

Condensed interim consolidated financial  
statements of

## **Eastern Platinum Limited**

For the Three and six months ended June 30, 2018  
(Unaudited)

# Eastern Platinum Limited

For the three and six months ended June 30, 2018

## Table of contents

Notice of no audit review of condensed interim consolidated financial statements .....	3
Condensed interim consolidated statements of loss .....	4
Condensed interim consolidated statements of comprehensive (loss) income.....	5
Condensed interim consolidated statements of financial position .....	6
Condensed interim consolidated statements of changes in equity .....	7
Condensed interim consolidated statements of cash flows .....	8
Notes to the condensed interim consolidated financial statements.....	9-27

## **Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Professional Chartered Accountants for a review of interim financial statements by an entity's auditor.

## Eastern Platinum Limited

Condensed interim consolidated statements of loss

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

	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
<b>Expenses</b>					
General and administrative		\$ 474	\$ 687	\$ 1,229	\$ 1,823
Care and maintenance		1,865	1,828	3,635	3,554
Care and maintenance - depreciation and amortization		37	30	66	61
<b>Operating loss</b>		<b>(2,376)</b>	<b>(2,545)</b>	<b>(4,930)</b>	<b>(5,438)</b>
<b>Other income (expense)</b>					
Gain on disposal of property, plant and equipment		47	—	144	—
Interest income		324	300	604	584
Other income		532	628	1,127	1,078
Finance costs	12	(148)	(192)	(304)	(386)
Foreign exchange loss		(2,207)	(334)	(1,868)	(480)
Loss before income taxes		(3,828)	(2,143)	(5,227)	(4,642)
Income tax expense		(410)	(70)	(183)	(93)
<b>Net loss for the period</b>		<b>(4,238)</b>	<b>(2,213)</b>	<b>(5,410)</b>	<b>(4,735)</b>
<b>Attributable to</b>					
Non-controlling interest	11	(797)	(463)	(1,275)	(956)
Equity shareholders of the Company		(3,441)	(1,750)	(4,135)	(3,779)
<b>Net loss for the period</b>		<b>\$ (4,238)</b>	<b>\$ (2,213)</b>	<b>\$ (5,410)</b>	<b>\$ (4,735)</b>
<b>Loss per share</b>					
Basic and diluted		<b>(0.04)</b>	(0.02)	<b>(0.04)</b>	(0.04)
<b>Weighted average number of common shares outstanding in thousands</b>					
Basic and diluted	10(b)	<b>92,599</b>	92,599	<b>92,599</b>	92,599

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

**"George Dorin"**

George Dorin, Director

**"Mike Cosic"**

Mike Cosic, Director

## Eastern Platinum Limited

Condensed interim consolidated statements of comprehensive (Loss) Income  
(Expressed in thousands of U.S. dollars - unaudited)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Net loss for the period	\$ (4,238)	\$ (2,213)	\$ (5,410)	\$ (4,735)
Other comprehensive (loss) income				
Items that may subsequently be reclassified to loss or profit				
- Exchange differences on translating foreign operations	(23,686)	4,105	(17,481)	7,503
- Exchange differences on translating non-controlling interest	6,535	(959)	4,616	(1,814)
Comprehensive (loss) income for the period	(21,389)	933	(18,275)	954
Attributable to				
Equity shareholders of the Company	(27,127)	2,355	(21,616)	3,724
Non-controlling interest	5,738	(1,422)	3,341	(2,770)
<b>Comprehensive (loss) income for the period</b>	<b>\$ (21,389)</b>	<b>\$ 933</b>	<b>\$ (18,275)</b>	<b>\$ 954</b>

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

## Eastern Platinum Limited

Condensed interim consolidated statements of financial position  
(Expressed in thousands of U.S. dollars - unaudited)

	Note	As at June 30 2018	As at December 31 2017
<b>Assets</b>			
Current assets			
Cash and cash equivalents	5	\$ 11,919	\$ 8,392
Short-term investments	6	6,479	17,152
Trade and other receivables	7	1,644	894
Inventories		1,151	1,256
		<b>21,193</b>	27,694
Non-current assets			
Restricted cash		87	92
Inventories		876	975
Property, plant and equipment	4	132,057	109,631
Other assets	8	9,068	8,557
		<b>\$ 163,281</b>	\$ 146,949
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		\$ 2,710	\$ 1,541
		<b>2,710</b>	1,541
Non-current liabilities			
Contract payable	13	33,815	—
Provision for environmental rehabilitation	9	5,970	6,340
Deferred tax liabilities		3,244	3,373
		<b>45,739</b>	11,254
<b>Equity</b>			
Issued capital	10	1,230,171	1,230,171
Treasury shares		(204)	(204)
Equity-settled employee benefits reserve		428	569
Accumulated other comprehensive loss		(289,352)	(271,871)
Deficit		(782,512)	(778,640)
Total equity attributable to equity shareholders of the Company		<b>158,531</b>	180,025
Non-controlling interest	11	(40,989)	(44,330)
		<b>117,542</b>	135,695
		<b>\$ 163,281</b>	\$ 146,949

Commitments (Note 14) and contingencies (Note 18)

