	41,563	(7,172)	-	34,391
Deficit	(333,856)	7,172	(28,344)	(355,028)

(b) 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.

4. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

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 changes in equity 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 the Company's ownership interest percentage. 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.

(c) Business combinations

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.

(d) Joint Arrangements

A joint arrangement is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control. Joint control exists when the parties involved in the contractual arrangement agree to share control over the economic activity, and the financial and operating decisions are agreed to be made by unanimous consent.

There are two types of joint arrangements: joint operations and joint ventures. A joint operation exists when the parties with joint control have rights to the assets and the obligations for the liabilities. A joint venture exists when the parties with joint control have the rights to the net assets of the arrangement.

4. Summary of significant accounting policies (continued)

(d) Joint Arrangements (continued)

The Company has an interest in a joint operation for the sale of chrome. Income and expenses are recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and their amounts can be reliably measured. The Company recognizes its share of the assets that the Company controls and the liabilities that the Company incurs with regards to the jointly controlled operation in the consolidated statement of financial position. The Company also recognizes its share of the revenues generated from the sale of the outputs of the joint operation and its share of the expenses incurred by the joint operation within the consolidated statement of loss.

(e) Presentation currency

The Company's presentation currency is the U.S. dollar ("$"). The functional currencies of the Company and its South African subsidiaries are the Canadian Dollar and South African Rand ("ZAR"), respectively. 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).

(f) Foreign currency translation

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.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific criteria must be met before revenue is recognized:

(i) Sale of goods

Revenue from the sale of platinum group and other metals is recognized when all of the following conditions are satisfied:

- the specific risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

4. Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

(i) Sale of goods (continued)

The sale of platinum group and other metals is provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue on these sales is initially recognized (when the conditions above are met) at the current market price. The difference between the present value and the future value of the current market price is recognized as interest income over the term of settlement. Subsequent to initial recognition but prior to settlement, sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark to market adjustment is recorded in revenue.

(ii) Rental income

Rental income from residential properties is recognized on a straight-line basis over the term of the lease.

(iii) Interest income

Interest income is recognized in profit or loss as it accrues, using the effective interest method.

(h) 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 ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day 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 expense previously recognized within the equity-settled employee benefits reserve is reallocated to deficit.

(i) Finance costs

Finance costs comprise interest payable on revenue advances, finance leases, provision for environmental rehabilitation and other borrowings. Interest payable on borrowings is calculated using the effective interest method and includes foreign exchange gains and losses on foreign currency borrowings.

(j) 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.

4. Summary of significant accounting policies (continued)

(j) Income taxes (continued)

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.

(k) 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 and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(l) Comprehensive income (loss)

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 such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

(m) 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.

4. Summary of significant accounting policies (continued)

(n) Short-term investments

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

(o) Inventories

Inventories, comprising stockpiled ore, concentrate awaiting further processing and sale, and chrome inventory are valued at the lower of cost and net realizable value. Consumables are valued at cost except when inventories are written down to net realizable value, in which case consumables 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. In the case of concentrate, direct concentrate costs are also included. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow moving stores are identified and written down to net realizable values.

(p) 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.

(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, which generally range from 5 to 7 years, with the exception of residential properties and mine houses whose estimated useful lives are 50 years and office buildings whose estimated useful lives are 20 years. Land is not depreciated.

4. Summary of significant accounting policies (continued)

(p) Property, plant and equipment (continued)

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

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 substantially complete.

The depreciation method, useful life and residual values are assessed annually.

(iii) Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as discussed in Note 4(s).

(iv) 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.

(v) Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If 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, 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 and loss for the period.

4. Summary of significant accounting policies (continued)

(p) Property, plant and equipment (continued)

(v) Impairment (continued)

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.

(vi) 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. An impairment loss with respect to goodwill is never reversed.

(q) Refining contract

The Company sells substantially all its PGM concentrate to one customer under the terms of an off-take or refining contract. The refining contract is amortized over the original life of the contract, estimated to be fifteen years, commencing in mid-2004. An evaluation of the carrying value of the contract is undertaken whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(r) Financial assets

Financial assets are classified into one of four categories:
- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available for sale ("AFS"); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

4. Summary of significant accounting policies (continued)

(r) Financial assets (continued)

(i) FVTPL financial assets (continued)

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Provisionally priced trade receivables are classified as FVTPL and are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

(ii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

(iii) AFS financial assets

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and are accumulated in the investments revaluation reserve. To date, these gains and losses have not been significant due to the nature of the underlying investment. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of debt instruments is recognized in profit or loss, while other changes are recognized in equity.

(iv) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4. Summary of significant accounting policies (continued)

(r) Financial assets (continued)

(v) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:
- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(vii) Derecognition of financial assets

A financial asset is derecognized when:
- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

4. Summary of significant accounting policies (continued)

(s) Leases

(i) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the corresponding lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(ii) The Company as lessee

Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

(t) 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(u) 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 asset is depreciated on the same basis as mining assets.

4. Summary of significant accounting policies (continued)

(u) Environmental rehabilitation (continued)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

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 and loss as incurred.

(v) 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.

(w) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

4. Summary of significant accounting policies (continued)

(w) Financial liabilities and equity (continued)

(i) Other financial liabilities (continued)

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified trade and other payables and short-term financial liabilities as other financial liabilities.

(ii) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(x) 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

Please refer to Note 4(p) and 6(e).

(ii) Rehabilitation provision

The future value of the provision for environmental rehabilitation was determined using an inflation rate of 5.93% (December 31, 2012 – 5.55%) and an estimated life of mine of 16 years for Zandfontein (December 31, 2012 – 18 years), 8 years for Maroelabult (December 31, 2012 – 9 years), 10 years for Crocette (December 31, 2012 – 16 years), 23 years for Kennedy's Vale (December 31, 2012 – 28 years) and 23 years for Spitzkop (December 31, 2012 – 28 years). The provision has been discounted to present value at a discount rate of 8.23% (December 31, 2012 – 7.27%).

(y) 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 Eastern Platinum Limited and its South African subsidiaries are the Canadian Dollar and South African Rand ("ZAR"), respectively, as these are the currencies of the primary economic environment in which the companies operate.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

4. Summary of significant accounting policies (continued)

(y) Critical accounting judgments (continued)

(ii) Useful life of assets

At December 31, 2013 the remaining life of mine for Zandfontein, Maroelabult, Crocette, Kennedy's Vale and Spitzkop was assessed at 16 years, 8 years, 10 years, 23 years and 23 years, respectively (December 31, 2012 – 18 years, 9 years, 16 years, 28 years and 28 years, respectively) based on proven and probable ore reserves. The change in remaining mine life will be evaluated each year as the reserves move to the proven and probable category.

(iii) Depreciation rates

The estimated maximum useful lives of property, plant and equipment are:

Mining assets owned	
Underground and other assets	Units of production
Mine houses	50 years
Office buildings	20 years
Plant	Units of production
Computer equipment	3 years
Mining assets leased	5 years
Mineral properties being depleted	Units of production
Residential properties	50 years
Properties and land	50 years

(z) Accounting standards issued but not yet effective

(i) Effective for annual periods beginning on or after January 1, 2014

- Amended standard *IAS 32 Financial Instruments: Presentation*

  The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

- Amended standard *IAS 36 Impairment of Assets*

  The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets.

- New interpretation *IFRIC 21 Levies*

  This interpretation clarifies the accounting treatment for a liability to pay a levy, where a levy is an outflow of economic benefits imposed by governments on entities in accordance with legislation.

(ii) Effective for annual periods beginning on or after January 1, 2015

- Amended standard *IFRS 7 Financial Instruments: Disclosures*

  The amendments to IFRS 7 outline the disclosures required when initially applying *IFRS 9 Financial Instruments.*

4. Summary of significant accounting policies (continued)

(z) Accounting standards issued but not yet effective (continued)

(iii) Effective date not yet determined

- New standard *IFRS 9 Financial Instruments*

  Partial replacement of IAS 39 *Financial Instruments: Recognition and Measurement.* The mandatory effective date has been removed from the standard and will only be replaced when all sections of the standard have been completed.

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

5. Subsidiaries, associates and joint venture

(a) Subsidiaries

Details of the Company's subsidiaries at December 31, 2013 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			December 31, 2013	December 31, 2012
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 Limited	Holding company	South Africa	**87.49%**	87.49%
Barplats Mines Limited	Mining	South Africa	**87.49%**	87.49%
Rhodium Reefs Limited	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%

(i) British Virgin Islands ("BVI")

(b) Associates

Details of the Company's associates at December 31, 2013 are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			December 31, 2013	December 31, 2012
Afrimineral 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%

(c) Joint arrangement

The Company has an interest in a joint operation for the sale of chrome.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

6. Property, plant and equipment

	Plant and equipment owned	Plant and equipment leased	Mineral properties being depleted	Mineral properties not being depleted	Residential properties	Properties and land	TOTAL
Cost							
Balance as at December 31, 2011	**$ 486,143**	**$ 5,893**	**$ 125,638**	**$ 509,865**	**$ 19,891**	**$ 6,402**	**$ 1,153,832**
Assets acquired	87,161	-	-	759	2,421	-	90,341
Environmental asset capitalized	3,253	-	-	75	-	-	3,328
Assets disposed	(2,369)	-	-	-	(442)	-	(2,811)
Transfer	5,895	(5,895)	-	-	-	-	-
Foreign exchange movement	(27,125)	2	(6,089)	(23,484)	(1,091)	(312)	(58,099)
Balance as at December 31, 2012	**$ 552,958**	**$ -**	**$ 119,549**	**$ 487,215**	**$ 20,779**	**$ 6,090**	**$ 1,186,591**
Assets acquired	9,829	-	-	-	132	-	9,961
Environmental asset capitalized	(646)	-	-	-	-	-	(646)
Assets disposed	(2,021)	-	-	-	(1,045)	(146)	(3,212)
Foreign exchange movement	(106,916)	-	(22,892)	(93,283)	(3,894)	(1,160)	(228,145)
Balance as at December 31, 2013	**$ 453,204**	**$ -**	**$ 96,657**	**$ 393,932**	**$ 15,972**	**$ 4,784**	**$ 964,549**
Accumulated depreciation and impairment losses							
Balance as at December 31, 2011	**$ 175,530**	**$ 5,498**	**$ 40,665**	**$ 313,333**	**$ 2,605**	**$ 762**	**$ 538,393**
Depreciation	10,227	167	3,146	-	235	-	13,775
Depreciation of disposed assets	(243)	-	-	-	(139)	-	(382)
Impairment loss	32,557	-	-	55,721	-	-	88,278
Transfer	5,655	(5,655)	-	-	-	-	-
Foreign exchange movement	(10,590)	(10)	(2,118)	(17,594)	(156)	(36)	(30,504)
Balance as at December 31, 2012	**$ 213,136**	**$ -**	**$ 41,693**	**$ 351,460**	**$ 2,545**	**$ 726**	**$ 609,560**
Depreciation	5,022	-	904	-	192	-	6,118
Depreciation of disposed assets	(842)	-	-	-	(279)	-	(1,121)
Impairment loss	109,628	-	35,132	-	-	-	144,760
Foreign exchange movement	(51,986)	-	(11,504)	(67,281)	(486)	(139)	(131,396)
Balance as at December 31, 2013	**$ 274,958**	**$ -**	**$ 66,225**	**$ 284,179**	**$ 1,972**	**$ 587**	**$ 627,921**
Carrying amounts							
At December 31, 2011	$ 310,613	$ 395	$ 84,973	$ 196,532	$ 17,286	$ 5,640	$ 615,439
At December 31, 2012	$ 339,822	$ -	$ 77,856	$ 135,755	$ 18,234	$ 5,364	$ 577,031
At December 31, 2013	**$ 178,246**	**$ -**	**$ 30,432**	**$ 109,753**	**$ 14,000**	**$ 4,197**	**$ 336,628**

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

6. Property, plant and equipment

	Crocodile River Mine (a)	Kennedy's Vale Project and Concentrator (b)	Spitzkop PGM Project (c)	Mareesburg Project (c)	Other property plant and equipment	TOTAL
Cost						
Balance as at December 31, 2011	**$ 561,642**	**$ 448,457**	**$ 115,493**	**$ 28,103**	**$ 137**	**$ 1,153,832**
Assets acquired	17,561	72,019	528	231	2	90,341
Environmental asset capitalized	3,253	-	75	-	-	3,328
Assets disposed	(2,811)	-	-	-	-	(2,811)
Foreign exchange movement	(27,390)	(24,963)	(4,655)	(1,094)	3	(58,099)
Balance as at December 31, 2012	**$ 552,255**	**$ 495,513**	**$ 111,441**	**$ 27,240**	**$ 142**	**$ 1,186,591**
Assets acquired	8,424	1,537	-	-	-	9,961
Environmental asset capitalized	(646)	-	-	-	-	(646)
Assets disposed	(1,995)	(1,217)	-	-	-	(3,212)
Transfer	(1,651)	1,651	-	-	-	-
Foreign exchange movement	(106,283)	(95,303)	(21,394)	(5,156)	(9)	(228,145)
Balance as at December 31, 2013	**$ 450,104**	**$ 402,181**	**$ 90,047**	**$ 22,084**	**$ 133**	**$ 964,549**
Accumulated depreciation and impairment losses						
Balance as at December 31, 2011	**$ 223,555**	**$ 314,711**	**$ -**	**$ -**	**$ 127**	**$ 538,393**
Depreciation	13,554	213	-	-	8	13,775
Depreciation of disposed assets	(382)	-	-	-	-	(382)
Impairment loss	-	47,445	32,802	8,031	-	88,278
Foreign exchange movement	(11,391)	(17,337)	(1,426)	(350)	-	(30,504)
Balance as at December 31, 2012	**$ 225,336**	**$ 345,032**	**$ 31,376**	**$ 7,681**	**$ 135**	**$ 609,560**
Depreciation	5,953	162	-	-	3	6,118
Depreciation of disposed assets	(989)	(132)	-	-	-	(1,121)
Impairment loss	144,760	-	-	-	-	144,760
Transfer	50	(50)	-	-	-	-
Foreign exchange movement	(57,827)	(66,089)	(6,013)	(1,462)	(5)	(131,396)
Balance as at December 31, 2013	**$ 317,283**	**$ 278,923**	**$ 25,363**	**$ 6,219**	**$ 133**	**$ 627,921**
Carrying amounts						
At December 31, 2011	$ 338,087	$ 133,746	$ 115,493	$ 28,103	$ 10	$ 615,439
At December 31, 2012	$ 326,919	$ 150,481	$ 80,065	$ 19,559	$ 7	$ 577,031
At December 31, 2013	**$ 132,821**	**$ 123,258**	**$ 64,684**	**$ 15,865**	**$ -**	**$ 336,628**

6. Property, plant and equipment (continued)

(a) Crocodile River Mine ("CRM")

The Company holds directly and indirectly an 87.5% interest in CRM, which is located on the eastern portion of the western limb of the Bushveld Complex. In 2012, the Company temporarily suspended production from stoping at the Zandfontein section and replaced it by a 12 to 18 month development program as a result of the combination of continuing cost pressures and depressed metal prices experienced in 2012. On April 19, 2013, the Company announced its decision to suspend funding to the CRM development plan. On April 22, 2013, Barplats Mines Limited issued notices to employees in terms of Section 189 of the Labour Relations Act 66 of 1995 with respect to a care and maintenance and restructuring proposal for CRM. The consultation process with the unions and other representatives ended upon the expiry of the 60-day period on June 21, 2013. On August 1, 2013, CRM was placed on care and maintenance. Management will continue to monitor the factors contributing to the care and maintenance decision, and production will not resume until conditions improve. There can be no assurance that the conditions will improve or that production will resume in the near future.

