

Condensed interim consolidated financial  
statements of

## **Eastern Platinum Limited**

For the three and nine months ended September  
30, 2019 (Unaudited)

# Eastern Platinum Limited

For the three and nine months ended September 30, 2019

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## **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 September 30		Nine months ended September 30	
		2019	2018	2019	2018
Revenue	8	\$ 11,310	\$ —	\$ 27,146	\$ —
Production costs		(8,361)	—	(20,788)	—
Production costs - depreciation		(965)	—	(1,558)	—
<b>Mining operation income</b>		<b>1,984</b>	<b>—</b>	<b>4,800</b>	<b>—</b>
Expenses					
General and administrative		744	562	2,117	1,791
Care and maintenance		2,041	1,759	5,651	5,394
Care and maintenance - depreciation and amortization		36	29	110	95
Operating loss		(837)	(2,350)	(3,078)	(7,280)
Other income (expense)					
Gain on disposal of property, plant and equipment		209	30	616	174
Interest income		153	262	540	866
Other income		473	461	1,396	1,588
Finance costs	9	(1,164)	(133)	(2,038)	(437)
Foreign exchange loss		(2,280)	(1,231)	(1,626)	(3,099)
Loss before income taxes		(3,446)	(2,961)	(4,190)	(8,188)
Income tax expense		(12)	(14)	(141)	(197)
<b>Net loss for the period</b>		<b>(3,458)</b>	<b>(2,975)</b>	<b>(4,331)</b>	<b>(8,385)</b>
Attributable to					
Non-controlling interest	7	(702)	(618)	(1,335)	(1,893)
Equity shareholders of the Company		(2,756)	(2,357)	(2,996)	(6,492)
<b>Net loss for the period</b>		<b>\$ (3,458)</b>	<b>\$ (2,975)</b>	<b>\$ (4,331)</b>	<b>\$ (8,385)</b>
Loss per share					
Basic and diluted		(0.03)	(0.03)	(0.03)	(0.07)
Weighted average number of common shares outstanding in thousands					
Basic and diluted	6(b)	92,599	92,599	92,599	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  
(Expressed in thousands of U.S. dollars - unaudited)

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net loss for the period	\$ (3,458)	\$ (2,975)	\$ (4,331)	\$ (8,385)
Other comprehensive income (loss)				
Items that may subsequently be reclassified to loss or profit				
- Exchange differences on translating foreign operations	(9,741)	(4,132)	(7,171)	(21,613)
- Exchange differences on translating non-controlling interest	3,043	1,183	2,234	5,799
Comprehensive loss for the period	<b>(10,156)</b>	(5,924)	<b>(9,268)</b>	(24,199)
Attributable to				
Equity shareholders of the Company	<b>(12,497)</b>	(6,489)	<b>(10,167)</b>	(28,105)
Non-controlling interest	<b>2,341</b>	565	<b>899</b>	3,906
<b>Comprehensive loss for the period</b>	<b>\$ (10,156)</b>	<b>\$ (5,924)</b>	<b>\$ (9,268)</b>	<b>\$ (24,199)</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 September 30 2019	As at December 31 2018
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 2,297	\$ 4,213
Short-term investments		322	1,397
Trade and other receivables	4	11,604	1,345
Inventories		949	1,055
		<b>15,172</b>	<b>8,010</b>
Non-current assets			
Restricted cash		87	84
Inventories		1,682	807
Property, plant and equipment	3	126,008	133,704
Other assets	5	6,164	7,940
		<b>\$ 149,113</b>	<b>\$ 150,545</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		\$ 6,733	\$ 2,979
Deferred revenue	8	2,527	2,195
		<b>9,260</b>	<b>5,174</b>
Non-current liabilities			
Deferred revenue	8	9,662	11,131
Contracts payable	8	40,791	35,834
Provision for environmental rehabilitation		3,299	3,239
Deferred tax liabilities		3,232	3,147
		<b>66,244</b>	<b>58,525</b>
<b>Equity</b>			
Issued capital	6	1,230,171	1,230,171
Treasury shares		(204)	(204)
Equity-settled employee benefits reserve		524	410
Accumulated other comprehensive loss		(303,059)	(295,888)
Deficit		(803,163)	(800,170)
Total equity attributable to equity shareholders of the Company		124,269	134,319
Non-controlling interest	7	(41,400)	(42,299)
		<b>82,869</b>	<b>92,020</b>
		<b>\$ 149,113</b>	<b>\$ 150,545</b>
Going concern (Note 1(b))			
Commitments (Note 10)			
Contingencies (Note 14)			