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

# Eastern Platinum Limited

Condensed consolidated statements of changes in equity  
(Expressed in thousands of U.S. dollars - unaudited)

	Issued capital	Treasury shares	Equity- settled employee benefits reserve	Accumulated other comprehensive income (loss)	Deficit	Total equity attributable to equity shareholders of the company	Non- controlling interest	Equity
<b>Balance, December 31, 2016</b>	<b>\$ 1,230,171</b>	<b>\$ (204)</b>	<b>\$ 590</b>	<b>\$ (288,980)</b>	<b>\$ (771,400)</b>	<b>\$ 170,177</b>	<b>\$ (38,192)</b>	<b>\$ 131,985</b>
Net loss	—	—	—	—	(3,779)	(3,779)	(956)	(4,735)
Other comprehensive income (loss)	—	—	—	7,503	—	7,503	(1,814)	5,689
Total comprehensive income (loss)	—	—	—	7,503	(3,779)	3,724	(2,770)	954
Share-based compensation	—	—	31	—	—	31	—	31
Transfer equity reserve relating to expired options	—	—	(58)	—	58	—	—	—
<b>Balance, June 30, 2017</b>	<b>\$ 1,230,171</b>	<b>\$ (204)</b>	<b>\$ 563</b>	<b>\$ (281,477)</b>	<b>\$ (775,121)</b>	<b>\$ 173,932</b>	<b>\$ (40,962)</b>	<b>\$ 132,970</b>
Net loss	—	—	—	—	(3,588)	(3,588)	(885)	(4,473)
Other comprehensive income (loss)	—	—	—	9,606	—	9,606	(2,483)	7,123
Total comprehensive income (loss)	—	—	—	9,606	(3,588)	6,018	(3,368)	2,650
Share-based compensation	—	—	75	—	—	75	—	75
Transfer equity reserve relating to expired options	—	—	(69)	—	69	—	—	—
<b>Balance, December 31, 2017</b>	<b>\$ 1,230,171</b>	<b>\$ (204)</b>	<b>\$ 569</b>	<b>\$ (271,871)</b>	<b>\$ (778,640)</b>	<b>\$ 180,025</b>	<b>\$ (44,330)</b>	<b>\$ 135,695</b>
Net loss	—	—	—	—	(4,135)	(4,135)	(1,275)	(5,410)
Other comprehensive income (loss)	—	—	—	(17,481)	—	(17,481)	4,616	(12,865)
Total comprehensive income (loss)	—	—	—	(17,481)	(4,135)	(21,616)	3,341	(18,275)
Share-based compensation	—	—	122	—	—	122	—	122
Transfer equity reserve relating to expired options	—	—	(263)	—	263	—	—	—
<b>Balance, June 30, 2018</b>	<b>\$ 1,230,171</b>	<b>\$ (204)</b>	<b>\$ 428</b>	<b>\$ (289,352)</b>	<b>\$ (782,512)</b>	<b>\$ 158,531</b>	<b>\$ (40,989)</b>	<b>\$ 117,542</b>

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

## Eastern Platinum Limited

Condensed interim consolidated statements of cash flows  
(Expressed in thousands of U.S. dollars - unaudited)

	Six months ended June 30	
	2018	2017
<b>Operating activities</b>		
Loss before income taxes	\$ (5,227)	\$ (4,642)
Adjustments to net loss for non-cash items		—
Care and maintenance depreciation and amortization	66	61
Stock based compensation	122	31
Impairment of receivable provisions	31	—
Gain on disposal of property, plant and equipment	(144)	—
Interest income	(604)	(584)
Finance costs	304	386
Foreign exchange loss	1,868	480
Net changes in non-cash working capital items		—
Trade and other receivables	(1,232)	(222)
Inventories	(26)	18
Trade and other payables	1,487	227
Contract payable	4,751	—
<b>Cash used in operations</b>	<b>1,396</b>	<b>(4,245)</b>
Adjustments to net loss for cash items		
Interest income received	666	411
Finance costs paid	—	(3)
Taxes paid	(76)	(70)
<b>Net operating cash flows</b>	<b>1,986</b>	<b>(3,907)</b>
<b>Investing activities</b>		
Purchases of short-term investments	(9,372)	(21,061)
Redemptions of short-term investments	19,708	22,533
(Increase) decrease of other assets	(1,508)	2,561
Property, plant and equipment expenditures	(6,948)	(422)
Disposal of property, plant and equipment	188	8
<b>Net investing cash flows</b>	<b>2,068</b>	<b>3,619</b>
Effect of exchange rate changes on cash and cash equivalents	(527)	(31)
Increase (decrease) in cash and cash equivalents	3,527	(319)
Cash and cash equivalents, beginning of period	8,392	5,890
<b>Cash and cash equivalents, end of period</b>	<b>\$ 11,919</b>	<b>\$ 5,571</b>

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



# Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

## 1. Nature of operations

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

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

During the six months ended June 30, 2018, the Company began construction of the CRM's tailing resource (See Note 13). Since August 2013, the Company's other existing projects have been either in care and maintenance or on hold.

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

These condensed interim consolidated financial statements were approved and authorized for issuance by the board of directors on August 14, 2018.

