

# EASTERN PLATINUM LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

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*The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Eastern Platinum Limited ("Eastplats" or the "Company") as at December 31, 2020 and for the three months and year then ended in comparison to the same periods in 2019.*

*This MD&A should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2020 and the annual information form ("AIF") for the year ended December 31, 2020. The audited consolidated financial statements have been prepared using accounting policies prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").*

*The Company's presentation currency is U.S. dollars. Monetary amounts in this MD&A are in thousands of U.S. dollars ("\$" or "U.S. dollars"), except when indicated as thousands of Canadian dollars ("Cdn\$" or "Canadian dollars"), thousands of South African Rand ("ZAR" or "Rand") and except for per share amounts, per tonnage amounts or as otherwise indicated. The effective date of this MD&A is March 25, 2021. Additional information relating to the Company, including its AIF for the year ended, December 31, 2020, is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

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### 1. Overview

Eastplats owns directly and indirectly a number of platinum group metals ("PGM") and chrome assets in the Republic of South Africa ("South Africa"). All of the Company's properties are situated on the western and eastern limbs of the Bushveld Complex ("BCX"), the geological environment that hosts approximately 80% of the world's PGM-bearing ore.

As at December 31, 2020, the Company's primary assets were:

- (a) an 87.5% direct and indirect interest in Barplats Investments (Pty) Limited ("BIL"), whose main assets are an indirect interest in the Crocodile River Mine (the "CRM") located on the western limb of the BCX and the Kennedy's Vale ("KV") project located on the eastern limb of the BCX;
- (b) an 87% direct and indirect interest in the Mareesburg project, located on the eastern limb of the BCX; and
- (c) a 93.4% direct and indirect interest in the Spitzkop project, also located on the eastern limb of the BCX.

Operations at the CRM currently include re-mining and processing its tailings resource, with an offtake of the chrome concentrate from the Barplats Mines (Pty) Limited ("Barplats") Zandfontein UG2 tailings facility ("Retreatment Project") and the PGM Circuit D with its first delivery of PGM material in December 2020.

On July 17, 2020, Barplats entered into a project framework agreement (the "Project Agreement") setting out the terms to complete a feasibility study and source funding for the recovery of PGM's through a joint venture from certain areas of the redeposited tailings from the Retreatment Project. The feasibility study continues and has not been completed at filing but is expected during April 2021.

The Company is currently completing an environmental impact assessment (“EIA”) required for the Mareesburg project which unfortunately has experienced delays as a result of COVID-19. The Company plans to complete an updated project assessment but with the delays this is now forecast to begin following the EIA completion at the end of Q2 2021.

The Company entered an agreement for the sale of the Maroelabult resource property on October 24, 2019, and continues to work through the regulatory process to complete.

In addition, the Company continues to actively monitor the PGM markets and other developments in the mining and minerals sector to assess the overall economics related to resuming active underground mining at CRM, which is currently in care and maintenance.

There are no developments to report in connection with the KV or the Spitzkop projects, both of which remain in care and maintenance. The KV, the Spitzkop and the Mareesburg projects (collectively the “**Eastern Limb Projects**”) currently are monitored collectively as a group by management.

### COVID-19

The Company continues operations of the Retreatment Project at CRM. As at the date of the MD&A there were no operation shutdowns or days lost due to COVID-19 or lockdowns in 2021. However, the previous year on March 27, 2020, South Africa began a nation-wide lock-down to fight COVID-19 but has since opened up the economy in stages and on September 21, 2020 moved to alert level 1. On December 31, 2020 South Africa moved up to alert level 3 but on March 1, 2021 returned to alert level 1. The Company continues to operate with precautions and following the health guidelines of the Government of South Africa.

The effects of COVID-19 are evolving and changing and the consequences of a further temporary shutdown of the CRM or other related issues cannot be reasonably estimated at this time but could potentially have material adverse effects on the Company’s business, liquidity and cashflows.

## **2. Fiscal Year 2020 Highlights**

### **2.1 Significant Events**

#### *(a) Retreatment Project Update and Production*

The Company has completed two years of operations of the Retreatment Project. During 2020, Eastplats produced 987,003 (2019 -588,006) tons of chrome concentrate from the Retreatment Project, with an average grade of Cr<sub>2</sub>O<sub>3</sub> at 38.56% (2019-38.6%). The production in Q4 2020 was 202,225 tons (Q4 2019 - 214,828).

Operations consist of re-mining of the tailings material and processing the material through the Company’s chrome plant and chrome processing circuit, which includes the related technology and know-how (the “**Chrome Circuit**”).

The Company remains focused on lowering the costs and increasing the effectiveness of the logistics operations. It remains critical to ensure the chrome concentrate is transported to ports for shipping to China. The Company continues to expand its options for transport and will continue to actively manage logistics and monitor domestic and international issues that affect logistics.

### *March 3, 2021 Retreatment Project Review*

The Retreatment Project is a proprietary operation in South Africa producing chrome concentrates. It includes a combined hydro and mechanical re-mining method, magnetic separation applied to produce chrome concentrates, thus obtaining superior yield result compared to traditional gravity technology. The Retreatment Project is the only large-scale magnetic separation application in South Africa. Since 2017 Barplats has grown from 100 employees to over 350 contractors and employees engaged in supporting the Retreatment Project. The current Retreatment Project is expected to continue operating into 2024.

The key highlights of the Retreatment Project are as follows:

Total tons of tailings re-mined to December 31, 2020 = 4,107,257, with annual production levels as follows:

2019 = 1,778,525

2020 = 2,328,732

Total tons of chrome concentrate produced to December 31, 2020 = 1,575,009, with annual production levels as follows:

2019 = 588,006

2020 = 987,003

Recoveries of chrome - Yields (wet)

2019 – 32.63%

2020 – 37.47%

Availability of the Retreatment Project as a 24-hour continuous operation (including chrome recovery plant, deposition and re-mining on the tailings dam) including planned maintenance has improved significantly from 76.43% in 2019 to 85.71% in 2020.

### *March 10, 2021 – Restated and Revised Retreatment Project Agreements*

The updated Retreatment Project Agreements include:

The 2021 Revised and Restated Framework Agreement;

The 2021 Revised and Restated Off-take Agreement;

The 2021 Revised and Restated Eastplats Loan Agreement; and

The 2021 Revised and Restated Barplats Equipment and Chrome Plant Agreement.

The above review highlighted the excellent operating results achieved to date and the updated Retreatment Project Agreements capitalize on two years of operating knowledge and Eastplats continued commitment to the long-term benefits of the Retreatment Project.

The benefits are summarized as follows:

- Formalized the 2019 agreed rate per ton of R40.26/ ton (29% increase in the recovery rate);

- Update of the rate charged on each ton re-mined and linking that to annual South African CPI increases, the rate for 2020 was R41.87/ ton and based on the SA CPI adjustment for 2021 is R43.17/ ton;
- Recognition of the total capital recovery of the project required by Barplats, which includes the original capital estimated and provides for a future determination on how this recovery can be achieved;
- Incorporation of the optimization program requirements (See press release of February 18, 2020);
- Extension of the due date of the construction loan and the equipment payment (estimated at the timing of filing this MD&A to be May 2022) to 210 days following the commissioning of the optimized equipment and circuits, which are currently delayed due to COVID-19, (allowing additional time for assessment and determining best corporate option);
- Incorporation of the optimization equipment purchase on the same updated deferred terms as the original equipment;
- Provided additional loan capacity to recognize the original loan amount and the optimization loan amount required and updated with the deferred repayment terms;
- Removal of all the interest on the outstanding amounts due to COVID-19 delays (additional savings);
- Updated warranties on all the optimized equipment;
- Clearer language regarding the future use of all the Retreatment Project technology and equipment in other South African projects;
- Improved notice requirements regarding the potential reprocessing of tailings at the end of the project; and
- Cancellation of the 2018 escrow agreement based on the two-year operational history.

The Company and Barplats maintain the put option and Union Goal retains the call option for the repurchase of the Retreatment Project equipment and loan in the event that both parties cannot agree on the pricing for the entire circuit once assessment is complete.

#### *Export tax*

On October 22, 2020 the South African Cabinet statement announced they had approved an export tax on chrome ore. Unfortunately, there are no additional details related to the timing of implementation or the proposed rate.

Although this potential cost will be absorbed by the Company's offtake during the Retreatment Project, this proposed export tax may decrease demand for Chrome ore exports and could affect Eastplats' growth potential in the future.

#### *Optimization Program*

Due to COVID-19, Eastplats was required to delay the construction and installation of the additional equipment to optimize the plant's overall efficiency and its processing which is designed to provide increased chrome recovery and grade (the "**Optimization Program**"). The Optimization Program began in February 2020 but was paused due to the lockdown in March 2020 and COVID-19. Some aspects of construction were restarted in June 2020 with the original scope of civil works completed in December 2020. The Company is now completing work regarding an updated scope of civil work, expected to be completed in Q2 2021. However, completion of the entire Optimization Program remains uncertain due to international travel restrictions and regulations in South Africa including visa challenges as a result of continued COVID-19 related delays.