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, 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	—	—	—	—	(6,492)	(6,492)	(1,893)	(8,385)
Other comprehensive (loss) income	—	—	—	(21,613)	—	(21,613)	5,799	(15,814)
Total comprehensive (loss) income	—	—	—	(21,613)	(6,492)	(28,105)	3,906	(24,199)
Share-based compensation	—	—	131	—	—	131	—	131
Transfer equity reserve relating to expired options	—	—	(290)	—	290	—	—	—
<b>Balance, September 30, 2018</b>	<b>\$ 1,230,171</b>	<b>\$ (204)</b>	<b>\$ 410</b>	<b>\$ (293,484)</b>	<b>\$ (784,842)</b>	<b>\$ 152,051</b>	<b>\$ (40,424)</b>	<b>\$ 111,627</b>
Net loss	—	—	—	—	(15,328)	(15,328)	(2,553)	(17,881)
Other comprehensive (loss) income	—	—	—	(2,404)	—	(2,404)	678	(1,726)
Total comprehensive loss	—	—	—	(2,404)	(15,328)	(17,732)	(1,875)	(19,607)
<b>Balance, December 31, 2018</b>	<b>\$ 1,230,171</b>	<b>\$ (204)</b>	<b>\$ 410</b>	<b>\$ (295,888)</b>	<b>\$ (800,170)</b>	<b>\$ 134,319</b>	<b>\$ (42,299)</b>	<b>\$ 92,020</b>
Net loss	—	—	—	—	(2,996)	(2,996)	(1,335)	(4,331)
Other comprehensive loss (income)	—	—	—	(7,171)	—	(7,171)	2,234	(4,937)
Total comprehensive (loss) income	—	—	—	(7,171)	(2,996)	(10,167)	899	(9,268)
Share-based compensation	—	—	117	—	—	117	—	117
Transfer equity reserve relating to expired options	—	—	(3)	—	3	—	—	—
<b>Balance, September 30, 2019</b>	<b>\$ 1,230,171</b>	<b>\$ (204)</b>	<b>\$ 524</b>	<b>\$ (303,059)</b>	<b>\$ (803,163)</b>	<b>\$ 124,269</b>	<b>\$ (41,400)</b>	<b>\$ 82,869</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)

	<b>Nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Loss before income taxes	\$ (4,190)	\$ (8,188)
Adjustments to net loss for non-cash items		
Depreciation and amortization	1,668	95
Stock based compensation	117	131
Impairment of receivable provisions	—	40
Gain on disposal of property, plant and equipment	(616)	(175)
Interest income	(540)	(866)
Finance costs	2,038	437
Foreign exchange loss	1,626	3,099
Net changes in non-cash working capital items		
Trade and other receivables	(10,892)	(2,940)
Inventories	(42)	9
Trade and other payables	4,065	1,180
Deferred revenue	(1,278)	3,562
<b>Cash used in operations</b>	<b>(8,044)</b>	<b>(3,616)</b>
Adjustments to net loss for cash items		
Interest income received	556	957
Finance costs paid	(6)	—
Taxes paid	(50)	(67)
<b>Net operating cash flows</b>	<b>(7,544)</b>	<b>(2,726)</b>
<b>Financing activities</b>		
Contracts payable	2,765	1,674
<b>Net financing cash flows</b>	<b>2,765</b>	<b>1,674</b>
<b>Investing activities</b>		
Purchases of short-term investments	—	(9,372)
Redemptions of short-term investments	1,093	24,348
Decrease (increase) of other assets	1,442	(1,669)
Property, plant and equipment expenditures	(470)	(14,678)
Disposal of property, plant and equipment	742	228
<b>Net investing cash flows</b>	<b>2,807</b>	<b>(1,143)</b>
Effect of exchange rate changes on cash and cash equivalents	56	(598)
Decrease in cash and cash equivalents	(1,916)	(2,793)
Cash and cash equivalents, beginning of period	4,213	8,392
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,297</b>	<b>\$ 5,599</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 nine months ended September 30, 2019

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

## 1. Nature of operations and going concern

### (a) General

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

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

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

The Company's presentation currency is U.S. dollars. All monetary amounts presented in these 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 otherwise indicated.

These condensed interim consolidated financial statements were approved and authorized for issuance by the board of directors on November 7, 2019.

### (b) Going concern

These condensed interim 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.

Although the Company had started generating revenue from its Retreatment Project since December 2018, it has not reached full capacity. The Crocodile River Mine ("CRM") underground remains in care and maintenance and all other properties and projects are on hold. The Company also generated income from interest and other income, but these additional incomes at September 30, 2019 are not sufficient to cover the Company's operating expenses. Significant judgements and estimates are involved in projecting the future cash flows including the level of production of the Retreatment Project. In addition, the Company has material amounts of financial liabilities recorded on its statement of financial position (contracts payable) as a result of entering into the Framework Agreement. Further, the Retreatment Project is dependent on its operating cash inflows from Union Goal, its sole off taker of chrome concentrate, in order to fund its current operating activities and eventually fulfil all obligations under the Framework Agreement. Lastly, in addition to cash inflows from current operations, additional funding will be required in the future to extract the PGM's from the tailings resource, commence underground production at CRM, and to develop the Kennedy's Vale ("KV"), Spitzkop PGM ("Spitzkop") and Mareesburg Project (the "Eastern Limb Projects") and to bring them into production.

Despite the continued ramp up of the Retreatment Project, there remains material uncertainty that the Company will be able to achieve sufficient cash inflows to meet its expected obligations in the next 12 months and there can be no assurance that additional funding will be available to

# Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

## 1. Nature of operations and going concern (continued)

### *(b) Going concern (continued)*

the Company when needed, or, if available, that this funding will be on acceptable terms. These factors raise significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern and such adjustments may be material.