(b) 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, near Steelpoort in the Province of Mpumalanga. It comprises of PGM mineral rights on five farms in the Steelpoort Valley. The KV mineral property was planned to be developed after the Mareesburg Project goes into production. The design and construction of a concentrator located on the KV property commenced in 2011 and was expected to be completed in the first quarter of 2013. The concentrator would initially have been used to process ore from the Mareesburg Project. Due to the continuing negative outlook in the global economic environment and the operating environment in South Africa, the Company decided to suspend funding for the construction of the concentrator in mid-2012. The concentrator project has been on full care and maintenance since the fourth quarter of 2012.

(c) Spitzkop PGM Project and Mareesburg Project

The Company holds directly and indirectly a 93.4% interest in the Spitzkop PGM Project and an 87% interest in the Mareesburg Project. The Company currently acts as the operator of both the Mareesburg Platinum Project and the Spitzkop PGM Project, both located on the eastern limb of the Bushveld Complex. The Spitzkop PGM Project was planned to be developed after the Mareesburg Project goes into production. Construction of the Mareesburg Project was expected to be completed in the first quarter of 2013 but, due to the continuing negative outlook in the global economic environment and the operating environment in South Africa, the Company decided to suspend funding for the Mareesburg Project in mid-2012. The Mareesburg Project has been on full care and maintenance since the fourth quarter of 2012.

(d) Depreciation

Depreciation of $1,735 (year ended December 31, 2012 – $63) is included in care and maintenance depreciation for the year ended December 31, 2013. Depreciation of Nil (year ended December 31, 2012 - $200) is included in general and administrative expenses for the year ended December 31, 2013. This depreciation pertains to assets which are not currently being used for mining operations.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

6. Property, plant and equipment (continued)

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

(i) *Year ended December 31, 2013*

The Company assessed the carrying values of its mineral properties for indication of impairment at each quarter end in 2013. As at June 30, 2013, the Company believed that certain factors, such as the sustained weakness in PGM pricing, rising cost pressures, decreasing productivities, the stagnant European and global economy and the current operating environment in South Africa have contributed to the Company's decision to suspend funding of the CRM development plan as announced on April 19, 2013. These factors also caused a further decrease in the Company's share price. The Company recorded an impairment charge in the quarter ended June 30, 2013 as described below. The Company concluded that, as at December 31, 2013, there was no further impairment or reversal of impairment to be recorded.

During the quarter ended June 30, 2013, the Company determined that the carrying value of its CRM project exceeded the expected net present value of its future cash flows (i.e. the fair value less costs to sell). This resulted in an impairment charge of $147,787 that was allocated pro-rata amongst CRM's tangible assets owned, intangible mineral properties being depleted and refining contract. Impairment charges of $109,628, $35,132 and $3,027 were recorded against CRM's tangible assets owned, intangible mineral properties and refining contract, respectively. The Company concluded that as at June 30, 2013, there was no impairment of assets at the Company's Spitzkop PGM Project, Mareesburg PGM Project, or Kennedy's Vale.

At June 30, 2013, the expected net present value of CRM's future cash flows were calculated using a weighted average cost of capital of 8.80%, and the following forecasted foreign exchange rates and prices.

		2013	2014	2015	2016	2017	2018+
South African Rand per U.S. Dollar		9.50	9.71	9.65	9.65	9.65	8.90
Platinum	US$/oz	1,531	1,652	1,693	1,693	1,673	1,734
Palladium	US$/oz	713	778	800	781	753	730
Rhodium	US$/oz	1,763	2,413	2,678	2,692	2,636	3,625
Gold	US$/oz	1,440	1,394	1,345	1,282	1,213	1,186
Iridium	US$/oz	1,019	614	630	626	622	640
Ruthenium	US$/oz	118	211	216	221	216	230
Nickel	US$/tonne	15,562	17,095	18,769	19,001	19,408	19,820
Copper	US$/tonne	7,285	7,119	6,942	6,638	6,573	6,121
Chrome	Rand/tonne	500	500	500	500	500	600

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

6. Property, plant and equipment (continued)

(e) *Impairment of property, plant and equipment (continued)*

(ii) *Year ended December 31, 2012*

During the year ended December 31, 2012, the Company assessed the carrying values of its mineral properties for indication of impairment at each quarter end. The Company believed that certain factors, such as the decision to suspend funding for the Mareesburg open pit mine and KV concentrator project in June 2012, a significant drop in production at CRM in 2011 and 2012 compared to 2010, the continued operational issues facing the South African PGM industry, and the weakness of the global economy, particularly in Europe, which have negatively affected PGM prices, have contributed to the decrease in the Company's share price. Since August 2011, the Company's market capitalization has been below its book value. The Company recorded an impairment charge in the quarter ended June 30, 2012 as described below. The Company concluded that, as at December 31, 2012, there was no further impairment to be recorded.

During the quarter ended June 30, 2012, the Company determined that the carrying value of its Eastern Limb projects exceeded the expected net present value of its future cash flows. This resulted in an impairment charge of $88,278 that was allocated pro-rata amongst KV, the Spitzkop PGM Project and the Mareesburg Project. An impairment charge of $47,445 was recorded at KV, of which $32,557 pertained to mining assets owned and $14,888 pertained to intangible mineral properties not being depleted. Impairment charges of $32,802 and $8,031 were recorded to the mineral properties not being depleted at the Spitzkop PGM Project and the Mareesburg Project, respectively. The Company concluded that as at June 30, 2012, there was no impairment of assets at CRM.

At June 30, 2012, the expected net present value of the Eastern Limb projects' future cash flows were calculated using a weighted average cost of capital of 8.78%, and the following forecasted foreign exchange rates and prices.

		2012	2013	2014	2015	2016	2017+
South African Rand per U.S. Dollar		7.89	7.97	8.23	9.64	9.96	10.21
Platinum	US$/oz	1,575	1,728	1,688	1,673	1,662	1,649
Palladium	US$/oz	679	809	808	838	758	706
Rhodium	US$/oz	1,525	1,763	2,413	2,678	2,692	3,625
Gold	US$/oz	1,698	1,688	1,456	1,280	1,182	1,119
Iridium	US$/oz	1,040	1,019	624	620	617	610
Ruthenium	US$/oz	120	118	221	216	212	210
Nickel	US$/tonne	18,483	19,769	20,402	20,818	20,158	19,346
Copper	US$/tonne	8,242	8,271	7,773	7,293	6,787	5,777
Chrome	Rand/tonne	400	600	600	600	600	600

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.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

7. Issued capital (continued)

(b) Issued and outstanding

Changes to the number of common shares issued and outstanding are as follows:

	December 31, 2013	December 31, 2012
	Number of shares	Number of shares
Balance outstanding, beginning and end of year	**928,187,840**	928,187,840

(c) Treasury shares

	December 31, 2013	December 31, 2012
	Number of treasury shares	Number of treasury shares
Balance outstanding, beginning of year	**120,564**	198,563
Vesting of shares pursuant to the key skills retention plan (Note 7(e))	**-**	(77,999)
Balance outstanding, end of year	**120,564**	120,564

(d) Share options

The Company has an incentive plan (the "2011 Plan"), approved by the Company's shareholders at its annual general meeting held on June 9, 2011, under which options to purchase common shares may be granted to its directors, officers, employees and others at the discretion of the Board of Directors. Under the terms of the 2011 Plan:

- 79 million common shares were initially reserved for issuance upon the exercise of options, of which 42,773,928 remain available for issuance at December 31, 2013.

- All outstanding options at June 9, 2011 granted under the Company's previous plan (the "2008 Plan") continue to exist under the 2011 plan provided that the fundamental terms governing such options will be deemed to be those under the 2008 Plan.

- Each option granted shall be for a term not exceeding five years from the date of being granted and the vesting period is determined based on the discretion of the Board of Directors. Vesting is dependent on continued employment with the Company.

- The option exercise price is set at the date of the grant and cannot be less than the closing market price of the Company's common shares on the Toronto Stock Exchange on the day immediately preceding the day of the grant of the option.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

7. Issued capital (continued)

(d) Share options (continued)

- The 2011 Plan includes share appreciation rights providing for an optionee to elect to exercise options and to receive an amount in common shares equal to the difference between fair market value at the time of exercise and the exercise price for the options exercised.

(i) Movements in share options during the period

The changes in share options during the years ended December 31, 2013 and 2012 were as follows:

	December 31, 2013		December 31, 2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		Cdn$		Cdn$
Balance outstanding, beginning of year	**26,605,667**	**0.84**	59,855,503	1.52
Options granted	**28,975,000**	**0.19**	7,265,000	0.60
Options forfeited	**(10,505,000)**	**1.39**	(20,527,336)	1.78
Options expired	**(12,696,667)**	**0.32**	(19,987,500)	1.82
Balance outstanding, end of year	**32,379,000**	**0.29**	26,605,667	0.84

Options granted and vested during the year ended December 31, 2013 resulted in share-based payment expense of $3,206 (year ended December 31, 2012 - $2,304).

(ii) Fair value of share options granted in the period

On January 8, 2013, the Company granted 28,975,000 options of which 22,025,000 vested immediately and 6,950,000 vested one-third as at January 8, 2013, one-third upon the first anniversary of the grant, and the remaining third upon the second anniversary of the grant. All options have an exercise price of Cdn$0.19 and expire on January 8, 2018.

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	2013		2012
	January 8	**January 8**	March 8
Number of options	**22,025,000**	**6,950,000**	7,265,000
Exercise price	**Cdn$0.19**	**Cdn$0.19**	Cdn$0.60
Closing market price on day preceding date of grant	**Cdn$0.19**	**Cdn$0.19**	Cdn$0.53
Grant date share price	**Cdn$0.21**	**Cdn$0.21**	Cdn$0.54
Risk-free interest rate	**1.45%**	**1.17%**	1.50%
Expected life	**5**	**2**	5
Annualized volatility	**77%**	**61%**	74%
Dividend rate	**0%**	**0%**	0%
Grant date fair value	**Cdn$0.13**	**Cdn$0.08**	Cdn$0.32

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

7. Issued capital (continued)

(d) *Share options (continued)*

(ii) *Fair value of share options granted in the period (continued)*

Grant date share price is the closing market price on the day the options were granted.

Annualized volatility is based on the historical volatility of the Company's Canadian dollar common share price of the Toronto Stock Exchange.

(i) *Share options outstanding at the end of the period*

The following table summarizes information concerning outstanding and exercisable options at December 31, 2013:

Options outstanding	Options exercisable	Exercise price	Remaining Contractual Life (Years)	Expiry date
		Cdn$		
6,644,000	6,644,000	0.60	3.20	March 12, 2017
210,000	210,000	2.31	3.78	October 5, 2017
25,525,000	23,158,332	0.19	4.03	January 8, 2018
32,379,000	30,012,332		3.86	

The weighted average exercise price of options exercisable at December 31, 2013 is Cdn$0.30.

(e) *Key skills retention plan*

In 2010, the Company's South African subsidiary, Barplats Investments Limited, implemented a key skills retention plan for its senior employees in South Africa. The purpose of the plan is to retain key employees, attract new employees as the need arises and remain competitive with other South African mining companies. The plan operates through a trust which purchases shares of the Company on behalf of the employees. These shares then vest to the employees over time. These shares have been recorded as "treasury shares" in the statement of financial position.

The share-based payment expense during the year ended December 31, 2013 resulting from the key skills retention plan was $Nil (year ended December 31, 2012 – $70). The share-based payment liability as at December 31, 2013 was $Nil (December 31, 2012 - $74). On November 30, 2012, 77,999 treasury shares with a historic cost of $130 vested.

8. Finance costs

	December 31, 2013	December 31, 2012
Interest on revenue advances	**$ 153**	$ 403
Interest on provision for environmental rehabilitation	**768**	701
Interest on VAT reassessments	**313**	-
Other interest	**93**	-
Credit facility costs	**-**	4,515
	$ 1,327	$ 5,619

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

9. Income tax (expense) recovery

The income tax recognized in profit or loss comprises of:

	December 31, 2013	December 31, 2012
Deferred tax (expense) recovery relating to the origination and reversal of temporary differences	**$ (358)**	$ 12,487
Current tax	**-**	1,481
Total income tax	**$ (358)**	$ 13,968

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, 2013	December 31, 2012
Statutory tax rate	**25.75%**	25.00%
Expected tax recovery on loss before income tax	**$ (46,497)**	$ (31,978)
Difference in tax rates between foreign jurisdictions and Canada	**(13,001)**	(14,633)
Items not deductible for income tax purposes	**3,742**	7,617
Secondary tax on companies	**-**	(1,689)
Change in tax estimates	**-**	3,852
Tax losses not recognized	**56,114**	22,863
Income tax expense (recovery)	**$ 358**	$ (13,968)

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

	December 31, 2013	December 31, 2012
Non-capital loss carry forwards	**$ 8,781**	$ 21,669
Share issue costs	**1,615**	1,660
Accumulated cost base difference on assets and other	**59,673**	(3,297)
Deferred receipts	**(17)**	(789)
Deferred tax liabilities before valuation allowance	**$ 70,052**	$ 19,243
Less valuation allowance	**(86,855)**	(39,220)
Total deferred tax liabilities	**$ (16,803)**	$ (19,977)

The movement between the opening and closing balances was recognized in profit or loss and in foreign currency translation reserve.