*(b) PGM Scavenger Circuit*

During 2020, the Company completed the refurbishment of the small-scale PGM circuit (previously the scavenger plant circuit) (“**PGM Circuit D**”). The Company only restarted and began operating the PGM Circuit D during Q3 2020 (following the mandatory general lockdown imposed by the Government of South Africa in connection with the COVID-19 pandemic). The Company has generated approximately 134 tons of pressed filter cake PGM concentrate and delivered approximately 32.18 tons during 2020. During early January 2021 the Company confirmed the provisional payment terms of the first delivered shipment of pressed filter cake PGM concentrate under the existing offtake agreement between Barplats and Impala Refining Services Limited, now Impala Platinum Limited (the “**PGM Offtake Agreement**”). These terms confirm the restart of PGM revenue.

During early 2021 Barplats has committed ZAR9,000 (Cdn\$768) to the reconfiguring and optimization of the PGM Circuit D which also includes funding for some of the initial work required to restart the main PGM plant circuit (“**PGM Main Circuit**”).

Barplats has completed the work during February 2021 and recommissioning and operations restarted in March 2021. The Company is pursuing the upgrades to obtain higher quality concentrate and to consistently produce a minimum of 200 tons of PGM concentrate (“**PGM Concentrate**”) per month which is projected to further increase the revenue of the Company. The PGM Circuit D will be able to utilize the initial work on the PGM Main Circuit and it will allow a quicker restart of production. The next phase of the PGM Main Circuit work is projected to start in May 2021, with commissioning in October 2021. The Company estimates this will add a further 800 tons of PGM Concentrate per month to Barplats production, thereby continuing to grow Eastplats’ revenue.

The Company will continue its assessment of the larger PGM recoverability opportunities in relation to the tailings resource, for which it has a life of mine offtake agreement in place.

*(c) Rights Offering*

On December 11, 2020 the Company announced the issuance of a rights offering to its existing shareholders (the “**Rights Offering**”) and the rights were issued on December 18, 2020. On January 22, 2021 the Company completed the Rights Offering to its shareholders. Eastplats issued 36,841,741 common shares of the Company (each a “**Common Share**”) at a price of Cdn\$0.32 per Common Share for rights exercised on the TSX and R3.77136 per Common Share for rights exercised on the JSE. The Company is very pleased to have raised total gross proceeds of approximately \$9,262 (TSX – Cdn\$11,364 and JSE – ZAR5,011).

A total of 32,808,630 Common Shares were issued under the basic subscription privilege and an additional 4,033,111 Common Shares were issued under the additional subscription privilege. As of the closing date, 137,480,773 Common Shares of Eastplats were issued and 137,441,051 Common Shares were outstanding. No Common Shares were issued under a stand-by commitment and no fees or commissions were paid in connection with the distribution.

*(d) Project Agreement – PGM reprocessing Circuit H*

In July 2020, Barplats entered a Project Agreement with Advanced Beneficiation Technologies Proprietary Limited of South Africa (“**ABT**”), an organization fully compliant as a Black Economic Empowerment Entrepreneur (“**BEE Entrepreneur**”) and a member of the Omang Group of companies, to complete an independent feasibility study (the “**Feasibility Study**”) for the development and construction of a new modular plant with a capacity to process the PGMs of the tailings redeposited from the Retreatment Project at a designated area of the Zandfontein Tailings Dam (the “**Tailings Dam Area A**”) situated at the

Crocodile River Mine in South Africa at an expected rate of 50,000 tons per month (the “**Circuit H Project**”).

There are several milestones required by Eastplats and the Project Agreement to complete and establish this Circuit H Project, including the completion (at ABT’s risk and cost), assessment and acceptance of the Feasibility Study (delayed as a result of COVID-19 related issues and extensive assay lab delays) now expected during April 2021. A successful Feasibility Study will be followed by the conclusion of various agreements, including a joint venture agreement between Barplats and ABT and procuring appropriate funding.

Barplats will supply the material and related infrastructure for PGMs processing from the Tailings Dam Area A, establish an appropriate off-take agreement, and support the Circuit H Project through both executive management and administration.

ABT, as the intended operator, is responsible to complete the Feasibility Study (including appropriate drilling), secure appropriate funding, oversee the construction and commissioning and operate the Circuit H Project as governed by the Project Agreement.

The Project will be subject to the results of the Feasibility Study, the access to funding for the Project and the execution of definitive transaction agreements.

*(e) AlphaGlobal Settlement*

On June 25, 2020, the Company reached a settlement agreement (the “Settlement Agreement”) with AlphaGlobal Capital Inc. (“**AlphaGlobal**”) to dismiss all claims against the Company and its subsidiaries and to release the Company from any and all claims that AlphaGlobal may have had against the Company or its subsidiaries (the “**Claims**”), in exchange for which the Company closed on June 26, 2020 and has: (a) issued 8,000,000 Common Shares at a deemed subscription price of Cdn\$0.235, and 6,000,000 common share purchase warrants to a nominee of AlphaGlobal (the “**Warrants**”), with each such Warrant entitling the holder to acquire one common share of the Company (each a “**Warrant Share**”) for a period of two years upon payment of the exercise price of Cdn\$0.24; (b) made a payment of ZAR5,000 (\$289); and (c) has issued a promissory note in favour of AlphaGlobal for the payment of ZAR4,000 (\$229) in four equal instalments, payable on September 30, 2020 (paid), December 31, 2020 (paid), March 31, 2021 and June 30, 2021.

The Settlement Agreement received approval by the Toronto Stock Exchange (the “**TSX**”). The Common Shares, the Warrants and the Common Shares issuable upon exercise of the Warrants will be subject to a hold period until October 27, 2020 in accordance with applicable securities laws.

The Claims against the Company were first initiated by commencement of litigation in 2017 in South Africa and continued by litigation in 2018 in the British Virgin Islands. The claim related to the payment of amounts alleged to be owing under a 2007 promissory note entered into by the Company and AlphaGlobal. AlphaGlobal sought payment of the amount of ZAR30,797 (approximately \$2,099) plus an amount that AlphaGlobal claimed was owing for default interest from 2007, for an estimated total claim in excess of ZAR170,000 (approximately \$11,588). The Settlement Agreement has settled all matters related to the Claims and any litigation outstanding between the parties.

## **2.2 Financial Highlights 2020**

- Revenue from the Retreatment Project was \$15,819 and \$56,143 for the three months and year ended December 31, 2020 respectively, compared to \$12,096 and \$39,242 for the same periods in 2019.

- Mining operation income of \$1,535 and \$5,555 for the three months and year ended December 31, 2020 respectively, compared to \$724 and \$5,524 for the same periods in 2019.
- Operating loss of \$686 and \$3,736 for the three months and year ended December 31, 2020 respectively, compared to operating income of \$694 and loss of \$2,384 for the same periods in 2019. Operating income for Q4 2019 mainly resulted from the impairment reversal of \$1,603 in connection with the held for sale classification of the Maroelabult property in October 2019.
- Net income attributable to equity stakeholders of \$3,047 and net loss of \$7,974 for the three months and year ended December 31, 2020, respectively compared to net income of \$3,099 and \$103 for the same periods in 2019.

### 3. Selected Quarterly Financial Data

The table below sets forth selected results of operations for the Company's eight most recently completed quarters:

Table 1

| Selected quarterly data<br>(Expressed in thousands of U.S. dollars, except for per share amounts and foreign exchange rates) |          |          |         |          |          |          |         |         |
|--|----------|----------|---------|----------|----------|----------|---------|---------|
|  | 2020     |          |         |          | 2019     |          |         |         |
|  | Dec. 31  | Sept. 30 | Jun. 30 | Mar. 31  | Dec. 31  | Sept. 30 | Jun. 30 | Mar. 31 |
|  | \$       | \$       | \$      | \$       | \$       | \$       | \$      | \$      |
| Revenue  | 15,819   | 16,847   | 9,298   | 14,179   | 12,096   | 11,310   | 10,486  | 5,350   |
| Production costs   | (12,584) | (14,287) | (7,670) | (11,796) | (10,445) | (8,361)  | (8,008) | (4,419) |
| Production costs - depreciation  | (1,700)  | (910)    | (688)   | (953)    | (927)    | (965)    | (593)   | —       |
| Mining operation income (loss)   | 1,535    | 1,650    | 940     | 1,430    | 724      | 1,984    | 1,885   | 931     |
| General and administrative   | (775)    | (943)    | (431)   | (715)    | (525)    | (744)    | (582)   | (791)   |
| Care maintenance and site services   | (1,446)  | (1,548)  | (1,527) | (1,906)  | (1,108)  | (2,077)  | (1,711) | (1,973) |
| Impairment reversal  | —        | —        | —       | —        | 1,603    | —        | —       | —       |
|  | (2,221)  | (2,491)  | (1,958) | (2,621)  | (30)     | (2,821)  | (2,293) | (2,764) |
| Operating (loss) income  | (686)    | (841)    | (1,018) | (1,191)  | 694      | (837)    | (408)   | (1,833) |
| Other income (expenses), net   | 4,160    | 978      | (2,150) | (8,470)  | 2,572    | (2,609)  | 856     | 641     |
| Income (loss) before income taxes  | 3,474    | 137      | (3,168) | (9,661)  | 3,266    | (3,446)  | 448     | (1,192) |
| Net income (loss) for the period   | 3,419    | 117      | (3,240) | (9,692)  | 3,185    | (3,458)  | 382     | (1,255) |
| Net income (loss) attributable to equity shareholders of the Company   | 3,047    | 172      | (3,009) | (8,184)  | 3,099    | (2,756)  | 598     | (838)   |
| Earnings (loss) per share - basic and diluted  | 0.03     | 0.00     | (0.03)  | (0.09)   | 0.03     | (0.03)   | 0.01    | (0.01)  |
| Average foreign exchange rates   |          |          |         |          |          |          |         |         |
| US dollar per South African Rand   | 0.0641   | 0.0592   | 0.0558  | 0.0652   | 0.0680   | 0.0682   | 0.0695  | 0.0714  |
| US dollar per Canadian dollar  | 0.7676   | 0.7511   | 0.7218  | 0.7447   | 0.7576   | 0.7573   | 0.7477  | 0.7524  |
| Period end foreign exchange rates  |          |          |         |          |          |          |         |         |
| US dollar per South African Rand   | 0.0641   | 0.0597   | 0.0576  | 0.0561   | 0.0714   | 0.0659   | 0.0708  | 0.0692  |
| US dollar per Canadian dollar  | 0.7854   | 0.7497   | 0.7338  | 0.7049   | 0.7699   | 0.7551   | 0.7641  | 0.7483  |