## 2. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including 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, 2018. 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, 2018. 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 nine months ended September 30, 2019 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(t) and 4(u) of the Company's audited consolidated financial statements for the year ended December 31, 2018.

In addition, the Company determined the Retreatment Project achieved its intended use at May 1, 2019.

### *Newly effect accounting standards*

Effective January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which requires leases to be reported on the statement of financial position unless certain requirements for exclusion are met. The Company did not have any significant operating leases as at December 31, 2018. The Company's head office is treated as short-term lease at the initial adoption date by applying the practical expedients as the original lease expires on September 30, 2019. On May 1, 2019, the Company signed a new office lease agreement with an effective date of October 1, 2019 (the "New Lease Agreement"). The New Lease Agreement extends the lease term for another three years expiring September 30, 2022, and adjusted an annual lease payment to Cdn\$34,496 for the 1<sup>st</sup> year, Cdn\$35,035 for the 2<sup>nd</sup> year and Cdn\$35,574 for the 3<sup>rd</sup> year. The New Lease Agreement is considered a separate lease since the modifications present an increase in scope and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in the scope. Therefore, the Company will account the New Lease Agreement effective October 1, 2019.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 3. Property, plant and equipment

	(Note 3(f)) Plant and equipment owned \$	Mineral properties previously being depleted \$	Mineral properties not being depleted \$	(Note 3 (g)) Properties and land \$	Total \$
<b>Cost</b>					
<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	64,180	—	334	—	64,514
Environmental provision change in estimate	(2,448)	—	(304)	—	(2,752)
Assets disposed	(63)	—	—	(102)	(165)
Foreign exchange movement	(59,931)	(11,595)	(47,361)	(2,239)	(121,126)
<b>Balance as at December 31, 2018</b>	<b>380,404</b>	<b>70,521</b>	<b>287,795</b>	<b>13,605</b>	<b>752,325</b>
Assets acquired	915	—	19	—	934
Assets disposed	(695)	—	—	(188)	(883)
Foreign exchange movement	(19,486)	(3,614)	(14,748)	(689)	(38,537)
<b>Balance as at September 30, 2019</b>	<b>361,138</b>	<b>66,907</b>	<b>273,066</b>	<b>12,728</b>	<b>713,839</b>
<b>Accumulated depreciation and impairment losses</b>					
<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	31	—	—	113	144
Depreciation of disposed assets	(63)	—	—	(36)	(99)
Impairment loss	15,496	—	—	—	15,496
Foreign exchange movement	(46,930)	(9,337)	(42,531)	(345)	(99,143)
<b>Balance as at December 31, 2018</b>	<b>300,037</b>	<b>57,766</b>	<b>258,676</b>	<b>2,142</b>	<b>618,621</b>
Depreciation	1,591	—	—	77	1,668
Depreciation of disposed assets	(687)	—	—	(70)	(757)
Foreign exchange movement	(15,425)	(2,910)	(13,255)	(111)	(31,701)
<b>Balance as at September 30, 2019</b>	<b>285,516</b>	<b>54,856</b>	<b>245,421</b>	<b>2,038</b>	<b>587,831</b>
<b>Carrying amounts</b>					
At December 31, 2017	47,163	15,013	33,919	13,536	109,631
At December 31, 2018	80,367	12,755	29,119	11,463	133,704
<b>At September 30, 2019</b>	<b>75,622</b>	<b>12,051</b>	<b>27,645</b>	<b>10,690</b>	<b>126,008</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

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

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

	Crocodile River Mine (Note 3(a))	Mareesburg Project (Note 3(b))	Kennedy's Vale and Concentrator (Note 3(c))	Spitzkop PGM Project (Note 3(d))	Other property plant and equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<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	174	334	40	—	—	548
Retreatment Project additons	63,966	—	—	—	—	63,966
Environmental provision change in estimate	(1,181)	(140)	(1,267)	(164)	—	(2,752)
Assets disposed	(149)	—	(16)	—	—	(165)
Foreign exchange movement	(59,688)	(2,825)	(47,867)	(10,734)	(12)	(121,126)
<b>Balance as at December 31, 2018</b>	<b>380,009</b>	<b>17,072</b>	<b>289,963</b>	<b>65,130</b>	<b>151</b>	<b>752,325</b>
Assets acquired	—	20	—	—	9	29
Retreatment Project additons	905	—	—	—	—	905
Assets disposed	(883)	—	—	—	—	(883)
Foreign exchange movement	(19,470)	(876)	(14,858)	(3,337)	4	(38,537)
<b>Balance as at September 30, 2019</b>	<b>360,561</b>	<b>16,216</b>	<b>275,105</b>	<b>61,793</b>	<b>164</b>	<b>713,839</b>
<b>Accumulated depreciation and impairment losses</b>						
<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	71	—	62	—	11	144
Depreciation of disposed assets	(83)	—	(16)	—	—	(99)
Impairment loss	15,496	—	—	—	—	15,496
Foreign exchange movement	(42,077)	(1,209)	(45,801)	(10,044)	(12)	(99,143)
<b>Balance as at December 31, 2018</b>	<b>271,474</b>	<b>7,344</b>	<b>278,591</b>	<b>61,085</b>	<b>127</b>	<b>618,621</b>
Depreciation	1,616	—	44	—	8	1,668
Depreciation of disposed assets	(757)	—	—	—	—	(757)
Foreign exchange movement	(13,921)	(376)	(14,278)	(3,130)	4	(31,701)
<b>Balance as at September 30, 2019</b>	<b>258,412</b>	<b>6,968</b>	<b>264,357</b>	<b>57,955</b>	<b>139</b>	<b>587,831</b>
<b>Carrying amounts</b>						
At December 31, 2017	78,820	11,150	14,727	4,899	35	109,631
At December 31, 2018	108,535	9,728	11,372	4,045	24	133,704
<b>At September 30, 2019</b>	<b>102,149</b>	<b>9,248</b>	<b>10,748</b>	<b>3,838</b>	<b>25</b>	<b>126,008</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