9. Income taxes (continued)

At December 31, 2013, the Company has non-capital losses of approximately Cdn$36,841 (December 31, 2012 – Cdn$32,770) available to apply against future Canadian income for tax purposes. In South Africa, the Company has unredeemed capital expenditures available for utilization against future taxable income and estimated tax losses of approximately R3.8 billion (December 31, 2012 – R3.1 billion). The South African losses do not expire unless the Company's mining activities cease. The Canadian non-capital losses will expire as follows (in thousands of Canadian dollars):

		Cdn$ (000's)
2015	**$**	**2,780**
2026		**3,224**
2027		**9,498**
2028		**4,217**
2029		**859**
2030		**8,665**
2031		**3,148**
2032		**3,078**
2033		**1,372**
	$	**36,841**

At December 31, 2013, the Company had capital losses of Nil available to apply against future capital gains in Canada.

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 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 a 49.99% interest in Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu"), a holding company incorporated and operating in South Africa. Gubevu is the Company's black economic empowerment partner (Note 21(a)) and holds a 25.01% interest in Barplats Investments Limited ("Barplats"). The proportion of equity and total comprehensive income of Barplats is allocated to the non-controlling interest using the indirect method resulting in a 12.5% allocation. The non-controlling interests are comprised of the following amounts:

Balance, December 31, 2011 - as previously reported	$	(3,483)
Adjustment (Note 3(b))		1,783
Balance, December 31, 2011	$	(1,700)
Non-controlling interests' share of loss in Barplats		(10,234)
Foreign exchange movement		524
Balance, December 31, 2012	$	(11,410)
Non-controlling interests' share of loss in Barplats		(24,079)
Foreign exchange movement		4,469
Balance, December 31, 2013	**$**	**(31,020)**

11. Loss per share

The weighted average number of ordinary shares for the purposes of diluted loss per share reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	December 31, 2013	December 31, 2012
	(in thousands)	
Weighted average number of ordinary shares used in the calculation of basic loss per share per share	**927,805**	927,525
Shares deemed to be issued for no consideration in respect of options	**-**	-
Weighted average number of ordinary shares used in the calculation of diluted loss per share	**927,805**	927,525

The loss used to calculate basic and diluted loss per share for the year ended December 31, 2013 was $156,852 (year ended December 31, 2012 – $103,708).

The following potential ordinary shares, outstanding at December 31, 2013, are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share:

	December 31, 2013	December 31, 2012
	(in thousands)	
Options	**32,379**	26,606

12. Cash and cash equivalents

Cash and cash equivalents are comprised of:

	December 31, 2013	December 31, 2012
Cash in bank	**$ 13,110**	$ 65,569
Money market instruments	**1,379**	5,130
	$ 14,489	$ 70,699

13. Trade and other receivables

Trade and other receivables are comprised of the following:

	December 31, 2013	December 31, 2012 (Note 3(b))
Trade receivables	**$ 371**	$ 10,439
VAT receivable	**2,257**	1,764
Other receivables	**1,457**	3,239
Allowance for doubtful debts for other receivables	**(477)**	(588)
	$ 3,608	$ 14,854

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

13. Trade and other receivables (continued)

(a) Aging of past due, but not impaired

The average credit period of PGM sales is 4 months. The Company has the right to request up to a 90% advance on payment, payable 1 month subsequent to sale. The Company has financial risk management policies in place to ensure that all receivables are received within the pre-agreed credit terms.

Included in trade and other receivables are receivables with a carrying value of $262 (December 31, 2012 - Nil) that are past due but have not been provided for.

(b) Movement in the allowance for doubtful debts

	December 31, 2013	December 31, 2012
Opening balance	**$ 588**	$ 528
Impairment losses recognized on receivables	**2**	89
Foreign exchange translation losses	**(113)**	(29)
Closing balance	**$ 477**	$ 588

(c) Aging of other impaired receivables

	December 31, 2013	December 31, 2012
Less than 8 months	**184**	86
Greater than 8 months	**293**	502
	$ 477	$ 588

At December 31, 2013, other receivables of $477 (December 31, 2012 - $588) were impaired and provided for. These receivables were for rental income, royalties and scrap sales. Impairment was determined based on payment history and how far past due the receivables were.

14. Inventories

	December 31, 2013	December 31, 2012
Consumables	**$ 2,777**	$ 3,975
Ore and concentrate	**-**	136
Chrome inventory	**-**	635
	$ 2,777	$ 4,746

Production costs for the year ended December 31, 2013 were $47,045 (year ended December 31, 2012 - $115,389). Production costs represent the cost of inventories sold during the period. For the year ended December 31, 2013, production costs included a $571 write-down of consumables to net realizable value (year ended December 31, 2012 – Nil). For the year ended December 31, 2013, production costs did not include any amounts with regards to the reversal of write-downs.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

15. Refining contract

During the year ended June 30, 2006, the Company acquired a 69% interest in Barplats and assigned a portion of the purchase price to the off-take contract governing the sales of Barplats' PGM concentrate production. The initial value of the contract was $17,939. During the year ended June 30, 2007, the Company acquired an additional 5% interest in Barplats resulting in an additional allocation to the contract of $4,802 for a total aggregate value of $22,741. During the year ended December 31, 2008, the Company acquired an additional 2.47% interest in Barplats. The acquisition did not affect the aggregate value of the contract. The value of the contract is amortized over the remaining term of the contract which is 5.5 years as at December 31, 2013.

Cost		
Balance as at December 31, 2011	$	19,382
Foreign exchange movement		(939)
Balance as at December 31, 2012	$	18,443
Foreign exchange movement		(3,531)
Balance as at December 31, 2013	**$**	**14,912**
Accumulated amortization and impairment		
Balance as at December 31, 2011	$	10,373
Amortization		1,350
Foreign exchange movement		(550)
Balance as at December 31, 2012	$	11,173
Amortization		1,149
Impairment		3,027
Foreign exchange movement		(2,532)
Balance as at December 31, 2013	**$**	**12,817**
Carrying amounts		
At December 31, 2011	$	9,009
At December 31, 2012	$	7,270
At December 31, 2013	**$**	**2,095**

During the year ended December 31, 2013, the Company determined that the carrying value of CRM exceeded the expected net present value of its future cash flows. This resulted in an impairment charge of $3,027 being recorded against the refining contract.

16. Other assets

Other assets consists of a money market fund investment that is classified as available-for-sale and serves as security for a guarantee issued to the Department of Mineral Resources of South Africa in respect of the environmental rehabilitation liability (Note 18). Changes to other assets for the year ended December 31, 2013 are as follows:

Balance, December 31, 2011	$	7,995
Additional investment		1,059
Service fees		(36)
Interest income		485
Foreign exchange movement		(441)
Balance, December 31, 2012	$	9,062
Additional investment		1,531
Service fees		(53)
Interest income		541
Foreign exchange movement		(1,901)
Balance, December 31, 2013	**$**	**9,180**

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

17. Trade and other payables

	December 31, 2013	December 31, 2012 (Note 3(b))
Trade payables	**$ 187**	$ 2,382
Accrued liabilities	**1,433**	8,055
Other	**4,466**	6,950
	$ 6,086	$ 17,387

The average credit period of purchases is 1 month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. Provision for environmental rehabilitation

Although the ultimate amount of the environmental rehabilitation provision is uncertain, the best estimate of these obligations is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

The provision for environmental rehabilitation at December 31, 2013 is ZAR 99 million ($9,414) (December 31, 2012 – ZAR 102 million, ($12,066)). The provision was determined using an inflation rate of 5.93% (December 31, 2012 – 5.55%) and an estimated life of mine of 16 years for Zandfontein (December 31, 2012 – 18 years), 8 years for Maroelabult (December 31, 2012 – 9 years), 10 years for Crocette (December 31, 2012 – 16 years), 23 years for Kennedy's Vale (December 31, 2012 – 28 years) and 23 years for Spitzkop (December 31, 2012 – 28 years). A discount rate of 8.23% was used (December 31, 2012 – 7.27%). A guarantee of $9,180 (December 31, 2012 - $9,062) has been issued to the Department of Mineral Resources (Note 16). The guarantee will be utilized to cover expenses incurred to rehabilitate the mining area upon closure of the mine. The undiscounted value of this liability is approximately ZAR 424 million ($40,424) (December 31, 2012 – ZAR 470 million, $55,417).

Changes to the environmental rehabilitation provision are as follows:

Balance, December 31, 2011	$ 8,390
Revision in estimates	3,328
Interest expense (Note 8)	701
Foreign exchange movement	(353)
Balance, December 31, 2012	$ 12,066
Revision in estimates	(1,086)
Interest expense (Note 8)	768
Foreign exchange movement	(2,334)
Balance, December 31, 2013	**$ 9,414**

19. Commitments

The Company has committed to capital expenditures in South Africa of approximately ZAR 676,000 ($64) as at December 31, 2013 (December 31, 2012 – ZAR 21 million, $2,463).

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

20. Retirement benefit plans

The Barplats Provident Fund is an independent, defined contribution plan administered by Liberty Life Limited in South Africa. The costs associated with the defined contribution plan included in net loss for the year ended December 31, 2013 were $1,532 (year ended December 31, 2012 - $3,032). The total number of employees in the plan at December 31, 2013 was 123 (December 31, 2012 – 1,311).

21. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

(a) Trading transactions

The Company's related parties consist of companies owned by executive officers and directors and the Company's black economic empowerment partner as follows:

	Nature of transactions
Andrews PGM Consulting	Consulting and general and administrative
Buccaneer Management Inc.	Management
Gubevu Consortium Investment Holdings (Pty) Ltd. (iv)	Black economic empowerment partner
Jazz Financial Ltd.	Management
Maluti Services Limited	General and administrative
Xiste Consulting Ltd.	Management and general and administrative
Zinpro Engineering (Pty) Ltd	Consulting and mine contractor

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	Note	**December 31, 2013**	December 31, 2012
Consulting fees	(i)	**$ 495**	$ 756
General and administrative expenses		**166**	357
Management fees	(ii)	**2,089**	1,390
Mine contractor fees	(iii)	**4,651**	7,402
		$ 7,401	$ 9,905

(i) Consulting fees include fees paid to two private companies controlled by key management personnel of the Company for consulting services performed outside of their capacities as key management personnel.

(ii) Management fees for the year ended December 31, 2013 included a termination payment to a then officer of the Company.

(iii) Mine contractor fees are paid to a private company controlled by an executive officer of the Company's South African operating subsidiary for specific design, procurement and construction projects at CRM.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

21. Related party transactions (continued)

(a) Trading transactions (continued)

(iv) At December 31, 2013, the Company held a loan receivable from Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu") in the amount of R613 million ($58,375) (December 31, 2012 – R569 million, $67,061). This loan is secured by Gubevu's interest in Barplats, bears interest at 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 in the years ended December 31, 2012 and 2013. For further details, please refer to Notes 3(b) and 10.

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2013 included $2 (December 31, 2012 - $28) which was due to private companies controlled by officers and directors of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2013 and 2012 were as follows:

	Note	**December 31, 2013**	December 31, 2012
Remuneration and directors' fees	(i)	**$ 2,967**	$ 2,728
Share-based payments	(ii)	**2,640**	2,216
		$ 5,607	$ 4,944

(i) Remuneration and directors' fees include consulting, management fees and termination payments disclosed in Note 21(a).

Share-based payments are the fair value of options granted to key management personnel.

(iii) Key management personnel were not paid post-employment benefits or other long-term benefits during the years ended December 31, 2013 and 2012.

Eastern Platinum Limited

Notes to the consolidated financial statements
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

22. Segmented Information (continued)

(a) Operating segments - The Company's operations are primarily directed towards the acquisition, exploration and production of platinum group metals in South Africa.

(b) Geographic segments - *The* Company's revenues and expenses by geographic areas for the years ended December 31, 2013 and 2012, and assets by geographic areas as at December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013							
	Crocodile River Mine	**Kennedy's Vale**	**Spitzkop**	**Mareesburg**	**Total South Africa**	**Barbados and BVI**	**Canada**	**TOTAL**
Property, plant and equipment expenditures	$ 8,424	$ 1,537	$ -	$ -	$ 9,961	$ -	$ -	$ 9,961
Property, plant and equipment disposals	1,995	1,217	-	-	3,212	-	-	3,212
Revenue (Note 3(c))	$ 31,783	$ -	$ -	$ -	$ 31,783	$ -	$ -	$ 31,783
Production costs (Note 3(c))	(47,045)	-	-	-	(47,045)	-	-	(47,045)
Depletion and depreciation	(4,840)	-	-	-	(4,840)	-	-	(4,840)
Impairment	(147,787)	-	-	-	(147,787)	-	-	(147,787)
Gain on disposal of property, plant and equipment	2,141	36	-	-	2,177	-	-	2,177
General and administrative expenses	(1,566)	(1,176)	-	-	(2,742)	(65)	(4,475)	(7,282)
Care and maintenance	(3,213)	(2,066)	(27)	(17)	(5,323)	-	-	(5,323)
Care and maintenance depreciation	(1,556)	(176)	-	-	(1,732)	-	(3)	(1,735)
Share-based payments	(538)	-	-	-	(538)	-	(2,668)	(3,206)
Interest income	845	53	10	4	912	-	1,225	2,137
Other income	797	879	-	-	1,676	-	(1)	1,675
Finance costs	(798)	(522)	(7)	-	(1,327)	-	-	(1,327)
Foreign exchange gain (loss)	227	-	-	-	227	(37)	10	200
Loss before income taxes	(171,550)	(2,972)	(24)	(13)	(174,559)	(102)	(5,912)	(180,573)
Income tax (expense) recovery	-	-	15	13	28	(386)	-	(358)
Net loss	$ (171,550)	$ (2,972)	$ (9)	$ -	$ (174,531)	$ (488)	$ (5,912)	$ (180,931)

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

22. Segmented Information (continued)

(b) Geographic segments (continued)