The Company's operations are not materially impacted by seasonality considerations, with the exception of seasonal electricity tariffs (winter rates in South Africa are 1.5 times the summer rates). The Company began ramping-up operations in early 2019 with appropriate staffing levels and they were maintained for 2019 and 2020. In 2021 as a result of the ramp up of PGM operations there will be additional staff recruitment required.

#### 4. Results of Operations for the Fourth Quarter of 2020 and Year ended December 31, 2020

All of the Company's mineral properties are located in South Africa. All of the mining operations, care and maintenance costs, impairment recovery/charges towards the mineral properties, gains on disposal of property, costs of plant and equipment, majority of interest income, other income, and finance costs are incurred in South Africa. Therefore, the Company is subject to the risks of foreign exchange and inflation fluctuations in South Africa.

Prior to the Retreatment Project, almost all South African funding was provided from Canada by its parent company, which holds its cash and cash equivalents, and short-term investments in U.S dollars, Canadian dollars and South African Rand. Following the operational ramp up in 2019, the Company is now operating the Retreatment Project and generating mining operation income and has been able to fund its core operations in South Africa. Capital funding needs beyond the Retreatment Project need to be funded from other sources.

The Company's presentation currency is the U.S. dollar while the Company's operating expenses are predominately incurred in Canadian dollars and Rand. The annual average foreign exchange rate for 2020, 2019 and 2018 is listed below:

|      | <u>Cdn to USD</u> | <u>ZAR to USD</u> |
|------|-------------------|-------------------|
| 2020 | 0.7463            | 0.0610            |
| 2019 | 0.7538            | 0.0693            |
| 2018 | 0.7719            | 0.0760            |

The estimated annual inflation rate in South Africa has been 3.23% in 2020, 4.13% in 2019, and 4.50% in 2018.

The following table sets forth selected consolidated financial information for the years ended December 31, 2020, 2019 and 2018:



Table 2

| <b>Consolidated statements of loss</b>                             |                |                |                 |
|--|----------------|----------------|-----------------|
| (Expressed in thousands of U.S. dollars, except per share amounts) |                |                |                 |
|  | Year ended     |                |                 |
|  | December 31    |                |                 |
|  | 2020           | 2019           | 2018            |
|  | \$             | \$             | \$              |
| Revenue  | 56,143         | 39,242         | 414             |
| Mine operation income  | 5,555          | 5,524          | (13)            |
| Expenses   |                |                |                 |
| General and administrative   | 2,864          | 2,642          | 2,236           |
| Site services  | 4,575          | 4,642          | —               |
| Care and maintenance   | 1,852          | 2,227          | 7,996           |
| Impairment (reversal) expenses of mineral properties               | —              | (1,603)        | 15,496          |
| Operating loss   | (3,736)        | (2,384)        | (25,741)        |
| Other net (expenses) income and income tax expense                 | (5,660)        | 1,238          | (525)           |
| <b>Net loss for the year</b>                                       | <b>(9,396)</b> | <b>(1,146)</b> | <b>(26,266)</b> |
| Attributable to  |                |                |                 |
| Non-controlling interest   | (1,422)        | (1,249)        | (4,446)         |
| Equity shareholders of the Company                                 | (7,974)        | 103            | (21,820)        |
| <b>Net loss for the year</b>                                       | <b>(9,396)</b> | <b>(1,146)</b> | <b>(26,266)</b> |
| Earnings (loss) per share  |                |                |                 |
| Basic and diluted  | (0.08)         | 0.00           | (0.24)          |
| Weighted average number of common shares outstanding               |                |                |                 |
| Diluted  | 96,708         | 92,791         | 92,599          |
| <b>Consolidated statements of financial position</b>               |                |                |                 |
|  | December 31    | December 31    | December 31     |
|  | 2020           | 2019           | 2018            |
|  | \$             | \$             | \$              |
| Total assets   | 162,985        | 164,848        | 150,545         |
| Total non-current liabilities                                      | 69,775         | 59,657         | 53,351          |

The Company recorded a loss attributable to equity shareholders of the Company of \$7,974 (or \$0.08 loss per share) in 2020 compared to an income of \$103 (or \$0.00 earnings per share) in 2019 and a loss of \$21,820 (or \$0.24 loss per share) in 2018. The 2020 loss mainly resulted from the AlphaGlobal settlement and the increase of finance cost in connection with the mining equipment lease as fully discussed in the later part of this report.

#### **4.1 Crocodile River Mine**

##### Retreatment Project – Chrome recovery

The Retreatment Project produces revenue based on tons of material made available for processing by re-mining the tailings, recovery of certain operational costs and allocation of the upfront cash payment from Union Goal for the offtake of chrome concentrate.

Section 2.1 discusses the details of operation during 2019 and 2020.

The financing of the costs of the Optimization Program has been agreed to in principle with Union Goal during 2020 and formalized in the updated agreements signed March 10, 2021.

The timing of completion of the Optimization Program, as discussed above, cannot be accurately projected due to COVID-19 restrictions. The investment in additional equipment, including civil construction during the year ended December 31, 2020 is ZAR73,755 (\$4,692) (Budget - ZAR90,000 (\$6,000)), to enhance the efficiency of the plant, to provide increased chrome recovery and grade has restarted but uncertainty due to the lockdown regulations associated with COVID-19 have not allowed a full resumption of the Optimization Program.

The Company received an advance of \$nil in Q4 2020 and ZAR17,780 (approximately \$1,077) during the year ended December 31, 2020 related to a construction loan from Union Goal in relation to the Optimization Project.

The Company continues the tailing's storage facility (“TSF”) wall building program, utilizing waste rock and paddocking, to continue to raise the wall for continued deposition of the Retreatment Project following the re-processed tailings.

#### Retreatment Project – PGM

Eastplats made the decision to refurbish the PGM Circuit D and utilizing the feed, following the recovery of chrome concentrate, has successfully produced PGM concentrate during Q4 2020 and sold this under the Offtake Agreement.

The Retreatment Project is also discussed above under section 2.1 – *Significant events (a) Retreatment Project Operations Update*

#### Sale of Maroelabult

On October 24, 2019, the Company and its subsidiary, Barplats, entered into a sales agreement (the “**Sales Agreement**”) with Eland Platinum (Pty) Limited (“**Eland**”). The Sales Agreement provides for the sale of the mining rights, immovable property, infrastructure and equipment of the Maroelabult resource property located near Brits in South Africa from the Company to Eland. The consideration to be paid by Eland to the Company consists of \$1,363 (ZAR 20,000), the assumption of the rehabilitation obligation and the assumption (in November 2019) of the care and maintenance costs (the “**Purchase Price**”) payable on closing upon giving effect to the transfers of legal title. The Sales Agreement is subject to standard representations and warranties by both parties and various legal and regulatory obligations required in South Africa which have taken significant time. The Company has been delayed due to COVID-19 but has put in significant work to close the deal and is targeting to close in Q2 2021.

Barplats has obtained immediate benefits by reducing its ongoing costs. Eland, without cost to Barplats, was appointed to render the required care and maintenance services for the related assets until closing of the transaction.

The Company will continue to look for opportunities to divest some of its non-core assets to focus its efforts and resources on core projects, primarily the Retreatment Project in the short term.

#### **4.2 Maresburg Project**

The Company has experienced delays in completing the EIA (due to COVID-19), but is now targeting completion by early Q2 2021. The Company is currently assessing the appropriate time to begin and complete the feasibility study. SRK Consulting (South Africa) Pty Ltd (“**SRK**”) will need about four

months to finalize the feasibility study once the Company decides to resume this endeavour. Preliminary discussions have been held on the offtake of the mined ore.

### **4.3 Results of Operations**

#### Revenue

During 2019 and for the majority of 2020, the Company's only source of revenue was the offtake agreement (the "**Union Goal Offtake Agreement**") entered into between the Company, its subsidiary Barplats Mines (Pty) Limited and Union Goal Offshore Solution Limited ("**Union Goal**") in relation to the offtake of chrome concentrate production from the Retreatment Project. The Retreatment Project produces revenue based on tons of material made available for processing by re-mining the tailings, recovery of certain operational costs and allocation of the upfront cash payment for the offtake of chrome concentrate to Union Goal. Additional non-cash deferred revenue is recognized based on tons made available for processing from the discounting of the chrome equipment debt and the construction loan based on the effective interest rate.