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

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

The Company holds directly and indirectly an 87.5% interest in CRM, through Barplats Investments (Pty) Ltd. ("Barplats Investment"), which is located on the eastern portion of the western limb of the Bushveld Complex. In 2018, the Company constructed the Retreatment Project, began providing material from re-mining the tailings and production in December 2018 (See Notes 8 and 14(d)). The underground operations of the CRM were placed on care and maintenance in 2013 and continue as such. (Also see Note 16).

(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 nine months ended September 30, 2019*

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 September 30, 2019.

(ii) *Year ended December 31, 2018*

During the fourth quarter of 2018 and as at December 31, 2018, management determined that there were indicators of impairment. As a result, management performed the impairment assessment of CRM, Mareesburg, KV and Spitzkop projects and recorded an impairment charge of \$15,496 in relation to the underground at CRM and no impairment charge was required for Mareesburg, KV and Spitzkop projects.

(f) *Capitalized accretion (Note 8)*

During the three and nine months ended September 30, 2019, total accretion charge of \$Nil and \$1,357 respectively (three and nine months ended September 30, 2018 - \$694 and \$1,453) was capitalized in relation to the retreatment project for activities prior to May 1, 2019, prior to the assets intended use.

(g) *Security for the guarantee*

As at September 30, 2019, certain of the Company's residential properties in the amount of \$1,398 (ZAR21,200) (December 31, 2018 - \$1,715 (ZAR21,200)) were pledged as security for the guarantee issued to the Department of Mineral Resources.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 4. Trade and other receivables

Trade and other receivables are comprised of the following (also see Note 13 (d)):

	<b>September 30</b>	December 31
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Trade receivables	<b>10,003</b>	408
VAT receivable	<b>1,054</b>	715
Other receivables	<b>828</b>	464
Allowance for doubtful debts for other receivables	<b>(281)</b>	(242)
	<b>11,604</b>	1,345

### 5. 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.

On April 12, 2019, \$1,842 (ZAR26,487) of other assets were released to the Company based on adjustments to its Department of Mineral Resources of the Republic of South Africa ("DMR") guarantees and the Company's guarantees issued to contractors. These funds were added to the Company's cash and cash equivalents.

### 6. 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 September 30, 2019 and December 31, 2018, 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 nine months ended September 30, 2019.

#### (c) Treasury shares

As at September 30, 2019 and December 31, 2018, the Company held 39,722 treasury shares. There were no changes to the number of treasury shares during the three and nine months ended September 30, 2019.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 6. Issued capital (continued)

#### (d) Share options

The Company has an incentive plan (the "2019 Plan"), approved by the Company's shareholders at its special meeting held on October 12, 2016 and again on June 13, 2019, 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 2016 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 second quarter of 2019, the Company granted 1,800,000 stock options to its directors and officers of the Company to acquire common shares of the Company at an exercise price of Cdn\$0.21 per share expiring in five years from the date of grant. These stock options vest in 90 days from the grant date. There were no stock options granted during the first and third quarter of 2019.

During the first and second quarter of 2018, the Company granted 100,000 and 200,000 stock options to its directors and officers, respectively, 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. There were no stock options granted during the third quarter of 2018.

The fair value of the options granted during the nine months ended September 30, 2019 and 2018 were estimated using the Black-Scholes options pricing model with the following assumptions:

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

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

For the three and nine months ended September 30, 2019, a total of \$95 and \$117 respectively, (three and nine months ended September 30, 2018 - \$9 and \$131) was recorded as share-based compensation expense relating to general and administrative services. The following is a summary of stock option transactions:

	Number of options	Weighted average exercise price Cdn\$
Balance, December 31, 2017	2,582,500	0.68
Granted	300,000	0.37
Expired	(807,500)	0.92
Balance, December 31, 2018	2,075,000	0.54
Granted	1,800,000	0.21
Expired	(25,000)	0.33
<b>Balance, September 30, 2019</b>	<b>3,850,000</b>	<b>0.39</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 6. Issued capital (continued)

(d) *Share options (continued)*

The following table summarizes information concerning outstanding and exercisable options at September 30, 2019:

Number of options outstanding	Number of options exercisable	Exercise price Cdn\$	Remaining contractual life (Years)	Expiry date
200,000	200,000	1.05	1.76	July 4, 2021
300,000	300,000	1.05	1.87	August 14, 2021
100,000	100,000	1.05	1.98	September 20, 2021
100,000	100,000	0.40	2.41	February 24, 2022
600,000	600,000	0.32	3.11	November 9, 2022
550,000	550,000	0.33	3.19	December 7, 2022
100,000	100,000	0.37	3.49	March 27, 2023
100,000	100,000	0.39	3.57	April 26, 2023
1,800,000	1,800,000	0.21	4.71	June 13, 2024
3,850,000 *	3,850,000			

\* 250,000 of which were cancelled subsequent to the period ended September 30, 2019.