## 2. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The preparation of these unaudited condensed interim consolidated financial statements is based on accounting principles and methods consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2017. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017. The Company's interim results are not necessarily indicative of its results for a full year.

### *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.

Areas of significant judgement and estimates made by management for the three and six months ended June 30, 2018 in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 4(u) and 4(v) of the Company's audited consolidated financial statements for the year ended December 31, 2017.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 2. Basis of preparation (continued)

#### *Financial instruments*

Effective January 1, 2018, the Company adopted IFRS 9 – Financial Instrument (“IFRS 9”) using the modified retrospective approach. IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company’s financial instruments at the transition date.

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

### 3. Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations, are not yet effective for the three and six months ended June 30, 2018 and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that effect the financial statements.

#### (a) New standard IFRS 16, Leases

Effective for annual periods commencing on or after January 1, 2019, this replaces existing lease accounting guidance. All leases will be required to be reported on the statement of financial position unless certain requirements for exclusion are met. The Company did not have significant operating leases obligations as at June 30, 2018. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 4. Property, plant and equipment

	Construction work in progress \$	Plant and equipment owned \$	Mineral properties being depleted \$	Mineral properties not being depleted \$	(Note 9) Properties and land \$	Total \$
<b>Cost</b>						
<b>Balance as at December 31, 2016</b>	—	<b>343,985</b>	<b>74,060</b>	<b>301,536</b>	<b>14,466</b>	<b>734,047</b>
Assets acquired	—	889	—	705	—	1,594
Environmental provision change in estimate	—	(3,348)	—	27	—	(3,321)
Assets disposed	—	—	—	—	(87)	(87)
Foreign exchange movement	—	37,140	8,056	32,858	1,567	79,621
<b>Balance as at December 31, 2017</b>	—	<b>378,666</b>	<b>82,116</b>	<b>335,126</b>	<b>15,946</b>	<b>811,854</b>
Assets acquired	37,740	183	—	290	—	38,213
Assets disposed	—	(63)	—	—	(73)	(136)
Foreign exchange movement	330	(43,214)	(8,315)	(33,967)	(1,606)	(86,772)
<b>Balance as at June 30, 2018</b>	<b>38,070</b>	<b>335,572</b>	<b>73,801</b>	<b>301,449</b>	<b>14,267</b>	<b>763,159</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance as at December 31, 2016</b>	—	<b>298,886</b>	<b>60,616</b>	<b>271,657</b>	<b>2,072</b>	<b>633,231</b>
Depreciation	—	9	—	—	114	123
Depreciation of disposed assets	—	—	—	—	(9)	(9)
Foreign exchange movement	—	32,608	6,487	29,550	233	68,878
<b>Balance as at December 31, 2017</b>	—	<b>331,503</b>	<b>67,103</b>	<b>301,207</b>	<b>2,410</b>	<b>702,223</b>
Depreciation	—	5	—	—	61	66
Depreciation of disposed assets	—	(63)	—	—	(29)	(92)
Foreign exchange movement	—	(33,652)	(6,696)	(30,501)	(246)	(71,095)
<b>Balance as at June 30, 2018</b>	—	<b>297,793</b>	<b>60,407</b>	<b>270,706</b>	<b>2,196</b>	<b>631,102</b>
<b>Carrying amounts</b>						
At December 31, 2016	—	45,099	13,444	29,879	12,394	100,816
At December 31, 2017	—	47,163	15,013	33,919	13,536	109,631
<b>At June 30, 2018</b>	<b>38,070</b>	<b>37,779</b>	<b>13,394</b>	<b>30,743</b>	<b>12,071</b>	<b>132,057</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 4. Property, plant and equipment (continued)

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

	Crocodile River Mine (a) \$	Mareesburg Project (b) \$	Kenney's Vale and Concentrator (c) \$	Spitzkop PGM Project (d) \$	Other property plant and equipment \$	Total \$
<b>Cost</b>						
<b>Balance as at December 31, 2016</b>	<b>341,575</b>	<b>16,917</b>	<b>306,700</b>	<b>68,710</b>	<b>145</b>	<b>734,047</b>
Assets acquired	881	705	—	—	8	1,594
Environmental provision change in estimate	(2,450)	169	(898)	(142)	—	(3,321)
Assets disposed	(87)	—	—	—	—	(87)
Foreign exchange movement	36,968	1,912	33,271	7,460	10	79,621
<b>Balance as at December 31, 2017</b>	<b>376,887</b>	<b>19,703</b>	<b>339,073</b>	<b>76,028</b>	<b>163</b>	<b>811,854</b>
Assets acquired	159	290	24	—	—	473
Construction work in progress	37,740	—	—	—	—	37,740
Assets disposed	(120)	—	(16)	—	—	(136)
Foreign exchange movement	(42,703)	(2,027)	(34,336)	(7,699)	(7)	(86,772)
<b>Balance as at June 30, 2018</b>	<b>371,963</b>	<b>17,966</b>	<b>304,745</b>	<b>68,329</b>	<b>156</b>	<b>763,159</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance as at December 31, 2016</b>	<b>268,787</b>	<b>7,714</b>	<b>292,468</b>	<b>64,151</b>	<b>111</b>	<b>633,231</b>
Depreciation	55	—	59	—	9	123
Depreciation of disposed assets	(9)	—	—	—	—	(9)
Impairment (reversal) loss	—	—	—	—	—	—
Foreign exchange movement	29,234	839	31,819	6,978	8	68,878
<b>Balance as at December 31, 2017</b>	<b>298,067</b>	<b>8,553</b>	<b>324,346</b>	<b>71,129</b>	<b>128</b>	<b>702,223</b>
Depreciation	29	—	32	—	5	66
Depreciation of disposed assets	(76)	—	(16)	—	—	(92)
Foreign exchange movement	(30,173)	(867)	(32,845)	(7,203)	(7)	(71,095)
<b>Balance as at June 30, 2018</b>	<b>267,847</b>	<b>7,686</b>	<b>291,517</b>	<b>63,926</b>	<b>126</b>	<b>631,102</b>
<b>Carrying amounts</b>						
At December 31, 2016	72,788	9,203	14,232	4,559	34	100,816
At December 31, 2017	78,820	11,150	14,727	4,899	35	109,631
<b>At June 30, 2018</b>	<b>104,116</b>	<b>10,280</b>	<b>13,228</b>	<b>4,403</b>	<b>30</b>	<b>132,057</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 4. Property, plant and equipment (continued)