The Company generated revenue of \$15,819 (Q4 2019 - \$12,096) in Q4 2020 and \$56,143 (2019 - \$39,242) for the year ended December 31, 2020, respectively which showed growth even during a very challenging 2020 due to COVID 19 interruptions.

#### Mining operation income

Although the direct operating costs (re-mining, processing, deposition and logistics) are included as direct cost recoveries, other overheads such as management salary costs related to the Retreatment Project are not recovered. As operations have increased the Company increased its mine operation income as the salaries are effectively a fixed cost to the increasing revenue: \$1,535 (Q4 2019 - \$724) in Q4 2020 and \$5,555 (2019 - \$5,524) for the year ended December 31, 2020, respectively, with the flat 2020 due to COVID-19 additional overhead costs.

#### Operating (loss) income

The Company incurred an operating loss of \$686 in Q4 2020 and \$3,736 for the year ended December 31, 2020 compared to operating income of \$694 and an operating loss of \$2,384 for the same periods in 2019. The Q4 2019 operating income was mainly attributed from an impairment reversal of Maroelabult property in the amount of \$1,603 which was recorded as assets held for sale as a result of the Sales Agreement with Eland dated October 24, 2019. Excluding this impairment reversal, the Company incurred an operating loss of \$909 in Q4 2019.

#### General and Administrative

G&A costs are associated with the Company's Vancouver corporate head office and are summarized below:

The G&A costs increased by \$250 to \$775 in Q4 2020, compared to total costs of \$525 for the same period in 2019. The increase in 2020 is primarily due to the share-based compensation in the amount of \$221 relating to 1,770,000 stock options granted to the Company's directors and officers.

The G&A costs increased by \$222 to \$2,864 for the year ended December 31, 2020 compared to \$2,642 for the same period in 2019. The increase of G&A cost in 2020 compared to the same period in 2019 is primarily due to increased insurance costs, and professional fees relating to several legal disputes.

### Site Services

Prior to 2019 all site costs were considered care and maintenance as the Company had no operations. The Company has separated all site services which indirectly support operations and direct care and maintenance costs. As such costs such as security, management and support operations are included in site services. These costs have increased by \$597 (excluding foreign currency translation impact of \$42) to \$1,272 in Q4 2020 compared to \$717 in Q4 2019. These costs have increased by \$502 (excluding foreign currency translation impact \$569) to \$4,575 for the year ended December 31, 2020 compared to \$4,642 for the same period in 2019. Due to continued expansion of the Retreatment Project, PGM operations and COVID-19 cost the Company has seen increases in these costs but constantly works to focus its resources on production and monitor these overheads.

### Care and Maintenance

Care and maintenance costs have been incurred since production of the PGM projects was suspended and expenditures have been limited to the level required to maintain the good condition of such assets. Such costs consist of maintenance, pumping to prevent flooding of the workings, underground inspections to ensure that the integrity of critical excavations is preserved, G&A and other costs necessary to safeguard such projects and their associated assets. The Maresburg and KV concentrator projects were placed on care and maintenance in the fourth quarter of 2012 and the CRM underground operation was placed on care and maintenance in the third quarter of 2013. In 2019, the Company started to separate site services costs from direct care and maintenance costs due to the commencement of operations associated with the Retreatment Project.

Care and maintenance costs decreased by \$194 (excluding foreign currency translation impact of \$23) to \$174 in Q4 2020 compared to \$391 in Q4 2019 in connection with the CRM and Eastern Limb Projects. This decrease was the result of the use of labour in the active operations of the Retreatment Project and the beginning of the PGM refurbishment.

Care and maintenance costs decreased by \$98 (excluding foreign currency translation impact of \$277) to \$1,852 for the year ended December 31, 2020 compared to \$2,227 for the same period in 2019 in connection with the CRM and Eastern Limb Projects. This decrease was the result of the use of labour in the active operations of the Retreatment Project and the beginning of the PGM refurbishment. Some of the costs did increase and offset the decrease including the payments of incentives, salary adjustment in South Africa related to the cost of living and annual electricity increase.

### Other Significant Item (foreign exchange loss)

In Q4 2020 there was a continued recovery of the significant decline in the foreign exchange rate of the South African rand to US dollar during Q1 2020 which created a significant foreign exchange loss on the Company's US dollar contract payable liability in Q1 2020. The foreign exchange gain of \$5,069 in Q4 2020 and foreign exchange loss of \$775 for the year ended December 31, 2020 compared to foreign exchange gain of \$2,620 and \$994 for the same periods in 2019.

### Other Significant Item (AlphaGlobal settlement)

On June 26, 2020 the Company reached a settlement agreement with AlphaGlobal to dismiss all claims against the Company and its subsidiaries and to release the Company from any and all claims that AlphaGlobal may have had against the Company or its subsidiaries. All details are in Note 7 of the Company's consolidated financial statements for the year ended December 31, 2020.

## Impairment

Mineral properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or previous impairment on assets are recoverable.

### 2020

For the year ended December 31, 2020, there were no indicators of impairment except in Q1 2020, management determined that there were indicators of impairment due to the significant fluctuation in the forecasted metal prices, the decline in the forecasted platinum prices, the decline in the market price of the Company's common shares and the uncertainty globally as a result of the COVID-19 pandemic.

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

As a result, management performed the impairment assessment of CRM, Spitzkop and Mareesburg based on fair value less cost to disposal ("FVLCTD") (level 3 in the fair value hierarchy). The projected cash flows in the Company's economic models were updated using a post-tax discount rate of 13.2%, the forecasted metal prices and forecasted foreign exchange rates based on an average of analysts' consensus issued in March 2020. The Company updated its economic models in March 2020 to reflect management's assessment in relation to costs, timing and recoveries. As a result of this analysis, the recoverable amount of CRM and Spitzkop approximated the carrying amount and the recoverable amount of Mareesburg exceeded the carrying amount. No impairment was required for the CRM, Spitzkop and Mareesburg projects.

The KV project is at the early stage of development. The recoverable amount of the KV project was determined on a FVLCTD basis (level 3 in the fair value hierarchy) with reference to market transactions as well as a purchase offer received in 2019 and renewed interest expressed in 2020. During the three months ended March 31, 2020, there were no significant changes in the observable market transactions for the properties that are similar to KV since the previous impairment assessment performed as at December 31, 2019, except for the uncertainty due to COVID-19. No impairment charge was recorded for the KV project during the three months ended March 31, 2020.

### 2019

During 2019 and as at December 31, 2019, management determined that there was no impairment. In Q4 2019, the Company recorded an impairment reversal of \$1,603 (ZAR22,457) relating to the Maroelabult property as it was held for sale as at December 31, 2019. The reversal was calculated based on the estimated sales price less cost of sale. Historically, the Company had taken an accumulated impairment charge of \$1,887 (ZAR26,437) on the Maroelabult property.

## Interest Income

Interest income mainly represents the interest and investment return earned through various money market funds invested in Canada and South Africa.

Interest income decreased by \$78 (excluding of foreign currency translation impact of \$10) to \$80 in Q4 2020 compared to \$168 in Q4 2019 due to slightly lower market returns and lower cash balances for 2020. Interest income decreased by \$138 (excluding of foreign currency translation impact of \$83) to \$487 for the year ended December 31, 2020 compared to \$708 for the same period in 2019 due to slightly lower market returns and the lower overall operating cash balances.

### Other Income

Other income consists of rental income from company-owned residential properties on the Eastern Limb Projects and at the CRM as well as scrap metal sales not directly related to operations.

Other income increased by \$229 (excluding of foreign currency translation impact of \$25) to \$630 in Q4 2020 compared to \$426 in Q4 2019 mostly due to more scrap metals sales. Other income increased by \$1,007 (excluding of foreign currency translation impact of \$216) to \$2,613 for the year ended December 31, 2020 compared to \$1,822 for the same period in 2019 mostly due to increased scrap metals sales.

### Finance Costs

Finance costs include interest accretion on the provision for environmental rehabilitation, Union Goal contracts payable, leased mining equipment and office space and other miscellaneous interest charges.

Finance costs increased by \$514 (excluding of foreign currency translation impact of \$70) to \$1,787 in Q4 2020 compared to \$1,203 in Q4 2019. Finance cost increased by \$2,822 (excluding of foreign currency translation impact of \$386) to \$5,677 for the year ended December 31, 2020 compared to \$3,241 for the same period in 2019.

The increase is because of the accretion of Union Goal contracts payable and the leased mining equipment contract entered effective October 1, 2020. The effective interest on the Union Goal Contract was capitalized as part of development cost until the end of April 2019 when the asset was ready for its intended use.

### Income Tax

The income tax expense consists of the income tax payable relating to the non-mining income (i.e. rental and scrap metal sales) earned in South African subsidiaries and the origination and reversal of temporary differences which arose due to changes in the Company's net assets and the foreign exchange impact on deferred tax liabilities.

The Company recorded a net income tax expense of \$55 and \$178 in Q4 2020 and for the year ended December 31, 2020 respectively, compared to \$81 and \$222 for the same periods in 2019.