### 7. Non-controlling interest

The Company has the following significant non-controlling interests in South Africa for the projects (also see Note 14 (d)):

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

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

	\$
Balance, December 31, 2017	(44,330)
Non-controlling interests' share of loss	(4,446)
Foreign exchange movement	6,477
Balance, December 31, 2018	(42,299)
Non-controlling interests' share of loss	(417)
Foreign exchange movement	182
Balance, March 31, 2019	(42,534)
Non-controlling interests' share of loss	(216)
Foreign exchange movement	(991)
Balance, June 30, 2019	(43,741)
Non-controlling interests' share of loss	(702)
Foreign exchange movement	3,043
<b>Balance, September 30, 2019</b>	<b>(41,400)</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 8. Union Goal Contracts

On March 1, 2018, the Company entered into a Framework Agreement with Union Goal relating to the Retreatment Project, located at the CRM. Pursuant to the Framework Agreement, Union Goal made a non-refundable upfront payment of ZAR42,200 (approximately \$3,556 at the time) (the "Upfront Payment") to Barplats and financed and supplied Barplats' Chrome Circuit while Barplats developed and is re-mining and operating the Retreatment Project. On August 31, 2018, the Company and Union Goal completed the various condition precedents under the Framework Agreement including signing various transactional agreements: equipment and chrome plant agreement, loan agreement, escrow agreement and offtake agreement. In December 2018, the Company began to generate revenues from the Retreatment Project.

	<b>September 30</b>	December 31
	<b>2019</b>	2018
	\$	\$
<b>Deferred revenue</b>		
Balance, beginning of period	<b>13,326</b>	—
Additions		
- Non-refundable front payment (a)	—	2,932
- Discounting effect from Chrome Circuit equipment payable (b)	—	10,328
- Discounting effect from Credit Facility (c)	<b>673</b>	1,004
	<b>673</b>	14,264
Recognized as revenue (*)	<b>(1,278)</b>	—
Foreign exchange	<b>(532)</b>	(938)
<b>Balance, end of period</b>	<b>12,189</b>	13,326
Deferred revenue - current	<b>2,527</b>	2,195
<b>Deferred revenue - non-current</b>	<b>9,662</b>	11,131

(\*) for the three months ended March 31, 2019, June 30, 2019 and September 30, 2019, deferred revenue in the amount of \$279, \$419 and \$580 respectively was recognized as revenue.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 8. Union Goal Contracts (continued)

	September 30 2019 \$	December 31 2018 \$
<b>Contracts payable - Chrome Circuit equipment payable (b)</b>		
Carrying value, beginning of period	<b>33,309</b>	—
Additions		
- Face value	—	41,423
- Discounting effect	—	(10,328)
- Net present value	—	31,095
- Accretion	<b>2,716</b>	2,214
<b>Carrying value, end of period</b>	<b>36,025</b>	33,309
<b>Contracts payable - Credit Facility (c)</b>		
Carrying value, beginning of period	<b>2,525</b>	—
Additions		
- Face value	<b>2,765</b>	3,556
- Discounting effect	<b>(673)</b>	(1,004)
Net present value	<b>2,092</b>	2,552
- Accretion	<b>440</b>	96
- Foreign exchange	<b>(291)</b>	(123)
<b>Carrying value, end of period</b>	<b>4,766</b>	2,525
<b>Contracts payable, carrying value - total</b>	<b>40,791</b>	35,834
Accretion capitalized (Note 3(f))	1,357	2,310
Accretion expensed (Note 9)	1,799	—
<b>Total contract payable accretion</b>	<b>3,156</b>	<b>2,310</b>

- (a) The Upfront Payment is recognized as revenue based upon material re-mined from the tailings and made available on a per ton basis to the chrome processing plant over the operations of the Retreatment Project, and it has been presented as deferred revenue on the Company's statement of financial position as at September 30, 2019 and December 31, 2018.
- (b) Pursuant to the equipment and chrome plant agreement, Union Goal is financing the equipment. The purchase price will not be due until the first 6.4 million tons of tailings from Barplats has been processed by the plant (the "Due Date") and is subject to Barplats' put option and Union Goal's call option for the re-purchase of the Chrome Circuit equipment by Union Goal in the event that either party is not satisfied with the agreed pricing or performance of the Chrome Circuit. The purchase price shall bear an interest rate equal to LIBOR rate plus 1 percent per annum commencing from the later of May 1, 2019 and the last day of a period of 240 days after the start of production of the plant as defined in the Framework Agreement (April 2020). The Company has an option to pay the purchase price and the related interest before the Due Date. Subject to the Company's board's and the required regulatory approval, the Company has an option to settle the debt by issuing shares of the Company.