December 31, 2012	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Total South Africa	Barbados and BVI	Canada	TOTAL
Property, plant and equipment expenditures	$ 17,561	$ 72,019	$ 528	$ 231	$ 90,339	$ -	$ 2	$ 90,341
Revenue (Note 3(c))	$ 102,433	$ -	$ -	$ -	$ 102,433	$ -	$ -	$ 102,433
Production costs (Note 3(c))	(115,389)	-	-	-	(115,389)	-	-	(115,389)
Depletion and depreciation	(13,503)	-	-	-	(13,503)	-	(9)	(13,512)
Impairment	-	(47,445)	(32,802)	(8,031)	(88,278)	-	-	(88,278)
Loss on disposal of property, plant and equipment	(584)	-	-	-	(584)	-	-	(584)
General and administrative expenses	(4,185)	(517)	-	-	(4,702)	(66)	(4,683)	(9,451)
Care and maintenance	-	(466)	(174)	(41)	(681)	-	-	(681)
Care and maintenance depreciation	-	(63)	-	-	(63)	-	-	(63)
Share-based payment	(72)	-	-	-	(72)	-	(2,302)	(2,374)
Interest income	1,245	200	30	4	1,479	-	1,928	3,407
Other income	916	544	-	-	1,460	-	-	1,460
Finance costs	(3,224)	(2,155)	(14)	(226)	(5,619)	-	-	(5,619)
Foreign exchange (loss) gain	(101)	(36)	-	-	(137)	(23)	901	741
Loss before income taxes	(32,464)	(49,938)	(32,960)	(8,294)	(123,656)	(89)	(4,165)	(127,910)
Income tax (expense) recovery	(2,450)	5,587	8,957	2,288	14,382	(414)	-	13,968
Net loss	$ (34,914)	$ (44,351)	$ (24,003)	$ (6,006)	$ (109,274)	$ (503)	$ (4,165)	$ (113,942)

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

22. Segmented Information (continued)

(b) Geographic segments (continued)

	December 31, 2013							
	Crocodile River Mine	**Kennedy's Vale**	**Spitzkop**	**Mareesburg**	**Total South Africa**	**Barbados and BVI**	**Canada**	**TOTAL**
Assets								
Current assets	$ 6,533	$ 598	$ 252	$ 67	$ 7,450	$ 4	$ 91,891	$ 99,345
Property, plant and equipment	132,821	123,258	64,684	15,865	336,628	-	-	336,628
Refining contract	2,095	-	-	-	2,095	-	-	2,095
Other assets	9,180	-	-	-	9,180	-	-	9,180
	$ 150,629	$ 123,856	$ 64,936	$ 15,932	$ 355,353	$ 4	$ 91,891	$ 447,248
Liabilities								
Current liabilities	$ 5,150	$ 347	$ 307	$ 52	$ 5,856	$ 14	$ 216	$ 6,086
Provision for environmental rehabilitation	6,393	2,670	351	-	9,414	-	-	9,414
Deferred tax liabilities	-	-	11,818	2,496	14,314	2,489	-	16,803
	$ 11,543	$ 3,017	$ 12,476	$ 2,548	$ 29,584	$ 2,503	$ 216	$ 32,303

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

22. Segmented Information (continued)

(b) Geographic segments (continued)

	December 31, 2012							
	Crocodile River Mine	Kennedy's Vale	Spitzkop	Mareesburg	Total South Africa	Barbados and BVI	Canada	TOTAL
Assets								
Current assets (Note 3(b))	$ 22,280	$ 4,400	$ 905	$ 102	$ 27,687	$ 20	$ 122,818	$ 150,525
Property, plant and equipment	326,919	150,481	80,065	19,559	577,024	-	7	577,031
Refining contract	7,270	-	-	-	7,270	-	-	7,270
Other assets	9,062	-	-	-	9,062	-	-	9,062
	$ 365,531	$ 154,881	$ 80,970	$ 19,661	$ 621,043	$ 20	$ 122,825	$ 743,888
Liabilities								
Current liabilities (Note 3(b))	$ 12,418	$ 4,220	$ 405	$ 67	$ 17,110	$ 17	$ 260	$ 17,387
Provision for environmental rehabilitation	8,374	3,266	426	-	12,066	-	-	12,066
Deferred tax liabilities	-	-	14,616	3,100	17,716	2,261	-	19,977
	$ 20,792	$ 7,486	$ 15,447	$ 3,167	$ 46,892	$ 2,278	$ 260	$ 49,430

(c) Revenue

The Company's primary product is platinum group metals ("PGM") and by-product is chrome. For the years ended December 31, 2013 and 2012, substantially all of the Company's PGM production was sold to one customer.

	December 31, 2013	December 31, 2012
Platinum group metals	**$ 21,733**	$ 70,641
Chrome (Note 3(c))	**10,050**	31,792
	$ 31,783	$ 102,433

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

23. Financial instruments

(a) *Management of capital risk*

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, equity-settled employee benefits reserve, deficit and currency translation adjustment. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, 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.

The Company is not subject to externally imposed capital requirements.

(b) *Categories of financial instruments*

	December 31, 2013	December 31, 2012
Financial assets		
Cash and cash equivalents	**$ 14,489**	$ 70,699
FVTPL financial assets		
Trade receivables	**371**	10,439
Loans and receivables		
Other receivables (Note 3(b))	**3,237**	4,415
Available for sale financial assets		
Short-term investments	**78,471**	60,226
Other assets	**9,180**	9,062
	$ 105,748	$ 154,841
Financial liabilities		
Other financial liabilities		
Trade and other payables (Note 3(b))	**$ 6,086**	$ 17,387
	$ 6,086	$ 17,387

(c) *Fair value of financial instruments*

(i) *Fair value estimation of financial instruments*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

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

Trade receivables are settled three to five months following the physical delivery of the PGM's and are adjusted to prices of the metals at the end of the settlement period. At each period end, the Company's trade receivables are marked to market based on the PGM forward prices quoted in the active market. The provisional price adjustments recorded during the years ended December 31, 2013 and 2012 are shown in the table below.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

23. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

(i) Fair value estimation of financial instruments (continued)

		December 31, 2013		December 31, 2012
Revenue before provisional price adjustments	**$**	**31,443**	$	102,445
Provisional price adjustments				
Adjustments to revenue upon settlement of prior periods' sales		**341**		79
Mark-to-market adjustment on sales not yet settled at end of period		**(1)**		(90)
Revenue	**$**	**31,783**	$	102,434

At December 31, 2013, there were no financial assets or liabilities recognized at fair value on a non-recurring basis.

(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 trade receivables, short-term investments, and other assets are measured subsequent to initial recognition at fair value and are Level 2 financial instruments at December 31, 2013. At each period end, the Company’s trade receivables are marked to market based on the PGM forward prices quoted in the active market. There were no transfers between levels during the years ended December 31, 2013 and 2012.

(d) Reclassification of financial assets

There was no reclassification of financial assets during the years ended December 31, 2013 and 2012.

(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.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

23. Financial instruments (continued)

(e) Financial risk management (continued)

(i) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company's revenues are based on US dollar PGM prices, but the Company receives revenues in South African Rand and incurs operating costs in South African Rand. A significant change in the currency exchange rates between the South African Rand relative to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

The carrying amount of the Company's subsidiary's foreign-currency denominated monetary assets at December 31, 2013, is as follows:

	December 31, 2013	December 31, 2012
Financial assets		
Loans and receivables	**371**	10,439

The sensitivity of the Company's net earnings due to changes in the exchange rate between the South African Rand and the United States dollar is summarized in the table below. This sensitivity is based on loans and receivables not denominated in the functional currency of the subsidiary. The increase (decrease) in net earnings is due to the effect of the exchange rate on financial instruments.

	Year ended Dec. 31, 2013	
	10% weakening of ZAR in relation to USD FX rate	10% strengthening of ZAR in relation to USD FX rate
Increase (decrease) in net earnings	37	(37)

The carrying amount of the Company's head office foreign-currency denominated monetary assets at December 31, 2013 is as follows:

	December 31, 2013	December 31, 2012
Financial assets		
Cash and cash equivalents	**268**	43,960

The sensitivity of the Company's net earnings due to changes in the exchange rate between the U.K. Pound Sterling and the Canadian dollar is summarized in the table below. This sensitivity is based on cash and cash equivalents not denominated in the functional currency of head office. The (decrease) increase in net earnings is due to the effect of the exchange rate on financial instruments.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

23. Financial instruments (continued)

(e) Financial risk management (continued)

(i) Currency risk (continued)

	Year ended Dec. 31, 2013	
	10% weakening of GBP in relation to Cdn FX rate	10% strengthening of GBP in relation to Cdn FX rate
(Decrease) increase in net earnings	(27)	27

(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 available for sale, are generally not sold before maturity. 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 summarized in the table below. The (decrease) increase in net earnings is due to the effect of the interest rates on the Company's interest income.

	Year ended Dec. 31, 2013	
	10% decrease in interest rates throughout the year	10% increase in interest rates throughout the year
(Decrease) increase in net earnings	(214)	214

(iii) Price risk

The Company is exposed to price risk with respect to fluctuations in the prices of platinum group metals and chrome. These fluctuations directly affect revenues and trade receivables. As at December 31, 2013, the Company's financial assets subject to metal price risk consist of trade receivables of $371 (December 31, 2012 - $10,439). Historically, the Company has not entered into any derivative financial instruments to manage exposures to price fluctuations. No such derivative financial instruments existed at December 31, 2013 and 2012.

The sensitivity of the Company's net earnings due to changes in PGM and chrome prices is summarized in the table below. The (decrease) increase in net earnings is due to the effect of the PGM and chrome prices on revenues.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

23. Financial instruments (continued)

(e) Financial risk management (continued)

(iii) Price risk (continued)

	Year ended Dec. 31, 2013	
	10% decrease in PGM and chrome prices throughout the year	10% increase in PGM and chrome prices throughout the year
(Decrease) increase in net earnings	(3,178)	3,178

(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, and arises principally from the Company's trade receivables. The carrying value of the financial assets represents the maximum credit exposure.

Prior to the suspension of production at CRM, the Company sold substantially all of its PGM concentrate production to one customer under an off-take contract. At December 31, 2013, the Company had receivable balances associated with this customer of $371 (December 31, 2012 - $10,439). When the Company resumes production, the loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The Company has not experienced any bad debts with this customer since it initially entered into the off-take contract.

The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at December 31, 2013.

(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 staggers the maturity dates of its investments over different time periods and dates to minimize exposure to interest rate changes. This strategy remains unchanged from 2012.

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 and corresponding maturities.

(Expressed in thousands of U.S. dollars, except number of shares and per share amounts - unaudited)

23. Financial instruments (continued)

(e) Financial risk management (continued)

(v) Liquidity risk (continued)

	December 31, 2013	
	Total	**<1 year**
Trade and other payables	**$ 6,086**	**$ 6,086**
Commitments	**64**	**64**
	$ 6,150	**$ 6,150**

	December 31, 2012	
	Total	<1 year
Trade and other payables	$ 17,387	$ 17,387
Commitments	2,463	2,463
	$ 19,850	$ 19,850

24. Contingency

In June 2011, the Company became aware that the law firm of Siskinds LLP of London, Ontario, had filed a "Notice of Application" under the Class Action Proceedings Act, 1992, in the Ontario Superior Court of Justice against the Company and three of its directors and officers. The Notice of Application seeks permission of the Court to grant leave or permission to commence a lawsuit under the Securities Act of Ontario and other provinces in respect to certain alleged breaches of disclosure obligations. In July 2011, the Company and its officers and directors were served with court documents.

On June 18, 2012, the Company was served with the Plaintiff's Application Record and Amended Notice of Application. No further steps had been taken in the action until this time. The Amended Notice of Application is no longer being brought on behalf of a class, and instead, is being brought by Brian Bradley in his individual capacity. The affidavits filed in support of the application state that should the applicant be successful in obtaining leave to file the statement of claim, the plaintiff would move for the certification of the action as a class proceeding. The Company filed materials in response to the Application Record and Amended Notice of Application in March 2013. The hearing of the application has not been scheduled. The Company believes the proposed action has no merit and intends to continue to vigorously defend the action.

The Company is also 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 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. It is management's opinion that there are currently no other claims expected to have a material effect on the results of operations or financial condition of the Company.

25. Events after the reporting period

There were no events that required adjustment to, or disclosure in, the financial statements after the reporting period from January 1, 2014 to March 11, 2014.

EASTERN PLATINUM LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at December 31, 2013 and for the three months and year then ended in comparison to the same period in 2012.

This MD&A should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013 and supporting notes. These consolidated financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB").

In this MD&A, the Company also reports certain non-IFRS measures such as adjusted EBITDA and cash costs per ounce which are explained in Section 3.2 of this MD&A.

All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is March 11, 2014. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Contents of the MD&A

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1. Overview

Eastplats is a platinum group metals ("PGM") producer engaged in the mining and development of PGM deposits with properties located in South Africa. All of the Company's properties are situated on the western and eastern limbs of the Bushveld Complex ("BC"), the geological environment that supports over 75% of the world's PGM mine production.

The Company's primary assets are:

- an 87.5% direct and indirect interest in Barplats Investments Limited ("Barplats"), whose main assets are the Crocodile River Mine ("CRM") located on the Western Limb of the BC and the Kennedy's Vale Project located on the Eastern Limb of the BC;
- an 87% direct and indirect interest in Mareesburg Platinum Project ("Mareesburg Project"), located on the Eastern Limb of the BC; and
- a 93.4% direct and indirect interest in Spitzkop PGM Project ("Spitzkop"), also located on the Eastern Limb of the BC.

Due to the uncertain outlook in the global economic environment, particularly in Europe, the sustained weakness in PGM pricing and the operating environment in South Africa, production at CRM was suspended at the end of July 2013 and development of the Mareesburg Project was suspended in mid-2012.

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2. Summary of results

2.1 Summary of results for the three months ended December 31, 2013

- Production at CRM scaled down with effect from June 22, 2013 and ceased by the end of July 2013. CRM was placed on care and maintenance commencing August 1, 2013.

- At December 31, 2013, the Company had a cash position (including cash, cash equivalents and short term investments) of $92,960,000 (December 31, 2012 – $130,925,000).

- Eastplats recorded a loss attributable to equity shareholders of the Company of $1,559,000 ($0.00 per share) in the three months ended December 31, 2013 ("Q4 2013") compared to a loss of $1,963,000 ($0.00 loss per share) in the three months ended December 31, 2012 ("Q4 2012").

- General and administrative costs decreased 60% from $2,151,000 in Q4 2012 compared to $861,000 in Q4 2013.

- Eastplats incurred care and maintenance costs of $2,807,000 at CRM and at its Eastern Limb project in Q4 2013.

2.2 Summary of results for the year ended December 31, 2013

- Eastplats recorded a loss attributable to equity shareholders of the Company of $156,852,000 ($0.17 per share) for the year ended December 31, 2013 ("2013") compared to a loss of $103,708,000 ($0.11 loss per share) for the year ended December 31, 2012 ("2012").

- Adjusted EBITDA was negative $14,825,000 in 2013 compared to negative $12,558,000 in 2012.

- During the year, the Company recorded an impairment charge of $147,787,000 against its Crocodile River Mine.

- PGM ounces sold decreased 68% to 27,352 ounces in 2013 compared to 86,225 PGM ounces in 2012.

- The U.S. dollar average delivered price per PGM ounce was $918 in 2013 compared to $925 in 2012.