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

The Company holds directly and indirectly an 87.5% interest in CRM, through Barplats Investments (Pty) Ltd. ("Barplats Investment"), which is located on the eastern portion of the western limb of the Bushveld Complex. On August 1, 2013, the underground operations of the CRM were placed on care and maintenance. During the six months ended June 30, 2018, the Company began construction of the CRM's tailing resource (See Note 13).

(b) *Mareesburg Project*

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

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

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

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

The Company holds directly and indirectly a 93.4% interest in the Spitzkop PGM Project located on the eastern limb of the Bushveld Complex. The Spitzkop PGM Project was planned to be developed after the Mareesburg Project went into production but that plan has been on hold since 2012.

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

(i) *Three and six months ended June 30, 2018*

The Company assesses the carrying values of its mineral properties for indication of impairment at each quarter end. Based on its assessment, the Company concluded that there were no indicators of impairment as at June 30, 2018.

(ii) *Year ended December 31, 2017*

During the fourth quarter of 2017 and as at December 31, 2017, management determined that there were no indicators of impairment.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 5. Cash and cash equivalents

	<b>June 30</b>	December 31
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
Cash in bank	<b>1,032</b>	119
Money market instruments	<b>10,887</b>	8,273
	<b>11,919</b>	8,392

### 6. Short-term investments

Changes to short-term investments for the three and six months ended June 30, 2018 is as follows:

	<b>\$</b>
Balance, December 31, 2016	20,348
Additional investments	37,126
Redemptions	(41,373)
Foreign exchange movement	1,051
Balance, December 31, 2017	17,152
Additional investments	9,372
Redemptions	(19,708)
Foreign exchange movement	(337)
<b>Balance, June 30, 2018</b>	<b>6,479</b>

### 7. Trade and other receivables

Trade and other receivables are comprised of the following:

	<b>June 30</b>	December 31
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
VAT receivable	<b>1,483</b>	718
Other receivables	<b>456</b>	473
Allowance for doubtful debts for other receivables	<b>(295)</b>	(297)
	<b>1,644</b>	894

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 8. Other assets

Other assets consist of various money market fund investments that are classified at amortized cost and serve as security for various guarantees issued to the Department of Mineral Resources of South Africa in respect to environmental rehabilitation and for guarantees issued to contractors in relation to the Retreatment Project. Changes to other assets for the six months ended June 30, 2018 are as follows:

	\$
<u>Balance, December 31, 2016</u>	<u>9,779</u>
Additional investment	20
Funds released	(2,787)
Service fees	(125)
Interest income	746
Foreign exchange movement	924
<u>Balance, December 31, 2017</u>	<u>8,557</u>
Additional investment	1,188
Service fees	(29)
Interest income	349
Foreign exchange movement	(997)
<b><u>Balance, June 30, 2018</u></b>	<b><u>9,068</u></b>

### 9. Provision for environmental rehabilitation

The environmental rehabilitation provision was estimated at December 31, 2017, based on information available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

As a result of ongoing construction activities (See Note 13), the provision for environmental rehabilitation will be updated on completion of construction, estimated to be Q3 2018. Actual costs in future periods can differ materially from the estimates. Accordingly, future changes to environmental laws and regulations, life-of-mine estimates and discount rates can affect the carrying amount of this provision. In particular from November 20, 2015 in South Africa, regulations governing financial provisions for asset retirement obligations was transitioned from Minerals & Petroleum Resources Development Act (South Africa) (the "MPRDA") to the National Environmental Management ("NEMA"). These regulations were amended in October 2016. There is currently substantial uncertainty regarding the revised requirements for financial provisions and funding thereof pursuant to NEMA and their actual implementation for the Company. Further guidance on these regulations are expected and could impact the future provisions raised by the Company.