In 2018, the Chrome Circuit equipment payable was recognized at an initial amortized cost value of \$31,095 determined by discounting the future payments of interest and principal using an estimated market rate of 10.50%. The difference of the Chrome Circuit equipment payable's initial net present value and its face value is \$10,328. This was credited to deferred revenue and will be recognized as revenue based on material re-mined from the tailings and made available on a per ton basis to the chrome processing plant over the operations of the Retreatment Project. As at September 30, 2019, the total face value of Chrome Circuit equipment payable is \$41,423 (December 31, 2018 - \$41,423).

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 8. Union Goal Contracts (continued)

- (c) Pursuant to the loan agreement, Union Goal granted the Company a non-revolving term loan in the amount of \$3,296 (ZAR50,000) (the "Credit Facility") in order to finance the plant construction cost. Both parties subsequently agreed to increase the term loan amount, however the written amended agreement has not been signed. The Credit Facility bears an interest rate equal to the LIBOR rate plus 1 percent per annum commencing from the later of May 1, 2019 and the last day of a period of 240 days after the start of production of the plant as defined in the Framework Agreement (April 2020). Interest will be calculated daily and compounded monthly in arrears and payable on or before the Due Date.

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

During the three months ended March 31, 2019, the Company drew down \$2,217 (ZAR31,267) from this Credit Facility. The Company recognized an additional discounting effect of \$550 calculated by discounting the future payments of interest and principal using an estimated market rate of 12.90%. This discounting effect was credited to deferred revenue.

During the three months ended June 30, 2019, the Company drew down an additional \$548 (ZAR7,882) from this Credit Facility. The Company recognized an additional discounting effect of \$126 calculated by discounting the future payments of interest and principal using an estimated market rate of 12.90%. This discounting effect was credited to deferred revenue.

There was no additional draw down of credit Facility during the three months ended September 30, 2019. As at September 30, 2019, total drawdown from the Credit Facility is \$5,755 (ZAR87,289) (December 31, 2018 - \$3,345 (ZAR48,139)).

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

### 9. Finance cost

	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Interest on provision for environmental rehabilitation	78	133	238	437
Accretion on contract payable (Note 8)	1,085	—	1,799	—
Others	1	—	1	—
	<b>1,164</b>	133	<b>2,038</b>	437

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 10. Commitments

- (a) The Company has committed to capital expenditures in South Africa of approximately \$129 (ZAR1,956) as at September 30, 2019, 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, 2022 (also see Note 2).

	Total	Less than 1 year	1-3 years
	\$	\$	\$
South Africa commitment	129	129	—
Office lease	79	26	53

### 11. 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 condensed interim consolidated financial statements are listed below:

(a) *Trading transactions*

The Company's related parties consist of (a) a private company owned by a current executive officer; (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		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Director fees	39	37	129	108
Management fees	57	53	239	161
Share-based payments	95	9	117	115
	191	99	485	384

- (i) The Company has a consulting agreement with Oriental Fortune Consulting Services Limited ("Oriental Fortune") which is controlled by the Company's chief operating officer ("COO"). The Company agreed to pay \$19 (Cdn\$25) per month to Oriental Fortune for management consulting services rendered. During the three and nine months ended September 30, 2019, Oriental Fortune also received a bonus payment of \$Nil and \$69 (Cdn\$92) respectively.
- (ii) At September 30, 2019, the Company held a loan receivable from Gubevu Consortium Investment Holdings (Pty) Ltd. ("Gubevu"), 49.99% owned by the Company, in the amount of \$67,950 (ZAR1,030,671) (December 31, 2018 - \$66,830 (ZAR961,583)). This loan is secured by Gubevu's interest in Barplats Investments, 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 nine months ended September 30, 2019 and 2018.

## Eastern Platinum Limited

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For the three and nine months ended September 30, 2019

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

### 11. Related party transactions (continued)

(a) *Trading transactions (continued)*

- (iii) Accounts receivable as at September 30, 2019 included \$37 (December 31, 2018 - \$37) 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 formerly the vice president of South African Operations (resigned effective August 31, 2018). The total remuneration to the key management for the three and nine months ended September 30, 2019 was \$223 and \$765 respectively (three and nine months ended September 30, 2018 - \$271 and \$806), respectively with the breakdown below:

- (i) Management salaries and bonuses, and consulting fees of \$168 and \$697 respectively (three and nine months ended September 30, 2018 - \$266 and \$744); and
- (ii) Share-based compensation of \$55 and \$68 respectively (three and nine months ended September 30, 2018 - \$5 and \$62).

Key management personnel were not paid post-employment benefits or other long-term benefits during the three and nine months ended September 30, 2019 and 2018.