- The Rand average delivered price per PGM ounce increased 13% to R8,500 in 2013 compared to R7,528 in 2012.

- Total Rand operating cash costs decreased 51% to R379 million in 2013 compared to R777 million in 2012.

- Rand operating cash costs net of by-product credits increased 61% to R12,565 per ounce in 2013 compared to R7,821 per ounce in 2012. Rand operating cash costs increased 54% to R13,872 per ounce in 2013 compared to R9,009 per ounce in 2012.

- U.S. dollar operating cash costs net of by-product credits increased 40% to $1,349 per ounce in 2013 compared to $961 per ounce achieved in 2012. U.S. dollar operating cash costs increased 35% to $1,489 per ounce in 2013 compared to $1,105 per ounce in 2012.

- Head grade decreased 5% to 3.84 grams per tonne in 2013 compared to 4.06 grams per tonne in 2012.

- Average concentrator recovery decreased to 69% in 2013 compared to 77% in 2012.

- Development meters decreased by 66% to 3,261 meters and on-reef development decreased by 66% to 1,591 meters compared to 2012.

- Stoping units decreased 71% to 36,432 square meters in 2013 compared to 126,227 square meters in 2012.

- Run-of-mine ore hoisted decreased 69% to 258,537 tonnes in 2013 compared to 838,618 tonnes in 2012.

- Run-of-mine ore processed decreased by 67% to 267,368 tonnes in 2013 compared to 814,738 tonnes in 2012.

The table below sets forth selected results of operations for the Company's eight most recently completed quarters (in thousands of U.S. dollars, except per share amounts) in accordance with IFRS.

Table 1

Selected quarterly data	2013				2012			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Revenues (1)	$ 539	$ 1,341	$ 16,561	$ 13,342	$ 17,296	$ 23,329	$ 31,152	$ 30,656
Cost of operations (1)	394	(2,759)	(175,119)	(20,011)	(21,534)	(29,344)	(129,282)	(37,603)
Mine operating earnings (loss)	933	(1,418)	(158,558)	(6,669)	(4,238)	(6,015)	(98,130)	(6,947)
Expenses (G&A, C&M and other)	(4,579)	(5,548)	(2,183)	(5,236)	(2,868)	(2,151)	(2,582)	(4,968)
Operating loss	(3,646)	(6,966)	(160,741)	(11,905)	(7,106)	(8,166)	(100,712)	(11,915)
Net (loss) profit attributable to equity shareholders of the Company (2)	$ (1,559)	$ (4,617)	$ (139,710)	$ (10,966)	$ (1,963)	$ (5,698)	$ (86,421)	$ (9,626)
(Loss) earnings per share - basic	$ (0.00)	$ -	$ (0.15)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.09)	$ (0.01)
(Loss) earnings per share - diluted	$ (0.00)	$ -	$ (0.15)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.09)	$ (0.01)
Average foreign exchange rates								
South African Rand per US dollar	10.15	9.99	9.47	8.95	8.69	8.26	8.12	7.75
US dollar per Canadian dollar	0.9527	0.9631	0.9770	0.9916	1.0087	1.0054	0.9902	0.9990
Period end foreign exchange rates								
South African Rand per US dollar	10.50	10.06	9.88	9.18	8.49	8.29	8.17	7.65
US dollar per Canadian dollar	0.9402	0.9706	0.9508	0.9843	1.0051	1.0171	0.9822	1.0025

(1) Prior periods' revenues and cost of operations are retrospectively adjusted numbers as described in Section 7.1(c) below and in Note 3(c) of the consolidated financial statements.

(2) Prior periods' net (loss) profit attributable to equity shareholders of the Company are retrospectively adjusted numbers as described in Section 7.1(b) below and in Note 3(b) of the consolidated financial statements.

3. Results of operations for the three months and year ended December 31, 2013

The following table sets forth selected consolidated financial information for the three months and year ended December 31, 2013 and 2012:

Table 2

Condensed consolidated interim and annual consolidated statements of loss
(Expressed in thousands of U.S. dollars, except per share amounts - unaudited)

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Revenue (1)	**$ 539**	$ 17,296	**$ 31,783**	$ 102,433
Cost of operations				
Production costs (1)	**94**	20,165	**47,045**	115,389
Depletion and depreciation	**-**	2,187	**4,840**	13,512
Impairment	**-**	-	**147,787**	88,278
(Gain) loss on disposal of property, plant and equipment	**(488)**	(818)	**(2,177)**	584
Mine operating earnings (loss)	**933**	(4,238)	**(165,712)**	(115,330)
Expenses				
General and administrative	**861**	2,151	**7,282**	9,451
Care and maintenance	**2,807**	589	**5,323**	681
Care and maintenance depreciation	**879**	63	**1,735**	63
Share-based payments	**32**	65	**3,206**	2,374
Operating loss	**(3,646)**	(7,106)	**(183,258)**	(127,899)
Other income (expense)				
Interest income	**555**	687	**2,137**	3,407
Other income	**527**	549	**1,675**	1,460
Finance costs	**(181)**	(239)	**(1,327)**	(5,619)
Foreign exchange gain	**7**	677	**200**	741
Loss before income taxes	**(2,738)**	(5,432)	**(180,573)**	(127,910)
Income tax (expense) recovery	**(67)**	1,591	**(358)**	13,968
Net loss for the period	**$ (2,805)**	$ (3,841)	**$ (180,931)**	$ (113,942)
Attributable to				
Non-controlling interest (2)	**(1,246)**	(1,878)	**(24,079)**	(10,234)
Equity shareholders of the Company	**(1,559)**	(1,963)	**(156,852)**	(103,708)
Net loss for the period	**$ (2,805)**	$ (3,841)	**$ (180,931)**	$ (113,942)
Loss per share				
Basic	**$ (0.00)**	$ (0.00)	**$ (0.17)**	$ (0.11)
Diluted	**$ (0.00)**	$ (0.00)	**$ (0.17)**	$ (0.11)
Weighted average number of common shares outstanding				
Basic	**927,805**	927,602	**927,805**	927,525
Diluted	**927,805**	927,602	**927,805**	927,525

Condensed consolidated statements of financial position	**December 31, 2013**	December 31, 2012	January 1, 2012
Total assets	**$ 447,248**	$ 743,888	$ 914,075
Total long-term liabilities	**$ 26,217**	$ 32,043	$ 41,910

(1) Prior periods' revenues and cost of operations are retrospectively adjusted numbers as described in Section 7.1(c) below and in Note 3(c) of the consolidated financial statements.

(2) Prior periods' net loss attributable to non-controlling interest and to equity shareholders of the Company are retrospectively adjusted numbers as described in Section 7.1(b) below and in Note 3(b) of the consolidated financial statements.

3.1 Mining operations at Crocodile River Mine ("CRM")

In April 2013, the Company suspended funding for CRM due to the continuing stagnant outlook in the global economic environment, the sustained weakness in PGM pricing and the current operating environment in South Africa. Barplats Mines Limited issued notices to employees in terms of Section 189 of the Labour Relations Act 66 of 1995 with respect to a care and maintenance and restructuring proposal for CRM. The consultation process with the unions and other representatives ended upon the expiry of the 60-day period on June 21, 2013. Production at CRM scaled down with effect from June 22, 2013 and ceased by the end of July 2013. Production will not resume until it is clear that the factors leading to the care and maintenance decision have changed. The Company will continue to meet all its commitments with respect to its environmental management programs and the relevant aspects of its Social and Labour Plan.

Quarter ended December 31, 2013 compared to the quarter ended December 31, 2012

As a result of the suspension of production at the end of July 2013, the Company believes that it is not meaningful to compare the operations of the three months ended December 31, 2013 against the operations of the three months ended December 31, 2012 in this MD&A. However, certain production figures have been provided below.

The following is a summary of CRM's operations for the eight most recently completed quarters:

Table 3

Crocodile River Mine operations		Three months ended								
	Year to date	2013				Year to date	2012			
	2013	Dec 31	Sept 30	June 30	March 31	2012	Dec 31	Sept 30	June 30	March 31
Key financial statistics										
(dollar amounts stated in U.S. dollars)										
Sales - PGM ounces	27,352	-	654	15,474	11,224	86,225	14,066	21,273	26,412	24,474
Average delivered price per ounce (2)	$918	-	$857	$890	$960	$925	$936	$896	$902	$969
Average basket price	$1,087	-	$1,014	$1,054	$1,136	$1,097	$1,109	$1,062	$1,071	$1,149
Rand average delivered price per ounce	R 8,500	-	R 8,561	R 8,428	R 8,595	R 7,528	R 8,134	R 7,401	R 7,324	R 7,510
Rand average basket price	R 10,063	-	R 10,130	R 9,981	R 10,171	R 8,928	R 9,637	R 8,772	R 8,697	R 8,905
Cash costs per ounce of PGM (1)	$1,489	-	$5,587	$1,380	$1,400	$1,105	$1,200	$1,069	$1,094	$1,095
Cash costs per ounce of PGM,										
net of chrome by-product credits (1)	$1,349	-	$5,101	$1,226	$1,301	$961	$958	$992	$910	$990
Rand cash costs per ounce of PGM (1)	R 13,872	-	R 55,814	R 13,069	R 12,535	R 9,009	R 10,428	R 8,830	R 8,881	R 8,486
Rand cash costs per ounce of PGM,										
net of chrome by-product credits (1)	R 12,565	-	R 50,957	R 11,611	R 11,644	R 7,821	R 8,326	R 8,197	R 7,390	R 7,670
Key production statistics										
LTIFR	2.66	-	0.00	3.44	2.91	3.01	5.68	0.63	1.17	5.46
Run-of-mine ("ROM") ore tonnes processed	267,368	-	15,667	149,720	101,981	814,738	123,222	203,279	252,883	235,354
ROM ore tonnes hoisted	258,537	-	3,095	152,903	102,539	838,618	127,654	206,176	257,250	247,538
Development meters	3,261	-	26	1,992	1,243	9,470	1,365	2,066	2,922	3,117
On-reef development meters	1,591	-	-	1,107	484	4,673	350	966	1,653	1,704
Stoping units (square meters)	36,432	-	-	20,421	16,011	126,227	16,468	28,943	40,959	39,857
Concentrator recovery from ROM ore	69%	-	34%	76%	74%	77%	77%	76%	79%	77%
Chrome sold (tonnes)	81,698	3,733	6,086	45,293	26,586	222,563	47,802	41,903	71,833	61,025
Metal in concentrate sold (ounces)										
Platinum (Pt)	13,862	-	331	7,818	5,713	43,353	7,135	10,715	13,240	12,263
Palladium (Pd)	5,874	-	141	3,385	2,348	19,010	2,983	4,672	5,847	5,508
Rhodium (Rh)	2,335	-	56	1,336	943	7,350	1,195	1,825	2,274	2,056
Gold (Au)	114	-	3	63	48	315	58	77	97	83
Iridium (Ir)	980	-	23	548	409	3,135	520	764	985	866
Ruthenium (Ru)	4,187	-	100	2,324	1,763	13,062	2,175	3,220	3,969	3,698
Total PGM ounces	27,352	-	654	15,474	11,224	86,225	14,066	21,273	26,412	24,474

(1) These are non-IFRS measures as described in Section 3.2

(2) Average delivered price is the average basket price at the time of delivery of PGM concentrates, net of associated smelting, refining and marketing costs, under the Company's primary off-take agreement.

The following is a summary of CRM's revenues and cost of sales:

Table 4

Crocodile River Mine - Revenues
(Stated in thousands of U.S. dollars)

	Three months ended December 31,		Year ended December 31,	
	2013	2012	**2013**	2012
Platinum Group Metals				
Revenue	**$ 153**	$ 11,162	**$ 21,733**	$ 70,641
Production costs	**-**	17,434	**41,103**	96,055
	153	(6,272)	**(19,370)**	(25,414)
Chrome				
Revenue	**$ 386**	$ 6,134	**$ 10,050**	$ 31,792
Production costs	**94**	2,731	**5,942**	19,334
	292	3,403	**4,108**	12,458

As at January 1, 2013, the Company retrospectively applied new standard IFRS 11 Joint Arrangements. IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement. The application of this IFRS resulted in the Company recording its share of revenues and cost of sales from its interest in a joint operation to the respective revenue and cost of sales lines in the consolidated financial statements. Previously, net profits from the joint operation were recorded as revenue in the consolidated statements of income or loss. This change had no effect on the Company's mine operating loss, net loss, cash flows or basic or diluted earnings per share.

Year ended December 31, 2013 compared to the year ended December 31, 2012

In 2013, the Company sold 27,352 PGM ounces, a decrease of 68% compared to 2012, primarily as a result of (1) a planned reduction in stoping activities as part of a comprehensive mine development plan implemented in the second half of 2012 and (2) the shut-down of production at CRM at the end of July 2013. This led to a 67% decrease in run-of-mine ore processed (267,368 tonnes in 2013 compared to 814,738 tonnes in 2012), which was responsible for a decrease in concentrator recovery from 77% in 2012 to 69% in 2013. A decrease in head grade from 4.06 grams per tonne in 2012 to 3.84 grams per tonne in 2013 also caused production at CRM to be lower than expected in 2013.

PGM revenues represent the amounts recorded when PGM concentrates are physically delivered to the buyer, which are provisionally priced on the date of delivery. The Company settles its PGM sales three to five months following the physical delivery of the concentrates and adjustments are made when the prices for the metal sold to the market are established.

The delivered basket price per ounce refers to the PGM prices in effect at the time the PGM concentrates are delivered to the smelter. The Company recorded an average delivered basket price of $918 per PGM ounce in 2013, compared to $925 in 2012. However, the depreciation of the Rand relative to the U.S. dollar caused the average delivered basket price to increase from R7,528 per PGM ounce in 2012 to R8,500 per PGM ounce in 2013. As a result of the mild recovery of Rand PGM prices in 2013, the Company recorded total positive provisional price adjustments of $89,000 and $340,000 in the three months and year ended December 31, 2013 respectively. In the comparative periods in 2012, the Company recorded negative price adjustments of $301,000 and $11,000 respectively.

The following table shows a reconciliation of revenue and provisional price adjustments.