As at June 30, 2018, cash in the amount of \$7,880 (December 31, 2017 - \$8,557) was pledged as security for the guarantees issued to the Department of Mineral Resources of South Africa in respect to environmental rehabilitation (Note 8). Furthermore, as at June 30, 2018, certain of the Company's residential properties in the amount of \$1,542 (ZAR21,200) (December 31, 2017 - \$1,715 (ZAR21,200)) was also pledged as security for the guarantee issued to the Department of Mineral Resources of South Africa for the same reason. These guarantees will be utilized to cover expenses incurred to rehabilitate the mining area upon closure of the mine.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 9. Provision for environmental rehabilitation (continued)

The undiscounted and inflated value of this liability is approximately \$38,000 (ZAR522,547) (December 31, 2017 - \$42,281 (ZAR522,547)).

The provision for environmental rehabilitation at June 30, 2018 is \$5,970 (ZAR82,097) (December 31, 2017 - \$6,340 (ZAR78,359)). Changes to the environmental rehabilitation provision are as follows:

	\$
Balance, December 31, 2016	8,279
Revision in estimates	(3,321)
Accretion	761
Foreign exchange movement	621
Balance, December 31, 2017	6,340
Revision in estimates	—
Accretion (Note 12)	304
Foreign exchange movement	(674)
<b>Balance, June 30, 2018</b>	<b>5,970</b>

### 10 Issued capital

#### (a) Authorized

- Unlimited number of preferred redeemable, voting, non-participating shares without nominal or par value;
- Unlimited number of common shares with no par value.

#### (b) Issued and outstanding

As at June 30, 2018 and December 31, 2017, the Company had 92,639,032 common shares issued and 92,599,310 common shares outstanding. There were no changes to the number of common shares issued and outstanding during the three and six months ended June 30, 2018.

#### (c) Treasury shares

As at June 30, 2018 and December 31, 2017, the Company held 39,722 treasury shares. There were no changes to the number of treasury shares during the three and six months ended June 30, 2018.



## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 10. Issued capital (continued)

#### (d) Share options

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

During the three months ended March 31, 2018, the Company granted 100,000 stock options to a director of the Company to acquire common shares of the Company at an exercise price of Cdn\$0.37 per share expiring in five years from the date of grant. These stock options vest in 90 days from the grant date.

During the three months ended June 30, 2018, the Company granted 200,000 stock options to a director and an officer of the Company to acquire common shares of the Company at an average exercise price of Cdn\$0.37 per share expiring in five years from the date of grant. These stock options vest in 90 days from the grant date.

During the three months ended March 31, 2017, the Company granted 200,000 stock options to the officers of the Company to acquire common shares of the Company at an exercise price of Cdn\$0.40 per share expiring in five years from the date of grant. These stock options vest in 90 days from the grant date.

The fair value of the options granted during the six months ended June 30, 2018 and 2017 were estimated using the Black-Scholes options pricing model with the following assumptions:

	2018	2017
Fair value (Cdn\$)	0.17	0.21
Risk-free interest rate	2.06%	0.50%
Dividend yield	0%	0%
Expected volatility	52.10%	63.05%
Expected life of options	5	5

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

For the three and six months ended June 30, 2018, a total of \$29 and \$122 respectively, (three and six months ended June 30, 2017 - \$19 and \$31) was recorded as share-based compensation expense relating to general and administrative services.

The following is a summary of stock option transactions:

	Number of options	Weighted average exercise price Cdn\$
Balance, December 31, 2016	1,144,000	1.41
Granted	1,575,000	0.33
Expired	(136,500)	2.75
Balance, December 31, 2017	2,582,500	0.68
Granted	300,000	0.37
Expired	(607,500)	1.10
<b>Balance, June 30, 2018</b>	<b>2,275,000</b>	<b>0.53</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 10. Issued capital (continued)

(d) *Share options (continued)*

The following table summarizes information concerning outstanding and exercisable options at June 30, 2018:

Number of options outstanding	Number of options exercisable	Exercise price Cdn\$	Remaining contractual life (Years)	Expiry date
200,000	200,000	1.05	3.01	July 4, 2021
300,000	300,000	1.05	3.13	August 14, 2021
100,000	100,000	1.05	3.23	September 20, 2021
200,000	200,000	0.40	3.66	February 24, 2022
600,000	600,000	0.32	4.36	November 9, 2022
575,000	575,000	0.33	4.44	December 7, 2022
100,000	100,000	0.37	4.74	March 27, 2023
100,000	—	0.39	4.82	April 26, 2023
100,000	—	0.34	4.87	May 14, 2023
<b>2,275,000</b>	<b>2,075,000</b>			

### 11. Non-controlling interest

The Company has the following non-controlling interests in South Africa for the projects (also see Note 18 (c)):

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

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

	\$
Balance, December 31, 2016	(38,192)
Non-controlling interests' share of loss	(1,841)
Foreign exchange movement	(4,297)
Balance, December 31, 2017	(44,330)
Non-controlling interests' share of loss	(479)
Foreign exchange movement	(1,918)
Balance, March 31, 2018	(46,727)
Non-controlling interests' share of loss	(796)
Foreign exchange movement	6,534
<b>Balance, June 30, 2018</b>	<b>(40,989)</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 12. Finance costs