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

### 12. 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 operations by geographic areas for the three and nine months ended September 30, 2019 and 2018, and assets by geographic areas as at September 30, 2019 and December 31, 2018, are as follows:

<b>Three months ended September 30, 2019</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	38	5	43	—	43
Cost of property, plant and equipment disposed	(87)	—	(87)	—	(87)
Revenue	11,310	—	11,310	—	11,310
Production costs - depreciation	(961)	—	(961)	(4)	(965)
Care and maintenance depreciation and amortization	(33)	—	(33)	(3)	(36)
Loss before income taxes	(2,925)	(93)	(3,018)	(428)	(3,446)
Income tax recovery (expense)	—	3	3	(15)	(12)
Net loss	(2,925)	(90)	(3,015)	(443)	(3,458)
<b>Nine months ended September 30, 2019</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 additions (net of \$888 spare parts reclassified to long term inventory)	905	20	925	9	934
Cost of property, plant and equipment disposed	(883)	—	(883)	—	(883)
Revenue	27,146	—	27,146	—	27,146
Production costs - depreciation	(1,550)	—	(1,550)	(8)	(1,558)
Care and maintenance depreciation and amortization	(102)	—	(102)	(8)	(110)
Loss before income taxes	(2,357)	(124)	(2,481)	(1,709)	(4,190)
Income tax expense	(50)	(44)	(94)	(47)	(141)
Net loss	(2,407)	(168)	(2,575)	(1,756)	(4,331)

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 12. Segmented Information (continued)

(b) *Geographic segments (continued)*

<b>Three months ended September 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	15,419	49	15,468	—	15,468
Cost of property, plant and equipment disposals	(16)	—	(16)	—	(16)
Care and maintenance depreciation and amortization	(26)	—	(26)	(3)	(29)
Loss before income taxes	(2,348)	(107)	(2,455)	(506)	(2,961)
Income tax recovery (expense)	—	1	1	(15)	(14)
Net loss	(2,348)	(106)	(2,454)	(521)	(2,975)

<b>Nine months ended September 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 additions	53,318	363	53,681	—	53,681
Cost of property, plant and equipment disposals	(136)	(16)	(152)	—	(152)
Care and maintenance depreciation and amortization	(87)	—	(87)	(8)	(95)
Loss before income taxes	(7,029)	(222)	(7,251)	(937)	(8,188)
Income tax recovery (expense)	9	(165)	(156)	(41)	(197)
Net loss	(7,020)	(387)	(7,407)	(978)	(8,385)

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 12 Segmented Information (continued)

(b) *Geographic segments (continued)*

<b>September 30, 2019</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	123,857	23,949	147,806	1,307	149,113
Total liabilities	55,723	2,022	57,745	8,499	66,244

<b>December 31, 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	120,611	25,273	145,884	4,661	150,545
Total liabilities	51,088	1,912	53,000	5,525	58,525

(c) *Revenue*

All revenues generated during the three and nine months ended September 30, 2019 are related to chrome concentrates and are from South Africa. No revenues were recorded for the three and nine months ended September 30, 2018.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 13. Financial instruments

(a) *Categories of financial instruments*

	<b>September 30</b>	December 31
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Financial assets		
Amortized cost		
Cash and cash equivalents	<b>2,297</b>	4,213
Restricted cash	<b>87</b>	84
Trade and other receivables (excluding taxes receivable)	<b>1,601</b>	630
Short-term investments *	<b>322</b>	1,397
Other assets **	<b>6,164</b>	7,940
	<b>10,471</b>	14,264
Financial liabilities		
Amortized cost		
Trade and other payables	<b>6,733</b>	2,979
Contracts payable	<b>40,791</b>	35,834
	<b>47,524</b>	38,813

\* Short-term investments are mainly GICs at financial institutions with market interest rates.

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

(b) *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 contracts payable approximate their carrying values.

(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 September 30, 2019 and December 31, 2018, the Company did not have financial liabilities measured at fair value on a recurring basis. There were no transfers between levels during three and nine months ended September 30, 2019.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 13. Financial instruments (continued)

#### (c) 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>September 30</b>	December 31
	<b>2019</b>	2018
	<b>\$</b>	\$
<b>Financial assets</b>		
Denominated in USD at Canadian head office	<b>859</b>	3,159
Denominated in Rand at Canadian head office	<b>1</b>	995
<b>Total</b>	<b>860</b>	4,154
<b>Financial liabilities</b>		
Contracts payable denominated in Rand at Canadian head office	<b>4,766</b>	2,525
Contracts payable denominated in USD at South African subsidiaries	<b>36,025</b>	33,309
<b>Total</b>	<b>40,791</b>	35,834

As at September 30, 2019, with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against U.S dollars would have decreased (increased) net income by approximately \$78; with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against the South African Rand would have increased (decreased) net income by approximately \$433; with other variables unchanged, a 10% strengthening (weakening) of the South African Rand against U.S dollars would have increased (decreased) net income by approximately \$3,275.