Table 5

Crocodile River Mine
Effect of provisional price adjustments on revenues
(stated in thousands of U.S. dollars)

	Three months ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Revenue before provisional price adjustments	$ 450	$ 17,598	$ 31,443	$ 102,445
Provisional price adjustments				
Adjustments to revenue upon settlement of prior periods' sales	90	(211)	341	79
Mark-to-market adjustment on sales not yet settled at end of period	(1)	(90)	(1)	(90)
Revenue as reported in the consolidated statements of loss	$ 539	$ 17,297	$ 31,783	$ 102,434

Operating cash costs, a non-IFRS measure, are incurred in Rand. Total Rand operating cash costs decreased by 51% compared to 2012 as a result of a decrease in mining costs (consisting of labour allowances, bonuses, fuel and lubricants, support, contract mining and outsourced services, etc.) that resulted from the 68% decrease in PGM production and the shut-down of production at CRM as discussed earlier. Total Rand operating cash costs in 2013 also included approximately R52 million in retrenchment costs related to the scaling down of operations at CRM in July. On a per ounce basis, Rand operating cash costs increased by 54% to R13,872 per ounce in 2013 compared to R9,009 per ounce in 2012 primarily due to a 62% decrease in ounces sold. Excluding the one-time retrenchment costs, Rand operating cash costs would be reduced to R11,970 per ounce in 2013.

U.S. dollar operating cash costs per ounce increased by 35% from $1,105 per ounce in 2012 to $1,489 per ounce in 2013 primarily due to a 68% decrease in ounces sold, which was partially offset by a 15% depreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R9.62:$1.00 in 2013 compared to R8.19:$1.00 in 2012. Excluding the one-time retrenchment costs, U.S. dollar operating cash costs would have been reduced to $1,288 per ounce.

A reconciliation of production costs, as reported in the income statement, to cash operating costs, is shown in Table 6 under Section 3.2 CRM non-IFRS measures.

Chrome revenues and effect on cash costs per ounce

The Company recorded revenue for 81,698 tonnes of chrome in 2013 (222,563 tonnes in 2012). Chrome revenue recognized was $123 per tonne ($143 per tonne in 2012) for a total of $10,050,000 in 2013 ($31,792,000 in 2012). The 14% decrease in chrome revenue recognized per tonne compared to 2012 was mainly due to a 15% depreciation of the South African Rand relative to the U.S. dollar. The average U.S. dollar-Rand exchange rate was R9.62:$1.00 in 2013 compared to R8.19:$1.00 in 2012.

The chrome revenues of $10,050,000 reduced operating cash costs in 2013 from $1,489 per ounce to $1,349 per ounce net of by-product credits and from R13,872 per ounce to R12,565 per ounce net of by-product credits.

Development projects at CRM

During the year ended December 31, 2013, the Company spent $8,424,000 at CRM on underground mine development, the installation of a fire suppression system on the underground conveyor belt systems, and the upgrading of the surface tailings lines and permanent de-watering systems. Construction focused mainly on installations associated with a conveyor and chairlift system that will move ore, waste and workers to and from the new stopes being developed below 4-level. The bulk of this work was terminated in the second quarter of 2013.

3.2 CRM non-IFRS measures

The following table provides a reconciliation of adjusted EBITDA (see definition below) and cash operating costs per PGM ounce to mine operating earnings and production costs, respectively:

Table 6

Crocodile River Mine non-IFRS measures
(Expressed in thousands of U.S. dollars, except ounce and per ounce data)

	Three months ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Mine operating earnings (loss)	$ 933	$ (4,238)	$ (165,712)	$ (115,330)
Depletion and depreciation	-	2,187	4,840	13,512
Impairment	-	-	147,787	88,278
(Gain) loss on disposal of property, plant and equipment	(488)	(818)	(2,177)	584
Other income	56	197	437	398
Adjusted EBITDA (1)	501	(2,672)	(14,825)	(12,558)
Production costs as reported	94	20,165	47,045	115,389
Less: chrome production costs	(94)	(2,731)	(5,942)	(19,334)
Less: other income	(56)	(197)	(437)	(398)
Adjustments for miscellaneous costs (2)	56	(357)	49	(351)
Cash operating costs	-	16,880	40,715	95,306
Less by-product credits - net chrome revenues	(292)	(3,403)	(3,816)	(12,458)
Cash operating costs net of by-product credits	(292)	13,477	36,899	82,848
Ounces sold	-	14,066	27,352	86,225
Cash cost per ounce sold	$ -	$ 1,200	$ 1,489	$ 1,105
Cash cost per ounce sold net of by-product credits	$ -	$ 958	$ 1,349	$ 961

(1) Adjusted EBITDA consists of mine operating loss before depletion, depreciation, impairment, gains and losses on disposal of property, plant and equipment, interest and tax.

(2) Miscellaneous costs include costs such as housing, technical services and planning.

The Company is of the opinion that conventional measures of performance prepared in accordance with IFRS do not meaningfully demonstrate the operational profitability of the Company's business, in this case the Crocodile River Mine. Therefore, the Company has included certain non-IFRS measures in this MD&A to supplement its financial statements which are prepared in accordance with IFRS. These non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies.

In this MD&A, the Company has reported its share of mine operating loss before depletion, depreciation, impairment, gains and losses on disposal of property, plant and equipment, interest and tax ("adjusted EBITDA") for CRM. This is a liquidity non-IFRS measure which the Company believes is used by certain investors to determine CRM's operational profitability. The Company also reports cash operating costs per ounce of PGM produced, another non-IFRS measure which is a common performance measure used in the precious metals industry.

3.3 Eastern Limb projects

The construction of the concentrator at Kennedy's Vale and the development of the Mareesburg open pit mine has been on full care and maintenance since the fourth quarter of 2012. The project is estimated to be 43% complete and would be able to restart relatively quickly, subject to adequate funding being available, when economic and operating conditions improve. During the year ended December 31, 2013, the project incurred $1,537,000 for closing out certain capital commitments made in 2012, $1,176,000 in general and administrative expense and $2,066,000 in care and maintenance.

3.4 Corporate and other expenses

As the Company's operations moved to care and maintenance in Q3 2013, the Company believes that for better disclosure, corporate and other expenses are now separated into general and administrative expenses, care and maintenance expenses, care and maintenance depreciation, and other income. Prior to Q3 2013, these items were included within production costs or within general and administrative costs.

General and administrative

General and administrative expenses ("G&A") are costs associated with the Company's Vancouver corporate head office and South African administrative office. Corporate office costs include legal and accounting, regulatory, executive management fees, investor relations, travel and consulting fees. Care and maintenance costs for the CRM and Eastern Limb projects were previously included in G&A but have now been shown separately in the condensed consolidated interim statements of loss.

During the fourth quarter, G&A decreased 60% from $2,151,000 in Q4 2012 to $861,000 in Q4 2013 due to cost cutting measures undertaken by the Company during the second half of 2013 following the closure of the Company's operations. The primary expenses that were reduced included travel and related costs, directors' fees, executive management fees as a result of the termination of a senior officer of the Company in Q3 2013, and consulting fees as the Company's activities were reduced.

For the full year, G&A decreased 23% from $9,451,000 in 2012 to $7,282,000 in 2013 mainly due to cost cutting measures in the second half of 2013 as discussed above. In addition, G&A costs in South Africa decreased in 2013 as a result of the winding down and closure in July 2013 of the South African administrative office. G&A costs in 2013 also included one-time items such as an $832,000 termination payment paid to the Company's Vice President of Project Development and payments made in connection with a VAT audit and reassessment in South Africa.

Care and maintenance and care and maintenance depreciation

Care and maintenance costs are incurred when the Company suspends production for a project and reduces its expenditures to the minimum required to maintain the assets in good condition. Such costs consist of maintenance, pumping to prevent flooding of the workings, underground inspections to ensure that the integrity of critical excavations is preserved, general and administrative expenses and other costs necessary to safeguard the assets of the project. The Company's Mareesburg and Kennedy's Vale concentrator project was placed on care and maintenance in Q4 2012 and CRM was placed on care and maintenance in Q3 2013. As a result, care and maintenance costs increased from $589,000 in Q4 2012 to $2,807,000 in Q4 2013, and from $681,000 in 2012 to $5,323,000 in 2013. Prior to Q4 2012, care and maintenance costs were incurred only at the Company's Spitzkop and Kennedy's Vale properties.

Care and maintenance depreciation consists of the depreciation expense related to assets belonging to a project that is currently on care and maintenance. Care and maintenance depreciation increased from $63,000 in the three months and year ended December 31, 2012, to $879,000 and $1,735,000 in the three months and year ended December 31, 2013, respectively. These increases are due to the Company's Mareesburg and Kennedy's Vale concentrator project being placed on care and maintenance in Q4 2012, and CRM being placed on care and maintenance in Q3 2013.

Interest income

Interest income recorded during the three months and year ended December 31, 2013 was $555,000 and $2,137,000, respectively, compared with $687,000 and $3,407,000, respectively, during the same periods in 2012. The decrease in interest income was mainly due to a decrease in the Company's cash balances as a result of cash expenditures on the Company's development of the Mareesburg open-pit and Kennedy's Vale concentrator project in 2012 and negative cash flows from CRM operations in 2012 and 2013.

Other income

Other income consists of rental income from company-owned residential properties on the Eastern Limb and at CRM as well as other types of income not directly related to operations. The Company recorded other income of $527,000 in Q4 2013 compared to $549,000 in Q4 2012, and other income of $1,675,000 in 2013 compared to $1,460,000 in 2012. Other income in 2012 included the receipt of a $350,000 insurance claim with regards to underground damages. Rental income increased from $464,000 in 2012 to $809,000 in 2013 due to an increase in the number of residential properties available for rental in 2013.

Finance costs

Finance costs recorded during the three months and year ended December 31, 2013 were $181,000 and $1,327,000 respectively, compared with $239,000 and $5,619,000, respectively, during the same periods in 2012. Finance costs include interest charged on the receipt of PGM sales prior to their three to five month settlement date, interest accretion on the provision for environmental rehabilitation, and other miscellaneous interest charges. In 2013, finance costs also included interest of $313,000 incurred as the result of a VAT reassessment in 2013. In 2012, finance costs included $4,517,000 in costs written off in connection with the termination of the U.S.$100 million financing package.

Income tax

During the three months and year ended December 31, 2013, the Company recorded a net income tax expense of $67,000 and $358,000 respectively, consisting of deferred income tax expense, which arose due to changes in the Company's net assets. The consolidated statement of financial position reflects total deferred tax liabilities of $16,803,000 which arose primarily as a result of the step-up to fair value of the net assets acquired on the Spitzkop and Mareesburg business acquisitions in prior years.

4. Liquidity and capital resources

At December 31, 2013, the Company had working capital of $93,259,000 (December 31, 2012 – $133,138,000) and cash and cash equivalents and short-term investments of $92,960,000 (December 31, 2012 – $130,925,000) in highly liquid, fully guaranteed, bank sponsored instruments.

Working capital, cash and cash equivalents and short-term investments decreased during the year ended December 31, 2013 as the Company incurred negative operating cash flows of approximately $23 million (including G&A), spent approximately $8 million in development costs at CRM, approximately $3 million in the care and maintenance of CRM and approximately $2 million in the care and maintenance of the Mareesburg/Kennedy's Vale open pit and concentrator. The Company's working capital and cash position were also affected by fluctuations in the exchange rates between the Rand and the U.S. dollar, and between the British Pound (GBP) and the U.S. dollar, as the Company converted approximately $27 million (GBP 17 million) in British Pounds in the third quarter of 2013. Exchange rate fluctuations accounted for approximately $4 million in the decrease in working capital, cash and cash equivalents and short-term investments.

The Company had no long-term debt outstanding at December 31, 2013, other than a provision for environmental rehabilitation relating to CRM, Kennedy's Vale and Spitzkop.

4.1 Outlook

The Company believes that, given the stagnation of the European car market, which consumes approximately 50% of South Africa's platinum production, together with a continuing resistance to any significant meaningful production cuts from the larger PGM producers, the industry will have to contend with a continuation of stagnant PGM prices that are lower than previously projected in the short and medium term. At the same time, the South African PGM industry continues to experience a number of adverse economic factors, particularly ongoing labour unrest, unrelenting operating cost inflation, and heightened concerns with respect to reliable power delivery. Ongoing cost pressure and decreasing productivity in South Africa will continue to significantly reduce free cash flow for the industry.

In order to preserve its cash resources and mineral reserves in the current operating environment, the Company took significant actions at its South African projects over the last eighteen months. In mid-2012, the Company implemented a mine development plan at the Crocodile River Mine and suspended funding for the construction and development of its Mareesburg open pit mine and Kennedy's Vale concentrator project (the "Mareesburg Project" or "Project"). On April 19, 2013, the Company announced its decision to suspend funding for CRM's mine development plan as the impact of stagnant commodity markets, rising costs of mining and decreasing productivity made it increasingly difficult to justify the continued level of funding required for the CRM development plan.

In accordance with Section 189 of the South African Labour Relations Act 66 of 1995, the Company completed a 60-day facilitated consultation process with affected employees and their representatives to review the need for restructuring and the implications on manpower levels. Three of the four unions accepted the need for the operations to be placed on care and maintenance and thus production at CRM scaled down with effect from June 22, 2013 and ceased by the end of July 2013. As CRM was only placed on care and maintenance in August 2013, the Company is still in the process of mitigating ongoing care and maintenance costs.

The Company will continue to reassess the viability of funding CRM and to reinitiate funding for development and production once conditions support such a decision. Should there be a sustained strengthening of PGM prices and marked improvement in the operating environment in South Africa, the Company can react quickly and Barplats can ramp up activities at CRM.

Subject to adequate funding being available, funding and development of the Mareesburg Project can also be restarted once market and operating conditions support such recommencement. The Company does not have sufficient funds in the form of cash and short-term investments to complete the development and construction of the open-pit mine and concentrator when the Project is restarted. The Company had successfully negotiated a definitive facilities agreement dated December 30, 2011 with UniCredit Bank

AG, London Branch and Standard Finance (Isle of Man) Limited (a subsidiary of Standard Bank Group Limited) for the U.S.$100 million financing package that was to be used to part fund the development costs of the Project. Due to the suspension of the Project, the facilities agreement was terminated in 2012 but the Company and the banks have agreed to investigate the restructuring of the financing package when the Project is restarted. There is no assurance that a restructuring of the financing package will be available to the Company or, if available, that this funding will be on acceptable terms.
Additional funding will be required to bring the Project into production, and to bring the rest of the Eastern Limb projects (including Spitzkop and Kennedy's Vale) into production, and such funding may include a restructuring of the financing package as described above, joint venture or other third party participation in one or more of these projects, or the public or private sales of equity or debt securities of the Company. Any additional financing may be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing, investing and operating activities. There can be no assurance that additional funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, including funds generated from producing operations, the Company may be required to delay or reduce the scope of these development projects or current mining operations.