## **5. Liquidity and Capital Resources**

As at December 31, 2020, the Company had working capital (current assets minus current liabilities) of \$4,080 (December 31, 2019 – \$7,153) and a cash position of \$1,772 (December 31, 2019 – \$1,957). The decrease in working capital was the result of capital spending and increases in non-cash current liabilities (deferred revenue and lease liabilities). Further, the timing of collection of the accounts receivable remains a general concern. On January 22, 2021 the Company closed a Rights Offering and received gross proceeds of \$9,262 which has provided additional capital resources to deal with short term liquidity issues.

The Company's cash position decreased by \$5,294 in Q4 2020 compared to the balance as at September 30, 2020. If the foreign currency translation gain impact of \$557 is excluded, the actual decrease of Cash Position is \$5,851. The decrease resulted from: (i) net cash used in operations of \$4,961 (proceeds of proximately \$16,375 received from sales of chrome concentrate net of operating expenditures for chrome production cost, G&A and care and maintenance of the CRM and the Eastern Limb Projects); (ii) a lease payment of \$431; (iii) acquisition of property, plant and equipment (net of proceeds of disposition) of \$342; (iv) a net change of increase of other assets of \$74; (v) \$86 (ZAR1,000) paid in connection with the

AlphaGlobal Settlement; and (vi) tax payment of \$34; offset with cash received of net interest received net of finance cost paid) of \$77.

The Company's cash position decreased by \$185 during the year ended December 31, 2020 compared to the balance as at December 31, 2019. If the foreign currency translation loss impact of \$540 is excluded, there is an increase of cash position of \$355. The increase resulted from: (i) net cash received from operations of \$1,518 (proceeds of approximately \$52,199 received from sales of chrome concentrate net of the operating expenditures incurred for chrome production cost, G&A and care and maintenance of the CRM and the Eastern Limb Projects); (ii) \$1,077 of UG construction loan received; and (iii) \$467 of interest received net of finance cost paid; offset with cash payment of (i) \$434 (ZAR7,000) paid in connection with the AlphaGlobal Settlement; (ii) a lease payment of \$431; (iii) acquisition of property, plant and equipment (net of proceeds of disposition) of \$1,479; (iv) a net change of increase of other assets of \$267; and (v) tax payment of \$96.

The Retreatment Project, in relation to the recovery of chrome concentrate at CRM, is now in steady operation and has been operating for 2 years. The Company was also able to begin operations on its PGM Circuit D and delivered under the PGM Offtake in December 2020. The CRM underground and all other properties and projects are at an earlier stage of development or on hold.

The Company continues to forecast sufficient cashflows (working capital and operating income) to cover all operating, capital projects including all care and maintenance and other short-term commitments or costs for the next 12 months. Significant judgements and estimates are involved in projecting the future cash flows including the level of production of the Retreatment Project or other operations. As discussed above, additional funding was raised in the Rights Offering but other funding may be required to advance the larger PGM development opportunity for tailings recovery and will be required for commencing underground production at CRM, continued development of the Mareesburg Project or other developments in the Eastern Limb Projects to bring them into production.

However, the Company's forecasts are based on assumptions and a significant portion of the current revenue is from a single offtake contract. There exists liquidity risk (See section 8 (c) (v)) if certain assumptions do not hold. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans.

The effects of COVID-19 are changing and evolving and the Company cannot reasonably estimate at this time all the impacts of COVID-19 or if new or unexpected changes to the lockdown levels imposed by the Government of South Africa will occur both of which could have material adverse effects on the Company's business, liquidity and cashflows and the timing of project completions.

The Company has approved \$3,793 in capital funding at December 31, 2020 to complete the Chrome Plant Optimization and Phase II of the tailing's storage facility ("TSF") dam lifts. All additional capital projects were approved in February 2021 following the rights offering. The Company approved its 2021 budget in December 2020 (Additional approved capital of \$4,846 in February 2021) and the corporate objectives which are discussed in Section 5.1 of this MD&A. The Company's 2021 objectives are expected to be funded through existing working capital and operations or funding obtained from the Rights Offering. The uncertainty around the coronavirus may create additional challenges in raising new capital in the future.

Under the Union Goal Agreements, the Company has committed to purchase the Chrome Circuit, subject to a put option if the operating performance and outputs are not as agreed. This contract payable, the provision for environmental rehabilitation relating to the CRM and Eastern Limb Projects and certain deferred income tax liabilities are considered non-current liabilities. The due date for phase 1 of the contract

payable was extended by written agreement on December 31, 2020 to January 14, 2022, and to an estimated May 2022 based on the updated Retreatment Project Agreements signed on March 10, 2021.

### **5.1 Outlook**

The Company's CRM Retreatment Project in South Africa was operating without restrictions at December 31, 2020 and as of the date of the MD&A following the temporary shut downs to operations in Q2 2020 due to COVID-19. The Company has also restarted the PGM Circuit D and delivered 32.18 tons under the offtake in December 2020. The Company remains vigilant to continue its high standards in regards to maintaining safe operations.

Although the current outlook is positive due to the reduced restrictions, all operations could be affected by new COVID-19 issues or new lockdown directives in South Africa and therefore all forecasts are uncertain.

The completion timing of the Optimization Program remains uncertain due to the lockdown of travel and construction regulations and other COVID-19 related issues. Subject to changes due to COVID-19 or other government directives the Company will do its best to establish an updated schedule as soon as practical.

The Company will update its forecasts for the year 2021 following the completion of the Optimization Program, which is currently not known. The effects of COVID-19 are changing rapidly and could have material effects on the Company's 2021 outlook and its ability to attain targets.

The Company's targets for 2021 were updated following the completed rights offering in January 2021, including:

- Continue operating the Retreatment Project efficiently;
- Complete the upgrades and operate the PGM Circuit D;
- Completion of the optimization project for the Retreatment Project;
- Establishment of the appropriate TSF phase II capital works program;
  
- Reconfigure and optimize the small-scale PGM circuit (previously the scavenger plant circuit) ("**PGM Circuit D**") which also includes funding for some of the initial work required to restart the main PGM plant circuit ("**PGM Main Circuit**") (See press release of February 2, 2021);
  
- Upgrades and repairs to the Crocodile River Mine ("**CRM**") Zandfontein underground shaft and rock winder to ensure they are available for PGM operations;
  
- Completion of the refurbishment of the existing PGM Main Circuit to increase the capacity and recovery opportunity of PGM recovery and sales;
  
- Maresburg project environmental work to complete the environmental impact assessment ("**EIA**") regarding the haul road and project;
  
- Prospecting and assessment work in relation to Zandfontein, Crocette and Spitzkop ore bodies;
  
- Feasibility and assessment work regarding a vertical furnace and pelletizer of chrome concentrate;
  
- CRM underground assessment including all chrome recovery activities in relation to the Retreatment Project; and
  
- Capital requirements for care and maintenance, working capital and general and administrative costs.



As at the date of this MD&A, the Company notes that the 2016 BEE Buyout Transactions (As defined in section 5.3 of this MD&A) have not been completed. However, completion of the BEE Buyout Transactions could potentially give rise to non-compliance with the mining rights and certain provisions of the MPRDA in respect of BEE requirements, unless other steps are taken to rectify the potential non-compliance. Accordingly, the Company has previously met with the Department of Mineral Resources and Energy of the Republic of South Africa (“**DMR**”) and is working proactively to address such potential issues. Failure to address such potential issues may result in an order from the DMR to rectify any such non-compliance and potentially in the cancelling of or modification of the mining rights granted to the Company under the MPRDA. The Company is also reviewing the Mining Charter 2018 in relation to such issues.

Care and maintenance with respect to the underground portion of the CRM will continue while the Company assesses the underground operations. Care and maintenance will also continue for the Company’s Eastern Limb Projects for 2021. The Company is actively looking at opportunities for its other assets including continuing to explore options to utilize or monetize these assets.

The Company continually reviews, as appropriate, its other assets and the larger PGM market developments beyond the near term. It will also reassess the Chrome Circuit operations and the overall economics of such operations including reviewing the possibility to develop the CRM underground. However, all decisions will be made based on the long-term economic determinations. Any restart of projects currently under care and maintenance would require additional funding that may or may not be available to the Company or require changes to the current operations at the CRM.

Subject to the completion of the EIA and the restart and completion of an economic feasibility study, the development of the Mareesburg open cast mine may also begin, subject to capital requirements and the availability of financing.

Additional funding may also be required to bring other projects to production.

Potential funding for any of the possibilities discussed above may include debt financing arrangements, joint venture or other third-party participation in one or more of these projects, or sales of equity or debt securities of the Company. Any additional financing may be dilutive to shareholders of the Company, and debt financing, if available, may involve restrictions on financing, investing and operating activities. There can be no assurance that additional funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, including funds generated from any producing operations, the Company may be required to further delay or reduce the scope of these development projects or mining operations.

## ***5.2 Share Capital***

The Company issued common shares, rights and warrants during the years ended December 31, 2020.

In Q2 2020, the Company issued 8,000,000 common shares and 6,000,000 warrants (as part of the AlphaGlobal Settlement).

On December 11, 2020, the Company announced the offering to its shareholders of rights (the “**Rights**”) to acquire Common Shares at the close of business on the record date of December 18, 2020 (“**Record Date**”), on the basis of one Right for each Common Share held. Each Right will entitle the holder to subscribe for one Common Share of the Company upon payment of the subscription price of \$0.32 or ZAR 3.77136 (based on the Applicable Exchange Rate as defined in the Rights Offering Circular) per Common Share (the “**Basic Subscription Privilege**”). Shareholders who fully exercise their Rights under the Basic Subscription Privilege will also be entitled to subscribe for additional Common Shares, on a *pro rata* basis,

if available as a result of unexercised Rights prior to the expiry time of the Rights Offering (the “**Additional Subscription Privilege**”).