	Three months ended		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest on provision for environmental rehabilitation (Note 9)	148	192	304	383
Other interest	—	—	—	3
	<b>148</b>	<b>192</b>	<b>304</b>	<b>386</b>

### 13. Contract payable

On March 1, 2018, the Company entered into a framework agreement (the "Framework Agreement") with Union Goal Offshore Solutions Limited ("Union Goal") relating to construction, mining and processing of the tailing resource and offtake of chrome concentrate from Barplats Mines (Pty) Ltd.'s ("Barplats Mine") tailings facility (the "Retreatment Project") located at the CRM. Pursuant to the Framework Agreement, Union Goal made an upfront payment of \$3,069 (ZAR42,200) to Barplats Mines and will finance and supply Barplats Mines' chrome processing circuits, related technology and knowhow (the "Chrome Circuit") while Barplats Mines will develop, mine and operate the Retreatment Project. The Company and Union Goal have extended the timeline for completion of the various condition precedents under the Framework Agreement ("CP's") until August 31, 2018.

As at June 30, 2018, the balance of payable to Union Goal ("Contract Payable") consists of following:

	June 30	December 31
	2018	2017
	\$	\$
Upfront payment (a)	3,069	—
Chrome Circuit equipment payable (b)	30,746	—
	<b>33,815</b>	<b>—</b>

- (a) Upfront payment remains refundable to Union Goal until the completion of the CP's when it will become deferred revenue recognized into the Company's revenue based upon ore made available on a per ton basis to the plant during operations.
- (b) Union Goal is financing the equipment and construction costs for the Chrome Circuit as outlined in the Framework Agreement. Barplats Mines can defer the payment of the Chrome Circuit for up to 33 months subject to Barplats Mines' put option and Union Goal's call option for the re-purchase of the Chrome Circuit by Union Goal in the event that either party is not satisfied with the agreed pricing or performance of the Chrome Circuit.

### 14. Commitments

- (a) The Company has committed to capital expenditures in South Africa of approximately \$5,406 (ZAR74,334) as at June 30, 2018, all of which are expected to be incurred by the next 12 months.
- (b) The Company has an office lease agreement relating to the Company's administrative office expiring on September 30, 2019. The Company's future lease payment is \$25 of which \$20 is payable in next 12 months and \$5 is payable one year after.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 15. Related party transactions

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

#### (a) Trading transactions

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

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

	Three months ended		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Director fees	37	55	71	91
Management fees	53	107	108	216
Share-based payments	29	19	106	31
	119	181	285	338

- (i) The Company has a consulting agreement with Oriental Fortune Consulting Services Limited ("Oriental Fortune") which is controlled by the Company's chief operating officer ("COO"). The Company agreed to pay \$14 (Cdn\$23) per month to Oriental Fortune for management consulting services rendered.
- (ii) At June 30, 2018, the Company held a loan receivable from Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu"), 49.99% owned by the Company, in the amount of \$66,757 (ZAR917,996) (December 31, 2017 - \$70,987 (ZAR877,468)). This loan is secured by Gubevu's interest in Barplats Investments Limited, bears interest at the Johannesburg Interbank Agreed Rate ("JIBAR") + 3% and has been provided for in full. The Company did not record any interest income with regards to this loan or receive cash from, or lend any further cash to, Gubevu during the three and six months ended June 30, 2018 and 2017.
- (iii) Accounts receivable as at June 30, 2018 included \$40 (December 31, 2017 - \$40) due from Remington representing the reimbursement receivable for certain general and administrative expenses incurred by the Company on behalf of Remington. The Company's former management are the principal shareholders of Remington.

#### (b) Compensation of key management personnel

The Company's key management includes the CEO, CFO, COO and vice president of South African Operations. The total remuneration to the key management for the three and six months ended June 30, 2018 was \$241 and \$535 (three and six months ended June 30, 2017 - \$210 and \$416), respectively with the breakdown below:

- (i) Management salaries and consulting fees of \$235 and \$478 (three and six months ended June 30, 2017 - \$191 and \$385), respectively; and
- (ii) Share-based compensation of \$6 and \$57 (three and six months ended June 30, 2017 - \$19 and \$31), respectively.

Key management personnel were not paid post-employment benefits or other long-term benefits during the three and six months ended June 30, 2018 and 2017.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

(Unaudited - expressed in thousands of U.S. dollars, except for per share amounts)

### 16. Segmented Information

- (a) *Operating segments* - The Company's operations are primarily directed towards the Mining exploration and development of platinum group metals and chrome in South Africa. The Company has three reportable segments – Crocodile River Mine, Eastern Limb and corporate. Eastern Limb consists of Kennedy's Vale, Spitzkop, Mareesburg projects. Barbados, BVI and Canada collectively are corporate segment.
- (b) *Geographic segments* - The Company's expenses by geographic areas for the three and six months ended June 30, 2018 and 2017, and assets by geographic areas as at June 30, 2018 and December 31, 2017, are as follows:

<b>Three months ended June 30, 2018</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment expenditures	8,289	139	8,428	—	8,428
Cost of property, plant and equipment disposed	(29)	—	(29)	—	(29)
Gain on disposal of property, plant and equipment	47	—	47	—	47
Care and maintenance depreciation and amortization	(35)	—	(35)	(2)	(37)
Loss before income taxes	(3,617)	(75)	(3,692)	(136)	(3,828)
Income tax expense	(1)	(73)	(74)	(336)	(410)
Net loss	(3,618)	(148)	(3,766)	(472)	(4,238)

<b>Six months ended June 30, 2018</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment expenditures	37,899	314	38,213	—	38,213
Cost of property, plant and equipment disposed	(120)	(16)	(136)	—	(136)
Gain on disposal of property, plant and equipment	144	—	144	—	144
Care and maintenance depreciation and amortization	(61)	—	(61)	(5)	(66)
Loss before income taxes	(4,681)	(115)	(4,796)	(431)	(5,227)
Income tax recovery (expense)	9	(166)	(157)	(26)	(183)
Net loss	(4,672)	(281)	(4,953)	(457)	(5,410)

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2018

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

### 16. Segmented Information (continued)

(b) *Geographic segments (continued)*

<b>Three months ended June 30, 2017</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment expenditures	214	73	287	7	294
Cost of property, plant and equipment disposals	(8)	—	(8)	—	(8)
Care and maintenance depreciation and amortization	(28)	—	(28)	(2)	(30)
Loss before income taxes	(1,125)	(122)	(1,247)	(896)	(2,143)
Income tax expense	(1)	(54)	(55)	(15)	(70)
Net loss	(1,126)	(176)	(1,302)	(911)	(2,213)
<b>Six months ended June 30, 2017</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment expenditures	341	73	414	8	422
Cost of property, plant and equipment disposals	(8)	—	(8)	—	(8)
Care and maintenance depreciation and amortization	(57)	—	(57)	(4)	(61)
Loss before income taxes	(2,692)	(163)	(2,855)	(1,787)	(4,642)
Income tax expense	(10)	(54)	(64)	(29)	(93)
Net loss	(2,702)	(217)	(2,919)	(1,816)	(4,735)

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2018

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

### 16. Segmented Information (continued)

(b) *Geographic segments (continued)*

<b>June 30, 2018</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Total assets	118,227	27,984	146,211	17,070	163,281
Total liabilities	38,386	4,183	42,569	3,170	45,739

<b>December 31, 2017</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Total assets	90,740	30,931	121,671	25,278	146,949
Total liabilities	5,031	4,023	9,054	2,200	11,254

(c) *Revenue*

No revenues were recorded for the three and six months ended June 30, 2018 and 2017.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2018

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

### 17. Financial instruments

#### (a) Management of capital risk

The capital structure of the Company historically consists of equity attributable to common shareholders, comprised of issued capital, treasury shares, equity-settled employee benefits reserve, deficit, and accumulated other comprehensive loss. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity. During the six months ended June 30, 2018, the Company expanded its sources of capital to include Contract Payable in the amount of \$33,815 (Note 13).

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, increase the amount of Contract Payable or acquire or dispose of assets.

The Company is not subject to externally imposed capital requirements.

#### (b) Categories of financial instruments

	<b>June 30 2018</b>	December 31 2017
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	<b>11,919</b>	8,392
Restricted cash	<b>87</b>	92
Trade and other receivables (excluding taxes receivable)	<b>161</b>	176
Short-term investments *	<b>6,479</b>	17,152
Other assets *	<b>9,068</b>	8,557
	<b>27,714</b>	34,369
Financial liabilities		
Amortized cost		
Trade and other payables	<b>2,710</b>	1,541
Contract payable	<b>33,815</b>	—
	<b>36,525</b>	1,541

\* Short-term investments are mainly GICs at financial institutions with market interest rates and other assets are mainly money market fund investments and are measured at the amortized cost.

#### (c) Fair value of financial instruments

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

The fair values of cash and cash equivalents, short-term investments, restricted cash, trade and other receivables, other assets, trade, other payables and contract payable approximate their carrying values.



## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2018

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

### 17. Financial instruments (continued)

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

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

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

As at June 30, 2018 and December 31, 2017, the Company did not have financial liabilities measured at fair value on a recurring basis. There were no transfers between levels during three and six months ended June 30, 2018.

(d) *Currency risk of financial instrument*

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

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

	<b>June 30 2018</b>	December 31 2017
	\$	\$
<b>Financial assets</b>		
Denominated in USD at Canadian head office	<b>10,424</b>	12,285
Denominated in Rand at Canadian head office	<b>871</b>	—
<b>Total</b>	<b>11,295</b>	12,285
<b>Financial liabilities</b>		
Contract payable denominated in Rand at Canadian head office	<b>1,079</b>	—
Contract payable denominated in USD at South African subsidiaries	<b>29,494</b>	—
<b>Total</b>	<b>30,573</b>	—

As at June 30, 2018, with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against U.S dollars would have decreased (increased) net income by approximately \$1,042; with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against the South African Rand would have increased (decreased) net income by approximately \$19; with other variables unchanged, a 10% strengthening (weakening) of the South African Rand against U.S dollars would have increased (decreased) net income by approximately \$2,949.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2018