4.2 Impairment

The Company assessed the carrying values of its mineral properties for indication of impairment at each quarter end in 2013. As at June 30, 2013, the Company believed that certain factors, such as the sustained weakness in PGM pricing, rising cost pressures, decreasing productivities, the stagnant European and global economy and the current operating environment in South Africa have contributed to the Company's decision to suspend funding of the CRM development plan as announced on April 19, 2013. These factors have also caused a further decrease in the Company's share price. The Company recorded an impairment charge in the quarter ended June 30, 2013 as described below. The Company concluded that, as at December 31, 2013, there was no further impairment or reversal of impairment to be recorded.

During the quarter ended June 30, 2013, the Company determined that the carrying value of its CRM project exceeded the expected net present value of its future cash flows (i.e. the fair value less costs to sell). This resulted in an impairment charge of $147,787,000 that was allocated pro-rata amongst CRM's tangible assets owned, intangible mineral properties being depleted and refining contract. Impairment charges of $109,628,000, $35,132,000 and $3,027,000 were recorded against CRM's tangible assets owned, intangible mineral properties and refining contract, respectively. The Company concluded that as at June 30, 2013, there was no impairment of assets at the Company's Spitzkop Project, Mareesburg Project, or Kennedy's Vale.

Any changes to future market conditions and commodity prices may result in impairment, a further impairment or a reversal of impairment of any of the Company's mineral properties.

4.3 Share capital

During the three months ended December 31, 2013, the Company did not grant any stock options. Share-based payment expense recorded with regards to stock options vested during the quarter amounted to $32,000. During the period, no options were exercised, 4,228,000 options were forfeited at a weighted average price of Cdn.$0.37 and 12,696,667 options expired at a weighted average price of Cdn.$0.32.

During the year ended December 31, 2013, the Company granted 28,975,000 stock options at an exercise price of Cdn$0.19 and total share-based payment expense with regards to stock option was $3,206,000, which takes into account the vesting of options. During the year ended December 31, 2013, no options were exercised, 10,505,000 options were forfeited at a weighted average exercise price of Cdn$1.39 and 12,696,667 options expired at a weighted average price of Cdn.$0.32.

In 2010, the Company's South African subsidiary, Barplats Investments Limited, implemented a key skills retention plan for its senior employees in South Africa. The purpose of the plan is to retain key employees, attract new employees as the need arises and remain competitive with other South African mining companies. The plan operates through a trust which purchases shares of the Company on behalf of the employees. These shares then vest to the employees over time. The trust purchased 198,563 shares in February 2011 pursuant to the plan and has not purchased any shares since. On November 30, 2012, 77,999 shares vested to employees. During the year ended December 31, 2013, there was no share-based payment recorded with regards to the key skills retention plan, and there was no share-based payment liability as at December 31, 2013.

As at March 11, 2014, the Company had:

- 928,187,840 common shares outstanding;
- 120,564 treasury shares outstanding; and
- 32,379,000 stock options outstanding, which are exercisable at prices ranging from Cdn$0.19 to Cdn$2.31 and which expire between 2017 and 2018.

4.4 Contractual obligations, commitments and contingencies

The Company's major contractual obligations and commitments at December 31, 2013 were as follows:

Table 7

(in thousands of U.S. dollars)	Total	Less than 1 year	More than 5 years
Provision for environmental rehabilitation	$ 9,414	$ -	$ 9,414
Capital expenditure and purchase commitments contracted at December 31, 2013 but not recognized on the consolidated statement of financial position	64	64	-
	$ 9,478	$ 64	$ 9,414

In June 2011, the Company became aware that the law firm of Siskinds LLP of London, Ontario, had filed a "Notice of Application" under the Class Action Proceedings Act, 1992, in the Ontario Superior Court of Justice against the Company and three of its directors and officers. The Notice of Application seeks permission of the Court to grant leave or permission to commence a lawsuit under the Securities Act of Ontario and other provinces in respect to certain alleged breaches of disclosure obligations. In July 2011, the Company and its officers and directors were served with court documents.

On June 18, 2012, the Company was served with the Plaintiff's Application Record and Amended Notice of Application. The Amended Notice of Application is no longer being brought on behalf of a class, and instead, is being brought by Brian Bradley in his individual capacity. The affidavits filed in support of the application state that should the applicant be successful in obtaining leave to file the statement of claim, the plaintiff would move for the certification of the action as a class proceeding. The Company filed materials in response to the Application Record and Amended Notice of Application in March 2013. The hearing of the application has not been scheduled. The Company believes the proposed action has no merit and intends to continue to vigorously defend the action.

The Company is also 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 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. It is management's opinion that there are currently no other claims expected to have a material effect on the results of operations or financial condition of the Company.

5. Related party transactions

A number of the Company's executive officers and directors are engaged under contract with those officers' and directors' personal services companies or consulting companies. Other executive officers are paid directly via salary and directors' fees. All share options are issued to the Company's officers and directors, and not to their companies.

Table 8

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		Year ended December 31,	
	2013	2012	**2013**	2012
Trading transactions				
Management and consulting fees	**$ 296**	$ 821	**$ 2,584**	$ 2,146
General and administrative expenses	**24**	88	**166**	357
Mine contractor fees	**64**	7,402	**4,651**	7,402
Total trading transactions	**$ 384**	$ 8,311	**$ 7,401**	$ 9,905
Compensation of key management personnel				
Remuneration and directors' fees	**$ 469**	$ 973	**$ 2,967**	$ 2,728
Share-based payments	**-**	-	**2,640**	2,216
Total compensation of key management personnel	**$ 469**	$ 973	**$ 5,607**	$ 4,944

Management and consulting fees decreased from $821,000 in Q4 2012 to $296,000 in Q4 2013 mainly as a result of the termination of a senior officer of the Company in Q3 2013, and the reduction in the Company's operations and activities.

Management and consulting fees increased from $2,146,000 in 2012 to $2,584,000 in 2013 due to an $832,000 termination payment paid to the Company's Vice President of Project Development in 2013.

In the three months and year ended December 31, 2013, $64,000 and $4,651,000, respectively, was paid to a mine contractor company which undertook specific design, procurement and construction projects at CRM. The Company's South African executive officer is a principal of the mine contractor company.

Share-based payments increased from $2,216,000 in 2012 to $2,640,000 in 2013 due to the issuance of more stock options to key management personnel in 2013 compared to 2012, which was partially offset by a decrease in the grant date fair value of the share options granted in 2013 compared to 2012.

At December 31, 2013, the Company held a loan receivable from Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu") in the amount of R613 million ($58,375,000) (December 31, 2012 – R569 million, $67,061,000), which has been provided for in full as explained in Note 3(b) of the consolidated financial statements. The Company did not record any interest income with regards to this loan or receive cash from, or lend any further cash to, Gubevu in the years ended December 31, 2012 and 2013.

All related party transactions were recorded at the amounts agreed upon between the parties. Any balances payable are payable on demand without interest.

6. Critical accounting policies and estimates

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes to be reasonable under the circumstances, and require judgement on matters which are inherently uncertain. A summary of the Company's significant accounting policies is set forth in Note 4 of the consolidated financial statements for the year ended December 31, 2013.

Management reviews its estimates and assumptions on an ongoing basis using the most current information available and considers the following to be key accounting policies and estimates:

6.1 Property, plant and equipment

Property, plant and equipment are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to operations. Capitalized costs are depreciated and depleted using either the unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives.

All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are placed into commercial production, 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 mining assets and amortized using the units-of-production method following commencement of production.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The Company reviews and evaluates its mining interests for impairment or reversal of impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. In accordance with IFRS, these evaluations consist of comparing each asset's carrying value with the estimated discounted future net cash flows. Impairment is considered to exist if the total estimated future discounted cash flows are less than the carrying amount of the assets. The resulting impairment loss is measured and recorded based on the difference between future discounted cash flows and book value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. Other estimates incorporated in the impairment evaluations include processing and mining costs, mining tonnage, ore grades and recoveries, which are all subject to uncertainty.

In accordance with IFRS if, subsequent to impairment, an asset's discounted future net cash flows exceeds its book value, the impairment previously recognized can be reversed. However, the asset's book value cannot exceed what its amortized book value would have been had the impairment not been recognized.

The Company assessed the carrying values of its mineral properties for indication of impairment at each quarter end in 2013. As at June 30, 2013, the Company believed that certain factors, such as the sustained weakness in PGM pricing, rising cost pressures, decreasing productivities, the stagnant European and global economy and the current operating environment in South Africa have contributed to the Company's decision to suspend funding of the CRM development plan as announced on April 19, 2013. These factors have also caused a further decrease in the Company's share price. The Company recorded an impairment charge in the quarter ended June 30, 2013 as described below. The Company concluded that, as at December 31, 2013, there was no further impairment or reversal of impairment to be recorded.

During the quarter ended June 30, 2013, the Company determined that the carrying value of its CRM project exceeded the expected net present value of its future cash flows (i.e. the fair value less costs to sell). This resulted in an impairment charge of $147,787,000 that was allocated pro-rata amongst CRM's tangible assets owned, intangible mineral properties being depleted and refining contract. Impairment charges of $109,628,000, $35,132,000 and $3,027,000 were recorded against CRM's tangible assets owned, intangible mineral properties and refining contract, respectively. The Company concluded that as at June 30, 2013, there was no impairment of assets at the Company's Spitzkop Project, Mareesburg Project, or Kennedy's Vale.

6.2 Revenue recognition

Revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the PGMs and chrome transfers to the customer. For PGMs, the difference between the present value and the future value of the current market price is recognized as interest income over the term of settlement. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the metal prices on those dates. The actual amounts will be reflected in revenue upon final settlement, which are three and five months after the date of shipment. These adjustments reflect changes in metal prices and changes in qualities arising from final assay calculations.

As a result of the mild recovery of Rand PGM prices in 2013, the Company recorded total positive provisional price adjustments of $89,000 and $340,000 in the three months and year ended December 31, 2013 respectively. In the comparative periods in 2012, the Company recorded negative price adjustments of $301,000 and $11,000 respectively.

6.3 Share-based payment

Share-based payment expense is calculated using the Black-Scholes option pricing model and is recognized over the period that the employees earn the options, with a corresponding credit to equity-settled employee benefits reserve. If and when the stock options are ultimately exercised, the applicable amounts of equity-settled employee benefits reserve are transferred to share capital. In the event that unvested stock options are forfeited, any share-based payment expense previously recognized with regards to these options is reversed in the period of forfeiture.

During the year ended December 31, 2013, the Company's weighted average assumptions for the calculation included a risk-free interest rate ranging from 1.17 to 1.45%, expected life of the options of 2 years for options granted to South Africans and 5 years for options granted to persons outside South Africa, no dividends, and an annualized volatility of the Company's shares ranging from 61% to 77%. The resulting weighted average option valuation was Cdn$0.08 for options granted to South Africans and

Cdn.$0.13 per share for options granted to persons outside South Africa. Share-based payment expense of $3,206,000 was recognized during the year ended December 31, 2013 (2012 - $2,374,000).

6.4 Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an asset retirement obligation is recognized in the period incurred. If the cost estimates arise from the decommissioning of plant and other site preparation work, the net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. If the cost estimates arise from restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production, the net present value is charged to profit and loss for the period. The liability is accreted over time through periodic charges to operations and it is reduced by actual costs of reclamation.

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

At December 31, 2013, the expected present value of future rehabilitation costs at CRM and Spitzkop was $9,414,000 using a discount rate of 8.23%. The undiscounted value was approximately $40,424,000. The Company has not recorded any future rehabilitation costs for its Mareesburg project as these costs are currently determined to be immaterial.

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7. Adoption of accounting standards and accounting pronouncements under IFRS

7.1 Application of new and revised IFRSs

Effective January 1, 2013, the Company adopted the following new and revised International Financial Reporting Standards ("IFRSs") that were issued by the International Accounting Standards Board ("IASB").

(a) *Amendment to IFRS 7 Financial Instruments: Disclosures*

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(b) *New standard IFRS 10 Consolidated Financial Statements*

IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements. The application of this IFRS resulted in accounting for an investment in an associate in accordance with equity accounting. Previously, this associate, which the Company owns 49.99% of, was considered a special purpose entity and was consolidated in accordance with SIC 12 – Special Purpose Entities ("SIC 12"). SIC 12 was superseded by IFRS 10, effective January 1, 2013. This change affected the Company's non-controlling interest but had no effect on the Company's mine operating loss, net loss, cash flows or basic or diluted earnings per share.

The application of IFRS 10 was applied retrospectively and the effects on the comparative consolidated statements of net loss and the comparative consolidated statements of financial position have been outlined in Note 3(b) of the consolidated financial statements.

(c) *New standard IFRS 11 Joint Arrangements*

IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement. The application of this IFRS resulted in the Company recording its share of revenues and cost of sales from its interest in a jointly controlled operation to the respective revenue and cost of sales lines in the consolidated financial statements. Previously, net profits from the jointly controlled operation were recorded as revenue in the consolidated statements of income or loss. This change had no effect on the Company's mine operating loss, net loss, cash flows or basic or diluted earnings per share.

The application of IFRS 11 was applied retrospectively as at January 1, 2013 and the effects on the comparative consolidated statements of net loss have been outlined in Note 3(c) of the consolidated financial statements.

(d) *New standard IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the disclosure for future transactions or arrangements.

(e) *New standard IFRS 13 Fair Value Measurement*

IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements. The application of this IFRS had an immaterial impact on disclosures within the notes to the financial statements.

(f) *New interpretation IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*

IFRIC Interpretation 20 summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(g) *Amended standard IAS 1 Presentation of Financial Statements*

The amendments to IAS 1 pertain to the number of comparative financial statements required in different circumstances and disclosure required in the statement of comprehensive loss. The application of this IFRS did have an immaterial impact on disclosures within the statement of comprehensive loss.

(h) *Amended standard IAS 16 Property, Plant and Equipment*

The amendments to IAS 16 clarify when spare parts, stand-by equipment and servicing equipment are to be classified as inventory or property, plant and equipment. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(i) *Amended standard IAS 19 Employee Benefits*

IAS 19 outlines the accounting treatment and required disclosures for employee benefits. The amendments applicable to the Company consist of modification of the accounting treatment for termination benefits and the clarification of miscellaneous issues including the classification of employee benefits. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(j) *Amended standard IAS 27 Separate Financial Statements*

IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, non-consolidated, financial statements. The previous standard was titled *IAS 27 Consolidated and Separate Financial Statements*. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years and is not expected to affect the accounting for future transactions or arrangements.