#### (d) Credit and concentration risk of financial instrument

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

All of the Company's revenue is from the chrome concentrate production to Union Goal under an offtake agreement (Note 8). As at September 30, 2019, the Company had receivable balances associated with Union Goal of \$10,003 (ZAR151,722). 100% of the Company's mining revenues and trade receivables are from Union Goal. There is a credit risk and credit concentration risk associated with the collection of revenue from its sole customer Union Goal under the offtake agreement. This risk is partially mitigated due to the contract structure and the significant outstanding contracts payable due to Union Goal (Note 8). The trade and other receivable balances are monitored on an ongoing basis. The Company seeks to maintain strict control over its outstanding receivables to minimize credit risk. Provision for doubtful debts is calculated based on the payment history. With respect to credit risk arising from cash and cash equivalents and other assets, the Company limits its counterparty credit risk on these assets by dealing only with financial institutions with strong credit ratings.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 14. Contingencies

- (a) On January 23, 2019, Alpha Global Capital Inc. ("Alpha Global") withdrew its claim in South Africa with costs, but these costs have not yet been settled.
- (b) On July 19, 2018, the Company was served with a further claim by Alpha Global initiated in the British Virgin Islands for recovery of amounts allegedly owed under the promissory note. Alpha Global is seeking payment of an amount of ZAR30,797 (\$2,030) plus an amount it alleges is owing for default interest, for a total claim of ZAR142,887 (\$9,420).

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

- (c) On November 6, 2018, the Company received a petition filed with the Supreme Court of British Columbia, by 2538520 Ontario Limited, a shareholder of the Company, seeking leave from the court to commence a derivative action on behalf of the Company against certain of its current and former directors in relation to the approval of the transactions between the Company and Union Goal. The Board of Directors of the Company formed a Special Committee of three non-management Directors to review the petition and make a recommendation on the appropriate action. Following its detailed review of this matter, the Special Committee of the Board of Directors recommended opposing this petition, and this recommendation was accepted by the Board of Directors. As such, the Company has filed its opposition to the petition and was provided security for costs. In June 2019 the petition was heard by the court and was dismissed on August 27, 2019. On September 27, 2019, the petitioner filed an appeal of the judgement. The Company is of the view that this is without merit and that no provision in this matter is required.
- (d) On June 30, 2016, two days after concluding the sale of CRM (which agreements were subsequently terminated), the former management of the Company purportedly entered into a number of share purchase agreements (the "BEE Buyout Agreements") with Ingwenya Incorporated ("Ingwenya") and Serina Service AG ("Serina") (collectively the "Vendors") to acquire/cancel all of the Company's black economic empowerment partners' (the "BEE Partners") interests in the Company's South African projects except for the 17.65% equity interest in Afriminerals Holdings (Pty) Ltd. ("Afriminerals") for a total of \$13,367. The Vendors represented to the Company that they are or will be the registered and beneficial owners of the respective equity interests in the Company's South African projects as at the closing date defined under the BEE Buyout Agreements. The transactions under the BEE Buyout Agreements consist of the acquisition of (i) 44.12% equity interest in Gubevu for a total of \$8,955 and an 18% equity interest in Lion's Head Platinum (Pty) Ltd. ("Lion's Head") for \$1,099 from Ingwenya; and (ii) 8% interest in Lion's Head for \$502, a 5.89% equity interest in Gubevu for \$1,194 and a 33.35% equity interest in Afriminerals for \$1,617 from Serina.

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

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and nine months ended September 30, 2019

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

### 14. Contingencies (continued)

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

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

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

(g) On October 16, 2017, the Company filed a claim in the Supreme Court of British Columbia against its former CFO and Corporate Secretary, Mr. Lee for breach of fiduciary duty and conflict of interest and its former general and administrative service provider Sterling West Management Ltd. in regards to recovery of termination fees, withholding of deposits, recovery of property and records, breach of contract, conspiracy and negligence. The Company is demanding recovery of the payments, value of property withheld, general and punitive damages.

(h) The Company has recently received a notice from the DMR of an appeal launched with the DMR of its mineral license issued in 2012 relating to the Spitzkop property. The Company with the assistance of counsel is addressing this matter and intends to defend this issue related to the validity of the issued mineral rights of Spitzkop.

(i) 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 nine months ended September 30, 2019

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

### 15. 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 nine months ended September 30, 2019 and 2018, the Company's diluted headline loss per share is identical to the headline loss per share as inclusion of stock options would be anti-dilutive.

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Loss attributable to shareholders of the Company	<b>(2,756)</b>	(2,357)	<b>(2,996)</b>	(6,492)
Adjusted for:				
Gain on disposal of property, plant and equipment	<b>(183)</b>	(27)	<b>(539)</b>	(153)
Headline loss attributable to shareholders of the Company	<b>(2,939)</b>	(2,384)	<b>(3,535)</b>	(6,645)
Headline loss and diluted headline loss per share	<b>(0.03)</b>	(0.03)	<b>(0.04)</b>	(0.07)

### 16. Subsequent event

On October 24, 2019, the Company and its subsidiary Barplats entered into a sales agreement (the "Sale Agreement") with Eland Platinum (Pty) Limited ("Eland"). The Sales Agreement provides for sale of the mining rights, immovable property, infrastructure and equipment of the Maroelabult resource property located near Brits in South Africa. The consideration to be received is \$1,367 (ZAR20,000), the assumption of the rehabilitation obligation and immediate assumption of the care and maintenance costs (the "Purchase Price") subject to representations and warranties by both parties. The Purchase Price is payable and enforceable on closing the transaction following the transfer of legal title and the completion of the various legal and regulatory obligations required in South Africa.