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

### 18. Contingencies

- (a) On March 14, 2017, the Company was served with a claim by Alpha Global Capital Inc. ("Alpha Global"), an entity registered in the British Virgin Islands. On May 12, 2017, the Company served its response to the claim filed by Alpha Global in the High Court of South Africa. In its claim, Alpha Global is seeking relief under a provision of South African company legislation contemplating that a South African court may make an order to wind up an "external company" registered in South Africa on the basis that it is just and equitable to do so or that it is unable to pay its debts. Alpha Global has asserted that it is entitled to bring its action on the basis that an alleged default occurred under a promissory note originally issued in 2007 and that it is now entitled to approximately \$2,240 (ZAR30,797) plus default interest (the "Promissory Note"). Due to inaction and delay by Alpha Global the matter has been removed from the court roll for hearing in South Africa which was scheduled for September 2018 and there is currently no date scheduled for this matter to be heard.

In its response, the Company has denied Alpha Global's allegations, in particular as to the Company's solvency or the state of its business. The Company also refuted that Alpha Global has legal standing to bring its action under the above provision since, even based on the facts as asserted by Alpha Global, the claim under the Promissory Note has prescribed (or not been made within the limitation period) and no amount is currently owing to it. The Company has also asserted that if there is any dispute as to Alpha Global's status as a creditor of the Company to whom money is owed, that this is a matter for the Courts of the British Virgin Islands to decide, being the law under which the parties agreed the Promissory Note was to be governed and interpreted. The Company has asked in its legal papers for Alpha Global's claim to be dismissed with costs; however, the Company notes that a court could determine that it may have potential future obligations related to this matter.

- (b) On July 19, 2018, the Company was served with a further claim by Alpha Global initiated in the British Virgin Islands regarding the above described transaction. Alpha Global is seeking payment of an amount of ZAR 30,797 (US\$ 2,240) plus an amount it alleges is owing for default interest, for a total claim of ZAR 142,887 (US\$ 10,392).

The Company is of the view that no amount is currently owing to Alpha Global and as a result it is not entitled to any remedy in connection with its alleged claim. The Company will take steps to oppose the claim.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2018

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

### 18. Contingencies (continued)

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

To date, the BEE Buyout Transactions have not been completed. However, the Company has been advised by some of its BEE partners of Gubevu and Lion's Head that they have purportedly relinquished their interests in those companies in varying amounts to either Serina or Ingwenya. This could give rise to non-compliance with the mining rights and certain provisions of the MPRDA in respect of black economic empowerment requirements in South Africa. Further, in June 2018 a new draft Mining Charter was issued in South Africa for comment including new ownership and other new BEE requirements. The discussion and review process is currently estimated to be complete by the end of 2018 with the outcome and final conclusion of this matter unknown but which could significantly impact the Company's future operations.

On June 7, 2018, the Company filed a claim in the Supreme Court of British Columbia against Serina and Ingwenya in relation to the payment of \$13,367. The claim alleges that the BEE Buyout Agreements are not binding, that the funds were not properly received by them, are an unjust enrichment to them and should be returned.

- (d) On June 7, 2018, the Company filed a notice of civil claim in the British Columbia Supreme Court against certain former officers and directors of Eastplats. It alleges that the former officers and directors purported to enter into agreements with Serina and Ingwenya on behalf of the Eastplats Companies pursuant to which \$13,367 was transferred to Serina and Ingwenya without consideration, without conditions precedent for delivery of the funds being met, and without any apparent benefit to the Eastplats Companies. The Eastplats Companies are seeking damages from the former directors and officers on a number of legal grounds.
- (e) On October 16, 2017, the Company filed a claim in the Supreme Court of British Columbia against its former CFO and Corporate Secretary, Mr. Lee for breach of fiduciary duty and conflict of interest and its former general and administrative service provider Sterling West Management Ltd. in regards to recovery of termination fees, withholding of deposits, recovery of property and records, breach of contract, conspiracy and negligence. The Company is demanding recovery of the payments, value of property withheld, general and punitive damages.
- (f) 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 unfavorably 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.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2018

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

### 19. Headline and diluted headline loss per share

The Company's shares are also listed on the Johannesburg Stock Exchange which requires the Company to present headline and diluted headline loss per share. Headline loss per share is calculated by dividing headline loss attributable to equity shareholders of the Company by weighted average number of the common shares issued and outstanding during the year. Diluted headline loss per share is determined by adjusting the headline loss attributable to equity shareholders of the Company and the weighted average number of common shares issued and outstanding during the year after taking all potential dilutive effects. For the three and six months ended June 30, 2018 and 2017, the Company's diluted headline loss per share is identical to the headline loss per share as inclusion of stock options would be anti-dilutive.

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

	Three months ended		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Loss attributable to shareholders of the Company	<b>(3,441)</b>	(1,750)	<b>(4,135)</b>	(3,779)
Adjusted for:				
Gain on disposal of property, plant and equipment	<b>(41)</b>	—	<b>(126)</b>	—
Headline loss attributable to shareholders of the Company	<b>(3,482)</b>	(1,750)	<b>(4,261)</b>	(3,779)
Headline loss and diluted headline loss per share	<b>(0.04)</b>	(0.02)	<b>(0.05)</b>	(0.04)