(k) *Amended standard IAS 28 Investments in Associates and Joint Ventures*

IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting in investments in associates and joint ventures. The previous standard was titled *IAS 28 Investments in Associates*. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(l) *Amended standard IAS 32 Financial Instruments: Presentation*

The amendments to IAS 32 clarify the treatment of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

7.2 Change in accounting policy

(a) *Share-based payments*

As at December 31, 2012 and prior to December 31, 2012, when fully vested stock options expired, were forfeited or were cancelled, no accounting entry was made. The expense previously recognized within the equity-settled employee benefits reserve was not adjusted.

As at January 1, 2013, when fully vested stock options expire, are forfeited or are cancelled, the expense previously recognized within the equity-settled employee benefits reserve will be reallocated to deficit. As a result, going forward, the equity-settled employee benefits reserve will provide more relevant information as it will equal the stock options expensed and outstanding at that point in time.

This change in accounting policy was applied retrospectively as at January 1, 2013 and the effects on the comparative statements of financial position have been outlined in Note 4(a)(i) of the consolidated financial statements. These changes had no effect on basic or diluted loss per share.

7.3 Accounting standards issued but not yet effective

(a) Effective for annual periods beginning on or after January 1, 2014

(i) Amended standard IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

(ii) Amended standard IAS 36 Impairment of Assets

The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets.

(iii) New interpretation IFRIC 21 Levies

This interpretation clarifies the accounting treatment for a liability to pay a levy, where a levy is an outflow of economic benefits imposed by governments on entities in accordance with legislation.

(b) Effective for annual periods beginning on or after January 1, 2015

(i) Amended standard IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 outline the disclosures required when initially applying *IFRS 9 Financial Instruments.*

(c) Effective date not yet determined

(i) New standard IFRS 9 Financial Instruments

Partial replacement of IAS 39 *Financial Instruments: Recognition and Measurement. The mandatory effective date has been removed from the standard and will only be replaced when all sections of the standard have been completed.*

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

8. Risk factors

The business of exploring for minerals and the mining and processing of those minerals involve a high degree of risk. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. These risks include risks associated with the mining industry, the financial markets, metals prices and foreign operations.

8.1 Risks associated with the mining industry

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a mineral deposit include its size, grade and proximity to infrastructure. In addition, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations could have a profound impact on the economic viability of a mineral deposit.

The mining operations and the exploration and development programmes of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including, but not limited to, geological, geotechnical and seismic factors, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land-slides, availability of suitable or adequate machinery and labour, industrial and mechanical accidents, environmental hazards (including discharge of metals, pollutants or hazardous chemicals), and political and social instability. In the past five years, the Company has experienced several power shortages and labour disruptions.

It is not always possible to obtain insurance against all risks described above and the Company may decide not to insure against certain risks as a result of high premiums or for other commercial reasons. The Company does not maintain insurance against political or environmental risks, but may be required to do so in the future. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

The Company is not able to determine the impact of potential changes in environmental laws and regulations on its financial position due to the uncertainty surrounding the form such changes may take. As mining regulators continue to update and clarify their requirements for closure plans and environmental protection laws and administrative policies are changed, additional reclamation obligations and further security for mine reclamation costs may be required. It is not known whether such changes would have a material effect on the operations of the Company.

8.2 Risks associated with the current global economic uncertainty

PGM and metals prices in general and shares of mining companies have been particularly volatile in the past few years as a result of the global economic uncertainty, declining confidence in financial markets, failures of financial institutions and concerns over the availability of credit. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms that are favourable to the Company. If market volatility and uncertainty continue or worsen, the Company's operations could be adversely impacted and the value of the Company's common shares could be adversely affected, making accessibility to public financing even more difficult.

8.3 Risks associated with foreign currencies

The Company currently uses the South African Rand and the Canadian dollar as its functional currencies, and the U.S. dollar as its reporting currency. Operations at the Company's CRM are predominantly conducted in Rand, with costs paid in Rand and revenues received in Rand, even though PGM prices are based in U.S. dollars. Development costs at the Company's Eastern Limb projects are also predominantly in Rand. The Company does not hedge or sell forward any of its PGM production and is therefore exposed to exchange rate fluctuations. The Company also does not purchase any forward currency exchange contracts. A deterioration of the U.S. dollar against the Rand could increase the cost of PGM production and the cost of the Eastern Limb development and therefore may have a material adverse effect on the earnings of CRM when operations resume, and on the overall costs of bringing the Eastern Limb into production.

The U.S. dollar has strengthened against the Rand for over the past two years. In 2013, the average U.S. dollar to Rand exchange rate strengthened by 17% in comparison to 2012, making the cost to purchase Rand 17% lower compared to 2012 and causing the U.S. dollar operating costs per ounce to decrease in the absence of other cost factors.

Fluctuations in the exchange rate between the Canadian dollar and the Rand may also have a significant impact on the Company's results of operations and financial condition. The Company's assets and liabilities will be subject to the same exchange rate fluctuations that could also have a significant effect on the results of the Company.

The Company cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

8.4 Risks associated with metal prices

Metal prices, particularly platinum prices, have a direct impact on the Company's earnings and the commercial viability of the Company's other mineral properties. Platinum is both a precious metal and an industrial metal. The most important industrial consumption of platinum is in automobile catalytic converters. Demand weakened from late 2008 through most of 2009 as a result of the global recession, and picked up in 2010 as a result of the recovery of the auto sector and acquisition by physically-backed exchange traded funds (ETFs), but, in the last quarter of 2011, demand and consumption became unstable again due to the volatility of the Eurozone financial markets. Supplies have been negatively affected by the depletion of existing resources and the lack of new mining projects, and by intermittent production stoppages experienced by many of the South African PGM miners as a result of various factors such as labour unrest and mine safety issues. This has resulted in a significant increase in the recycling of scrap. Some of the other key factors that may influence platinum prices are policies in the most important producing countries, namely South Africa and the Russian Federation, the amount of stockpiled platinum, economic conditions in the main consuming countries, international economic and political trends, fluctuations in the U.S. dollar and other currencies, interest rates, and inflation. A decline in the market price of PGMs mined by the Company may render ore reserves containing relatively low grades of mineralization uneconomic and may in certain circumstances lead to a restatement of reserves.

Prices for platinum and most of the other PGMs reached all-time highs in the first half of 2008, and as a result, the Company achieved record margins for its PGM sales during the first two quarters of that year. The sudden global recession of late 2008 caused PGM prices to plunge significantly in the second half of 2008 through the beginning of 2009. Between the beginning of 2009 and the latter half of 2011, PGM prices generally increased steadily. The weakening of the U.S. dollar over the same period had an offsetting effect against the increasing PGM prices as the Company receives its revenues in Rand and incurs its operating expenses in Rand. Since the last quarter of 2011, PGM prices have generally remained weak and have been hit by periods of high volatility due to unplanned and unlawful labour actions experienced by the South African PGM industry. Platinum prices have stagnated around the $1,400 per ounce level. There is no assurance that PGM prices will return to the 2008 highs in the future.

The marketability of metals is also affected by numerous other factors beyond the control of the Company, including but not limited to government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted.

8.5 Risks associated with foreign operations

The Company's investments in South Africa carry certain risks associated with different political and economic environments. Since 1994, South Africa has undergone major changes to effect majority rule.

Accordingly, all laws may be considered relatively new, resulting in risks such as possible misinterpretation of new laws, unilateral modification of mining or exploration rights, operating restrictions, increased taxes, environmental regulation, mine safety and other risks arising out of a new sovereignty over mining, any or all of which could have an adverse impact upon the Company. The Company's operations may also be affected in varying degrees by political and economic instability, unplanned and unlawful labour actions, unrelenting operating cost inflation, terrorism, crime, extreme fluctuations in currency exchange rates and concerns with respect to reliable power delivery.

The Government of South Africa has promulgated the Mineral and Petroleum Resources Royalty Act, 2008. As a result, this act has allowed for a revenue-based royalty on South African mining companies since March 1, 2010. The royalty rate for unrefined minerals is based on a formula that references EBIT margins and is estimated to be approximately 1% of gross mining revenues.

8.6 Risks associated with the granting of exploration, mining and other licenses

The government of South Africa exercises control over such matters as exploration and mining licensing, permitting, exporting and taxation, which may adversely impact on the Company's ability to carry out exploration, development and mining activities. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Company's exploration and mining activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be granted for a defined period of time, or may not be granted, or may be withdrawn or made subject to limitations. There can be no assurance that such authorizations will be renewed following expiry or granted (as the case may be) or as to the terms of such grants or renewals. There is also no assurance that the issue of a reconnaissance, prospecting or exploration licence will ensure the subsequent issue of a mining licence. All 'Old Order' mineral rights in South Africa are subject to conversion into 'New Order' mineral rights. New Order Mining Rights for the Spitzkop and Mareesburg Projects were issued by the Department of Mineral Resources (DMR) in October 2009 and September 2010, respectively.

Barplats Mines Limited, the Company's South African subsidiary that holds CRM, currently holds a total of 12 New Order Prospecting Rights and 5 New Order Mining Rights. The Kennedy's Vale Project currently holds a total of 2 New Order Prospecting Rights. The Spitzkop Project and the Mareesburg Project each hold one New Order Mining Right.

8.7 Risks associated with the development of the Mareesburg Project

In 2011, the Company's decision to carry out the development of the Mareesburg Project was based on internal scoping studies and cash flow models. The Company did not commission an independent economic analysis in respect of its decision to proceed with this development. In June 2012, the Company's decision to suspend funding for the development of the Mareesburg Project was based on its assessment of the global economic environment and the operating environment in South Africa. If conditions improve significantly, the development of the Project can be restarted, subject to adequate funding being available. However, if the Company's internal scoping studies or cash flow models prove to be inaccurate or incomplete, the expected returns from the Mareesburg Project could be lower or even negative, and the Company's financial condition and results of operations could be materially adversely affected. There can be no assurance that the Company's projects will be fully developed in accordance with the Company's current plans or completed on time or on budget.

9. Financial instruments

9.1 Management of capital risk

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, equity-settled employee benefits reserve, deficit and currency translation adjustment. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, 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.

The Company is not subject to externally imposed capital requirements.

9.2 Categories of financial instruments

Table 9

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

	December 31,	
	2013	2012
Financial assets		
Cash and cash equivalents	**$ 14,489**	$ 70,699
FVTPL financial assets (1)	**371**	10,439
Loans and receivables (2)	**3,237**	4,415
Available for sale financial assets (3)	**87,651**	69,288
	$ 105,748	$ 154,841
Financial liabilities		
Other financial liabilities (4)	**6,086**	17,387
	$ 6,086	$ 17,387

(1) FVTPL financial assets consist of provisionally priced trade receivables.
(2) Loans and receivables consist of other receivables.
(3) Available for sale financial assets consist of short-term investments and other assets.
(4) Other financial liabilities consist of trade and other payables.

The fair values of cash and cash equivalents, short-term investments, other assets and trade and other payables approximate their carrying values due to the short-term to maturities of these financial instruments. Trade receivables are settled three to five months following the physical delivery of the PGMs and are adjusted to prices of the metals at the end of the settlement period. At each period end, the Company's trade receivables are marked to market based on the PGM forward prices quoted in the active market. The provisional price adjustments recorded during the three months and years ended December 31, 2013 and 2012 are shown in Table 5 above.

9.3 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.

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company's revenues are based on U.S. dollar PGM prices, but the Company receives revenues in South African Rand and incurs operating costs in South African Rand. A significant change in the currency exchange rates between the South African Rand relative to the U.S. dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

(b) 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 available for sale, are generally not sold before maturity. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk.

(c) Price risk

The Company is exposed to price risk with respect to fluctuations in the prices of platinum group metals. These fluctuations directly affect revenues and trade receivables. As at December 31, 2013, the Company's financial assets subject to metal price risk consist of trade receivables of $371,000 (December 31, 2012 - $10,349,000). Historically, the Company has not entered into any derivative financial instruments to manage exposures to price fluctuations. No such derivative financial instruments existed at December 31, 2013 and 2012.

(d) 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, and arises principally from the Company's trade receivables. The carrying value of the financial assets represents the maximum credit exposure.

Prior to the suspension of production at CRM, the Company sold substantially all of its PGM concentrate production to one customer under an off-take contract. At December 31, 2013, the Company had receivable balances associated with this one customer of $371,000 (December 31, 2012 - $10,439,000). When the Company resumes production, the loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows. However, the Company has not experienced any bad debts with this customer since it initially entered into the off-take contract.

The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at December 31, 2013.

(e) 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 staggers the maturity dates of its investments over different time periods and dates to minimize exposure to interest rate changes. This strategy remains unchanged from 2012.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. Table 7 summarizes the Company's significant commitments and corresponding maturities.

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10. Internal control over financial reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with the Company's management, are responsible for the information disclosed in this MD&A and in the Company's other external disclosure documents. For the years ended December 31, 2013 and 2012, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures ("DCP") to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in accordance with regulatory requirements and good business practices and that the Company's DCP will enable the Company to meet its ongoing disclosure requirements.

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the design and operation of the Company's DCP were effective as of December 31, 2013 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). Since 2009, the Company has used the services of an international accounting firm to act as the Company's internal auditors for its South African operations. Under the supervision, and with the participation, of the CEO and the CFO, management conducted an evaluation of the effectiveness of the Company's ICFR based on the framework in the *Internal Control – Integrated Framework* developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective as at December 31, 2013.

The scope of the Company's design of DCP and ICFR excluded Gubevu Consortium Investment Holdings (Pty) Ltd., an associate which is accounted for using the equity method under IFRS. During the design and evaluation of the Company's ICFR, management identified certain non-material deficiencies, a number of which have been addressed or are in the process of being addressed in order to enhance the Company's processes and controls. The Company employs entity level and compensating controls to mitigate any deficiencies that may exist in its process controls. Management intends to continue to further enhance the Company's ICFR.

The Company's management, including its CEO and CFO, believe that any DCP and ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

There have been no changes in the Company's ICFR during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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11. Cautionary statement on forward-looking information

This MD&A, which contains certain forward-looking statements, is intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. These forward-looking statements pertain to assumptions regarding the price of PGMs, fluctuations in currency markets (specifically the Rand and the U.S. dollar), the future funding of the Company's projects, the future development of the Company's projects, the Company's plans for its properties, the anticipated timing for the awarding of tenders, and the accounting policies issued but not yet effective for the Company. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, the risk of fluctuations in the assumed exchange rates of currencies that directly impact the Company, such as Canadian dollar, South African Rand and U.S. dollar, the risk of fluctuations in the assumed prices of PGM and other commodities, the risk of changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, South Africa, or Barbados or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and assumed quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements.

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

March 11, 2014

Ian Rozier