On January 22, 2021 the Company completed the Rights Offering to its shareholders. Eastplats issued 36,841,741 Common Shares at a price of Cdn\$0.32 per common share for rights exercised on the TSX and ZAR3.77136 per common share for rights exercised on the JSE. The Company is very pleased to have raised total gross proceeds of approximately \$9,262 (TSX – Cdn\$11,364 and JSE – ZAR5,011).

A total of 32,808,630 Common Shares were issued under the basic subscription privilege and an additional 4,033,111 Common Shares were issued under the additional subscription privilege. As of the closing date, 137,480,773 Common Shares of Eastplats were issued and 137,441,051 Common Shares were outstanding. No Common Shares were issued under a stand-by commitment and no fees or commissions were paid in connection with the distribution.

During the year ended December 31, 2020, the Company granted 1,820,000 stock options to the directors and officers of the Company to acquire common shares of the Company at a weighted average exercise price of Cdn\$0.37 per share expiring in five years from the date of grant. These stock options vested 90 days from the grant date.

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

During February 2021, 40,000 warrants were exercised at Cdn\$0.24 per common share.

During the year ended December 31, 2020, a total of \$225 (2019 – \$117) was recorded as share-based compensation expense relating to G&A.

No stock options have been exercised during the years ended December 31, 2020 and 2019.

As at the date of this MD&A, the Company had:

- 137,520,773 common shares issued;
- 137,481,051 common shares outstanding;
- 39,722 treasury shares outstanding and held in trust;
- 5,420,000 stock options outstanding as listed below; and
- 5,960,000 warrants outstanding.

Table 3

| Options outstanding | Options exercisable | Exercise price Cdn\$ | Remaining Contractual Life (Years) | Expiry date        |
|---------------------|---------------------|----------------------|------------------------------------|--------------------|
| 200,000             | 200,000             | 1.05                 | 0.28                               | July 4, 2021       |
| 300,000             | 300,000             | 1.05                 | 0.39                               | August 14, 2021    |
| 100,000             | 100,000             | 1.05                 | 0.49                               | September 20, 2021 |
| 100,000             | 100,000             | 0.40                 | 0.92                               | February 24, 2022  |
| 600,000             | 600,000             | 0.32                 | 1.63                               | November 9, 2022   |
| 550,000             | 550,000             | 0.33                 | 1.70                               | December 7, 2022   |
| 100,000             | 100,000             | 0.39                 | 2.09                               | April 26, 2023     |
| 1,650,000           | 1,650,000           | 0.21                 | 3.22                               | June 13, 2024      |
| 50,000              | 50,000              | 0.24                 | 4.10                               | April 29, 2025     |
| 1,770,000           | —                   | 0.37                 | 4.56                               | October 16, 2025   |
| 5,420,000           | 3,650,000           |                      | 2.96                               |                    |

### 5.3 Contractual Obligations, Commitments and Contingencies

The Company's major contractual obligations and commitments as at December 31, 2020 were as follows:

Table 4

| (in thousands of U.S. dollars)                   | Total  | Less than 1 year | 1 - 5 years | More than 5 years |
|--|--------|------------------|-------------|-------------------|
|  | \$     | \$               | \$          | \$                |
| Provision for environmental rehabilitation (i)   | 3,590  | —                | —           | 3,590             |
| Lease obligations (ii)                           | 5,473  | 1,674            | 3,799       | —                 |
| Contracts payable (iii)                          | 50,576 | —                | 50,576      | —                 |
| Other obligations (iv)                           | 7,491  | 7,491            | —           | —                 |
| Capital expenditure and purchase commitments (v) | 432    | 432              | —           | —                 |
|  | 67,562 | 9,597            | 54,375      | 3,590             |

(i) Environmental rehabilitation provision over the life of mining operations (including \$530 environmental rehabilitation provision relating to Maroelabult that has been presented as liabilities associated with the assets held for sale on the Company's consolidated statement of financial position), and amounts shown are estimated expenditures at fair value, assuming weighted average credit adjusted risk-free discount rate of 10.75% and an inflation factor of 4.20%.

(ii) Lease contracts for mining equipment relating to CRM operations and office space at head office. The amount shown is the undiscounted minimum lease payment.

(iii) Union Goal equipment and construction financing relating to the Retreatment Project. The amount shown represents the amortized cost based on the agreed interest rate of LIBOR plus 1% (average 3.76%), discounted from the average estimated market rate. On March 10, 2021 new agreements were signed which amended the interest to NIL% with the amounts estimated to be due in May 2022, depending on when the optimization program is completed and commissioned. The terms, the alternative settlement options and

the agreement details are more fully described in Note 15 Contracts payable of the Audited Financial Statements for the Year Ended December 31, 2020.

(iv) Trade and capital payables related to operations and completion of the PGM scavenger facility.

(v) Capital expenditure and purchase commitments contracted at December 31, 2020 but not recognized on the consolidated statement of financial position.

#### Petition by 2538520 Ontario Limited to File a Derivative Action against the Company

On November 6, 2018, the Company received a petition filed with the Supreme Court of British Columbia, by 2538520 Ontario Limited (“**2538520**”), a shareholder of the Company, seeking leave from the court to commence a derivative action on behalf of the Company against certain of its current and former directors in relation to the approval of the transactions between the Company and Union Goal. The Board of Directors of the Company formed a Special Committee of three non-management Directors to review the petition and make a recommendation on the appropriate action. Following its detailed review of this matter, the Special Committee of the Board of Directors recommended opposing this petition, and this recommendation was accepted by the Board of Directors. As such, the Company filed its opposition to the petition and was provided security for costs. In June 2019 the petition was heard by the court and was dismissed on August 27, 2019. On September 27, 2019, the petitioner filed an appeal of the judgement which was heard on June 1, 2020 and dismissed on November 16, 2020. In January 2020, 2538520 sought leave to appeal to the Supreme Court of Canada. The Company has opposed the granting of leave and is of the view that this petition is without merit and that no provision in this matter is required.

#### Further litigation by 2538520 Ontario Limited against the Company

On March 5, 2020, the Company received a further claim filed by 2538520 and its CEO, Rong Kai Hong, (“**Plaintiffs**”) regarding various allegations, including that the Company was acting to oppress the Plaintiffs’ rights among other claims. Several of these claims are similar to the derivative action that was dismissed by the Court and appear to primarily relate to 2538520’s unsuccessful attempt to acquire control of the Company. The Plaintiffs seek orders requiring a change to the Company ownership, election of new Directors, several changes to senior management and damages of \$50,000 (or such greater amount as may be proven at trial) from the Company, certain present and former Directors and Officers, and separately seven other listed defendants.

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

#### Litigation by Xiaoling Ren against the Company

During December 2020, the Company received a petition filed with the Supreme Court of British Columbia, by Xiaoling Ren, 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. Ms. Ren is represented by the same law firm who filed a similar petition in November 2018 for 2538520, which was dismissed in 2019 and the appeal denied in November 2020. The Company intends to vigorously oppose the granting of the petition and the claims and allegations made. The Company has filed its response.

#### 2016 BEE Buyout Transactions

The Company has been advised by the non-controlling partners (“**BEE Shareholders**”) of Gubevu Consortium Investment Holdings (Pty) Ltd. (“**Gubevu**”) and Lion’s Head Platinum (Pty) Ltd. (“**Lion’s Head**”) that they have purportedly relinquished their interests in those companies in varying amounts to

either Serina Services AG (“**Serina**”) or Ingwenya Incorporated (“**Ingwenya**”). Serina is incorporated in Switzerland and Ingwenya is incorporated in Lichtenstein. Gubevu is the Company’s BEE partner in BIL and Lion’s Head is a BEE compliant corporation in the Company’s Mareesburg Joint Venture. The Company has been advised that the BEE shareholders originally acquired these shares from Serina and Ingwenya, and these shares have purportedly now reverted to them. Neither the Company nor its subsidiaries were parties to these purported transactions and the Company has not been provided with further direct information regarding, or sufficient documentation confirming these transactions.

On June 30, 2016, two days following the announcement of agreements having been entered into for the sale of CRM (which agreements were subsequently terminated), former management purportedly caused the Company to enter into certain buyout agreements with Serina and Ingwenya (the “**BEE Buyout Agreements**”). Those BEE Buyout Agreements contemplated payment by Eastplats of \$13,367 upon any change of control of the Company in exchange for the acquisition/cancellation of the BEE Shareholders shares. Following a change of control at the 2016 AGM, former management caused those funds to be paid (see News Release of July 4, 2016).

The Company has met and discussed the above issues with the DMR in South Africa. As previously disclosed, South African mining regulations require certain levels of BEE in respect of mining rights. The Company is working to understand the nature and possible implications of the above transactions and, if necessary, to reorganize or remedy its BEE arrangements.

The Company notes that the BEE Buyout Transactions have not been completed. If the BEE Buyout Agreements are complete, the Company may no longer have its BEE Partners, and the Company may be in breach of the provisions of its mining rights and certain provisions of applicable legislation, unless steps are taken to rectify those requirements. The Company is working proactively to resolve these issues contemplated in the BEE Buyout Agreements. If required to do so, there is no guarantee that the Company will be able to successfully rectify those requirements within the required timeframe. Failure to rectify any non-compliance with the obligations under applicable legislation may negatively impact the Company’s operations and value of its assets and could lead to the Minister cancelling or modifying the mining rights under the MPRDA. The Company remains committed to working with the DMR to ensure ongoing compliance.

#### Claims against Serina and Ingwenya

On June 7, 2018, the Company along with its subsidiaries Eastplats Acquisition Co. Ltd, and Eastern Platinum Holdings Limited (collectively, along with Eastplats, the “**Eastplats Companies**”) filed a notice of civil claim in the Supreme Court of British Columbia against Serina and Ingwenya in relation to the payment of the \$13,367 to them from the Eastplats Companies during 2016 purportedly in connection with the BEE Buyout Agreements. The claim alleges that the BEE Buyout Agreements between those corporations and the Eastplats Companies 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. The Company has been unable to successfully contact either Serina or Ingwenya to date and any recovery of the funds or judgement appears remote. No amount has been accrued on the Company’s financial statements for this claim as it would be a contingent amount if successful.

#### Claims against former Directors and Officers

On June 7, 2018, the Eastplats Companies filed a notice of civil claim in the Supreme Court of British Columbia 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 without consideration and without any apparent benefit to the Eastplats Companies and in doing so breached their duties as directors and officers of the Company. The Eastplats Companies are seeking damages from the former directors and officers on a number of legal grounds. No amount is accrued for this claim on the Company's financial statements as it would be a contingent gain if successful.

As a response to this claim, the former directors and officers have filed a counterclaim claiming indemnity for costs and claims. The Company has filed its defence to oppose this counterclaim.

#### Claim against the former Chief Financial Officer and Administrative Service Provider

On October 16, 2017, the Company filed a claim in the Supreme Court of British Columbia against its former Chief Financial Officer and Corporate Secretary, Mr. Lee for breach of fiduciary duty and conflict of interest and against the Company's 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. No amount is accrued for this claim on the Company's financial statements as it would be a contingent gain if successful.

#### Claim dispute regarding Spitzkop

The Company has received a notice from the DMR of an appeal launched with the DMR with respect to the Company's mineral license issued in 2012 relating to the Spitzkop property. In addition, the claimant has launched a dispute of the issue into the High court in South Africa for review. The Company, with the assistance of counsel, is addressing this matter and intends to defend this issue related to the validly issued mineral rights of Spitzkop.

#### General

The Company is subject to claims and legal proceedings arising in the ordinary course of business activities, each of which is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. For matters that are probable and can be reasonably estimated, the Company establishes provisions in its 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 and therefore no accrual is provided.

### **6. Related Party Transactions**

Summarized below is a list of related parties with whom the Company had transactions for Q4 and the years ended December 31, 2020 and 2019, as well as a description of the nature of the services provided therein.

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

Table 5

| (Expressed in thousands of U.S. dollars)              | Three months ended |            | Year ended   |            |
|---|--------------------|------------|--------------|------------|
|   | December 31        |            | December 31  |            |
|   | 2020               | 2019       | 2020         | 2019       |
|   | \$                 | \$         | \$           | \$         |
| Trading transactions                                  |                    |            |              |            |
| Director fees   | 34                 | 39         | 136          | 168        |
| Management fees                                       | 100                | 58         | 269          | 297        |
| Share-based payments                                  | 289                | —          | 293          | 117        |
| <b>Total</b>  | <b>423</b>         | <b>97</b>  | <b>698</b>   | <b>582</b> |
| Compensation of key management personnel              |                    |            |              |            |
| Remuneration  | 337                | 168        | 910          | 865        |
| Share-based payments                                  | 191                | —          | 194          | 68         |
| <b>Total compensation of key management personnel</b> | <b>528</b>         | <b>168</b> | <b>1,104</b> | <b>933</b> |

The Company had transactions with the following related parties in 2020 and 2019:

The Company has agreed to pay \$20 (Cdn\$26) per month to Oriental Fortune Consulting Services Limited (“**Oriental Fortune**”), an entity controlled by the Company’s chief operating officer (“**COO**”), for the management consulting services rendered. During the year ended December 31, 2020, Oriental Fortune also received a bonus payment of \$39 (Cdn\$51) (2019 – \$69 (Cdn\$92)).

The Company’s key management includes the CEO, CFO, COO, and the general manager of South African Operations. As stated in Table 5, for Q4 and year ended December 31, 2020, the total remuneration to the key management, excluding share-based payments was \$337 and \$910 (Q4 and year ended December 31, 2019 - \$168 and \$697), respectively. For Q4 and year ended December 31, 2020, key management received share-based payments of \$191 and \$194 (Q4 and year ended December 31, 2019 – \$Nil and \$68), respectively.

Key management personnel were not paid post-employment benefits or other long-term benefits for Q4 and years ended December 31, 2020 and 2019.

## 7. Critical Accounting Estimates and Judgments

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 those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impact on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

The Company has three reportable segments – the CRM, the Eastern Limb Projects and corporate. The Eastern Limb Projects consist of the KV, Spitzkop and Mareesburg projects. Corporate operations in Barbados, BVI and Canada collectively are the corporate segment. All of the reportable segments have consistently applied the same accounting policies as disclosed in Note 4 of the Company’s audited consolidated financial statements for the year ended December 31, 2020.

Areas of significant judgment and estimates made by management for the year ended December 31, 2020 are as summarized below.

### Critical Accounting Estimates

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

#### (i) *Impairment*

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

The Company has determined that there were impairment indicators as at March 31, 2020 and performed an impairment test on March 31, 2020 but this did not result in any impairment charge. The significant assumptions utilized in the Company's impairment analysis from March 31, 2020 are discussed in further detail in Note 6(f) of the Company's consolidated financial statements for the year ended December 31, 2020. Since 2016, management reassessed how the Eastern Limb projects would be brought to further development and into production, and concluded to advance the three Eastern Limb properties (consisting of Kennedy's Vale ("KV"), Spitzkop PGM ("Spitzkop") and Mareesburg Project) separately rather than concurrently. Therefore, it was determined that the Eastern Limb Projects comprised three independent CGUs. As such, for the purposes of the Company's impairment testing from 2017 onforwards, management identified CRM, KV, Spitzkop and Mareesburg each as separate CGUs. There are no changes of the Company's CGUs in 2020 and 2019. Determination of the CGUs requires significant estimates and judgements. The Company determined that there were no new impairment indicators as at December 31, 2020 or 2019.

In 2019, a partial reversal of impairment taken historically (prior to 2018) was recorded for the Maroelabult property, as a result of the property being classified as held for sale as at December 31, 2020 and 2019.

#### (ii) *Environmental rehabilitation provision*

Environmental rehabilitation obligations have been estimated by appropriately qualified external persons based on the Company's interpretation of current regulatory and best practice requirements and have been measured at the net present value of expected future cash expenditures that would be required upon mine closure. These estimates require significant judgement about the nature, cost and timing of work to be completed, and may change with future changes to costs, environmental laws, regulations and remediation practices and the expected timing of remediation work. The details of assumptions used in calculating the Company's environmental rehabilitation provision are disclosed in Note 16 of the Company's consolidated financial statements for the year ended December 31, 2020.

#### (iii) *Union Goal Contracts*

The Company purchased the Chrome Circuit equipment based on the Union Goal Contracts in connection with construction, re-mining and processing of the tailings resource, and the subsequent offtake of chrome



concentrate from the Barplats Zandfontein UG2 tailings facility (the “Retreatment Project”). The Chrome Circuit equipment is subject to put and call options in the event that either party is not satisfied with the agreed pricing or performance of the Chrome Circuit equipment during the initial contract period. There are significant estimates and uncertainties involved in assessing the future performance of the Chrome Circuit equipment and the total economic assessment of the project. The Retreatment Project has an estimated remaining life of 3 - 4 years based on the estimated production. Management believes the Chrome Circuit equipment can be utilized after the completion of the Retreatment Project. Therefore, the Chrome Circuit equipment is amortized based on the unit of production with the total production estimated inclusive of the projected underground ore tonnage.

#### Critical Accounting Judgments

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

##### *(i) Global pandemic*

The Company’s business could be significantly adversely affected by the effects of the global pandemic of novel coronavirus (“COVID-19”). The Company’s primary operation is in South Africa. On December 31, 2020, South Africa moved up the alert level to stage 3 to fight COVID-19 but has on March 1, 2021 moved back to alert level 1. The Company’s operation continues with precautions and following the health guidelines of the Government of South Africa.

The effects of COVID-19 are evolving and changing and the consequences of a further increase in the alert level in South Africa, temporary shutdown of any operations or other related issues cannot be reasonably estimated at this time, but could potentially have material adverse effects on the Company’s business, operations, liquidity and cashflows.

##### *(ii) Determination of functional currency*

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

##### *(iii) Provision and contingency*

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

In June 2016, the former management signed certain agreements in connection with the proposed purchase/cancellation of certain non-controlling interests in the Company’s South African operations and sale of the CRM (which was terminated in November 2017). These transactions are complex and the agreements are subject to interpretations of laws under the various jurisdictions. The Company has been unable to complete the proposed non-controlling interest’s acquisition/cancellation transaction due to

difficulties in accessing the underlying documents, obtaining the cooperation of various parties and the potential implications of these transactions under the Company's mining rights and certain provisions under the Mineral & Petroleum Resources Development Act (South African).

*(iv) Liquidity risk*

The Company has projected 2021 cash flows that are sufficient to cover the Company's operating expenses, capital expenditures and all other care and maintenance expenses. However significant judgements and estimates are involved in projecting the future cash flows including the level of production of the Retreatment Project and PGM production. The Retreatment Project is also 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.

## **8. Financial Instruments and Other Instruments**

*(a) Management of capital risk*

The capital structure of the Company remains unchanged as compared to previous year and consists of contracts payable, 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.

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

The Company is not subject to any capital requirements imposed by any other party.

*(b) Fair value of financial instruments*

*(i) Fair value estimation of financial instruments*

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

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

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

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

The Company's financial instruments that are measured at fair value on a recurring basis are financial assets consisting of other assets. Other assets are mainly money market fund investments. These are level 1 financial instruments at December 31, 2020 and 2019. As at December 31, 2020 and 2019, the Company did not have financial liabilities measured at fair value on a recurring basis. There were no transfers between levels during the years ended December 31, 2020 and 2019.

*(c) Financial risk management*

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

*(i) Currency risk*

The Company is exposed to foreign exchange risk as the Company undertakes certain 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 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 in table 6 below:

*Table 6*

|  | <b>December 31<br/>2020</b> | December 31<br>2019 |
|--|-----------------------------|---------------------|
|  | \$                          | \$                  |
| <b>Financial assets</b>  |                             |                     |
| Denominated in USD at Canadian head office                         | —                           | 508                 |
| Denominated in Rand at Canadian head office                        | 7                           | 1                   |
| <b>Total</b>   | <b>7</b>                    | <b>509</b>          |
| <b>Financial liabilities</b>                                       |                             |                     |
| Contracts payable denominated in Rand at Canadian head office      | <b>6,890</b>                | 5,328               |
| Contracts payable denominated in USD at South African subsidiaries | <b>43,686</b>               | 36,979              |
| <b>Total</b>   | <b>50,576</b>               | 42,307              |

As at December 31, 2020, with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against the South African Rand would have increased (decreased) net income by approximately \$625; 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 \$3,971.

*(ii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest risk on Contracts Payable which is based on LIBOR rate. With other variables unchanged, a 10% fluctuation in the LIBOR rate would increase (decrease) the interest charge on Contracts Payable of \$182. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk. The sensitivity of the Company's net earnings due to changes in interest rates is not material.

(iii) *Commodity price risk*

Effective December 2020, the Company has begun selling PGM materials (Note 17 (a)) and therefore is exposed to commodity price risk with respect to fluctuations in the prices of platinum group metals going forward. Previously, the Company was not exposed to commodity price risk with respect to fluctuations in the prices of platinum group metals or chrome concentrate as there were no material revenues from PGM sales during the year ended December 31, 2019. Chrome concentrate sales were not structured based on a long-term chrome concentrate commodity price according to the Union Goal contract.

(iv) *Credit risk*

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

Almost all of the Company's revenue is from the chrome concentrate production to Union Goal under an offtake agreement. As at December 31, 2020, the Company had receivable balances associated with Union Goal of \$9,939 (December 31, 2019 – \$12,966). 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.

There is both a credit risk and credit concentration risk associated with the collection of revenue from its sole purchaser Union Goal under the offtake agreement. This risk is mitigated due to the contract structure and the significant outstanding contracts payable due to Union Goal.

(v) *Liquidity risk*

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

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

The Company started generating revenue from its Retreatment Project in December 2018, and at consistent expected levels since May 1, 2019. Despite the Retreatment Project and the forecasted PGM production cash flows, CRM underground remains in care and maintenance and all other properties and projects are on hold. The Company also generated some income from interest and other income and sale of non-core properties, and although not expected to be significant, some of which will be recurring in 2021. The projected cash flows for 2021 are sufficient to cover the Company's operating expenses, capital expenditures and all other care and maintenance expenses. Also, in addition to cash inflows from current operations, additional funding will be required in the future to commence underground production at CRM, and to develop and bring the Eastern Limb Projects into commercial production.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. Table 4 summarizes the Company's significant commitments and corresponding due dates.

## **9. Application of New and Revised IFRS**

### ***9.1 Newly adopted Accounting Standards***

There are no new adopted accounting standards that have a material impact on the Company's consolidated financial statements for the year ended December 31, 2020.

### ***9.2 Accounting standards issued but not yet effective***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these consolidated financial statements. None of these pronouncements are expected to have material impact on the Company's consolidated financial statements.

## **10. Off-Balance Sheet Arrangements**

As at December 31, 2020, the Company had not entered into any off-balance sheet arrangements.

## **11. Internal Control Over Financial Reporting and Disclosure Controls and Procedures**

### ***Disclosure Controls and Procedures***

For the year ended December 31, 2020, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures ("DCP") to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been recorded, processed, summarized and disclosed in a timely manner in accordance with regulatory requirements and good business practices and that the Company's DCP will enable the Company to meet its ongoing disclosure requirements.

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that based on this evaluation the design and operation of the Company's DCP were effective as of December 31, 2020, and that the Company has the appropriate DCP to provide reasonable assurance that information used internally by management and disclosed externally is, in all material respects, complete and accurate.

### ***Internal Control over Financial Reporting***

The CEO and the CFO have designed, or caused to be designed under their supervision, the Company's internal controls over financial reporting ("ICFR") in order to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have evaluated the effectiveness of the Company's ICFR as at December 31, 2020 based on *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") for the Company as a whole. The assessment incorporated the review for the South African operations and all of the other subsidiaries of the Company in regards to ICFR. Based on that evaluation, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective as at December 31, 2020.

The scope of the Company's design of the DCP and the ICFR excluded Gubevu, an associated entity which is accounted for using the equity method under IFRS.

### Limitation of Controls and Procedures

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

## **12. Risk Factors**

The exploration of mineral deposits involves significant risks and uncertainties. A comprehensive list of risk factors relating to the Company's business is provided under the heading "Risk Factors", in the Company's AIF for the year ended December 31, 2020, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **13. Non-GAAP Measures**

This MD&A may include certain terms or performance measures commonly used in the mining industry that are not defined under IFRS as issued by the International Accounting Standards Board, which is incorporated in the CPA Canada Handbook. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Any such non-GAAP measures should be read in conjunction with our financial statements.

## **14. Cautionary Statement on Forward-Looking Information**

This MD&A contains certain "forward-looking statements" or "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. This MD&A contains forward-looking statements, pertaining to, among other things, future operations, operations ramp-up, the future development and funding of the Company's projects; the Company's plans for its properties; the resolution of current litigation; the BEE Buyout Agreements and all related transactions; COVID-19 issues currently occurring; the 21 day South African lockdown; the seasonality of the Company's operations; the continuing impact of adverse economic factors on the South African PGM industry; the potential restarts

of the CRM if there is a sustained strengthening of PGM prices and a marked improvement in the South African operating environment; the possibility of restarting the development of the Mareesburg open pit mine; the possibility of developing the Kennedy's Vale and Spitzkop project in the future; the requirement of additional funding to bring projects into production and how that funding will be attained; estimated resources and reserves; economic assessments; extension of the life of the Retreatment Project; estimated costs and timelines of construction; estimated operations; capital costs and payment terms related to the Chrome Circuit; estimated timelines for revenue, production and anticipated capital costs; timelines for feasibility studies; test work results; the possibility of any impairment or reversal of impairment if there are any changes to future market conditions and commodity prices; the composition of G&A costs; potential non-compliance with the MPRDA and the corresponding impact; the possible impact of Mining Charter 2018; the share capital of the Company; the renewal of consulting agreements; the ongoing assessment of mine life; critical accounting judgments made by the Company; the impact of the new IFRS on consolidated financial statements; adoption of new IFRS standards; impairment estimates and the applicable risk factors.

With respect to the forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things: the BEE Buyout Agreements, the resolution of the BEE requirements, the price of PGMs, fluctuations in currency markets, inflation, the regulatory framework in the jurisdictions that the Company conducts its business, operating costs, the Company's ability to obtain financing on acceptable terms and litigation outcome.

Forward-looking statements are subject to all of the risks and uncertainties normally incident in the mining and development of PGMs that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These risks include, but are not limited to: the risk of fluctuations in the assumed exchange rates of currencies that directly impact the Company, such as the Canadian dollar, Rand and U.S. dollar; the risk of fluctuations in the assumed prices of PGM and other commodities; the risk of changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, South Africa, Barbados or other countries in which the Company carries, or may carry on business in the future; litigation risks and the uncertainty thereof; risks associated with mining or development activities; the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, assumed quantities or grades of reserves, need for additional funding, availability and terms of additional funding, and certain other known and unknown risks detailed from time to time in the Company's public disclosure documents, copies of which are available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Although the Company believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements were made, no assurances can be given as to future results, levels of activity and achievements and such statements are not guarantees of future performance. The Company's actual results may differ materially from those expressed or implied in forward-looking statements and readers should not place undue importance or reliance on the forward-looking statements. Statements including forward-looking statements are made as of the date they are given and, except as required by applicable securities laws, the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.