

Condensed interim consolidated financial  
statements of

## **Eastern Platinum Limited**

For the three and six months ended June 30, 2021  
(Unaudited)

# Eastern Platinum Limited

For the three and six months ended June 30, 2021

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

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

## Eastern Platinum Limited

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

	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Revenue	10	\$ 19,982	\$ 9,298	\$ 36,665	\$ 23,477
Production costs		(14,707)	(7,670)	(28,351)	(19,466)
Production costs - depreciation		(1,958)	(688)	(3,564)	(1,641)
<b>Mining operation income</b>		<b>3,317</b>	<b>940</b>	<b>4,750</b>	<b>2,370</b>
Expenses					
General and administrative		524	431	1,573	1,146
Site services		1,215	1,063	2,591	2,279
Care and maintenance		870	464	1,607	1,154
Operating income (loss)		708	(1,018)	(1,021)	(2,209)
Other income (expense)					
(Loss) gain on disposal of property, plant and equipment		(587)	205	697	372
Interest income		93	153	180	312
Other income		733	394	1,597	1,521
Finance costs		(1,295)	(1,281)	(2,832)	(2,521)
Settlement gain (loss)	12	3,258	(2,787)	3,258	(2,787)
Foreign exchange gain (loss)		1,186	1,166	1,030	(7,517)
Income (loss) before income taxes		4,096	(3,168)	2,909	(12,829)
Income tax expense		(49)	(72)	(47)	(103)
<b>Net income (loss) for the period</b>		<b>4,047</b>	<b>(3,240)</b>	<b>2,862</b>	<b>(12,932)</b>
Net income (loss) attributable to					
Non-controlling interest		(93)	(231)	(413)	(1,738)
Equity shareholders of the Company		4,140	(3,009)	3,275	(11,194)
<b>Net income (loss) for the period</b>		<b>\$ 4,047</b>	<b>\$ (3,240)</b>	<b>\$ 2,862</b>	<b>\$ (12,932)</b>
Earnings (loss) per share					
Basic and diluted		0.03	(0.03)	0.02	(0.12)
Weighted average number of common shares outstanding in thousands					
Basic		137,521	92,991	133,033	92,815
Diluted		140,341	92,991	135,922	92,815

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

**"George Dorin"**

George Dorin, Director

**"Mike Cosic"**

Mike Cosic, Director

## Eastern Platinum Limited

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

	Three months ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Net income (loss) for the period	\$ 4,047	\$ (3,240)	\$ 2,862	\$ (12,932)
Other comprehensive income (loss)				
Items that may subsequently be reclassified to loss or profit				
- Exchange differences on translating foreign operations	4,424	2,511	3,490	(27,007)
- Exchange differences on translating non-controlling interest	(1,468)	(972)	(1,194)	8,822
Comprehensive income (loss) for the period	7,003	(1,701)	5,158	(31,117)
Comprehensive income (loss) attributable to				
Equity shareholders of the Company	8,564	(498)	6,765	(38,201)
Non-controlling interest	(1,561)	(1,203)	(1,607)	7,084
<b>Comprehensive income (loss) for the period</b>	<b>\$ 7,003</b>	<b>\$ (1,701)</b>	<b>\$ 5,158</b>	<b>\$ (31,117)</b>

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

## Eastern Platinum Limited

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

	Note	As at June 30 2021	As at December 31 2020
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 5,060	\$ 1,772
Short-term investments		5,244	—
Trade and other receivables	10	22,096	12,635
Inventories		1,246	1,553
		<b>33,646</b>	15,960
Non-current assets			
Restricted cash		93	90
Inventories		1,721	1,676
Property, plant and equipment	3	139,495	136,579
Other assets		7,097	6,787
Assets held for sale	3(a)	1,943	1,893
		<b>\$ 183,995</b>	\$ 162,985
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		\$ 12,677	\$ 7,491
Deferred revenue	4	4,889	3,124
Lease liabilities		1,357	1,265
		<b>18,923</b>	11,880
Non-current liabilities			
Deferred revenue	4	10,823	8,875
Contracts payable	4	48,368	50,576
Lease liabilities		2,671	3,292
Provision for environmental rehabilitation		3,335	3,060
Deferred tax liabilities		3,533	3,442
Liabilities associated with assets held for sale	3(a)	544	530
		<b>88,197</b>	81,655
<b>Equity</b>			
Issued capital	8	1,240,820	1,231,563
Contributed surplus		1,343	1,290
Accumulated other comprehensive loss		(295,768)	(299,258)
Deficit		(804,740)	(808,015)
Total equity attributable to equity shareholders of the Company		<b>141,655</b>	125,580
Non-controlling interest		(45,857)	(44,250)
		<b>95,798</b>	81,330
		<b>\$ 183,995</b>	\$ 162,985

Contingencies (Note 13)

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

## Eastern Platinum Limited

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

	Issued capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity attributable to equity shareholders of the company	Non- controlling interest	Equity
<b>Balance, December 31, 2019</b>	<b>\$ 1,229,967</b>	<b>\$ 501</b>	<b>\$ (292,188)</b>	<b>\$ (800,041)</b>	<b>\$ 138,239</b>	<b>\$ (44,738)</b>	<b>\$ 93,501</b>
Net loss	—	—	—	(11,194)	(11,194)	(1,738)	(12,932)
Other comprehensive (loss) income	—	—	(27,007)	—	(27,007)	8,822	(18,185)
Total comprehensive (loss) income	—	—	(27,007)	(11,194)	(38,201)	7,084	(31,117)
AlphaGlobal settlement (Note 12(b))	1,702	564	—	—	2,266	—	2,266
Share-based compensation	—	4	—	—	4	—	4
<b>Balance, June 30, 2020</b>	<b>\$ 1,231,669</b>	<b>1,069</b>	<b>(319,195)</b>	<b>(811,235)</b>	<b>102,308</b>	<b>(37,654)</b>	<b>64,654</b>
Net income	—	—	—	3,220	3,220	316	3,536
Other comprehensive income (loss)	—	—	19,937	—	19,937	(6,912)	13,025
Total comprehensive income (loss)	—	—	19,937	3,220	23,157	(6,596)	16,561
AlphaGlobal settlement - share issuance cost	(106)	—	—	—	(106)	—	(106)
Share-based compensation	—	221	—	—	221	—	221
<b>Balance, December 31, 2020</b>	<b>\$ 1,231,563</b>	<b>\$ 1,290</b>	<b>\$ (299,258)</b>	<b>\$ (808,015)</b>	<b>\$ 125,580</b>	<b>\$ (44,250)</b>	<b>\$ 81,330</b>
Net income (loss)	—	—	—	3,275	3,275	(413)	2,862
Other comprehensive income (loss)	—	—	3,490	—	3,490	(1,194)	2,296
Total comprehensive income (loss)	—	—	3,490	3,275	6,765	(1,607)	5,158
Rights offering for 36,841,741 common shares	9,307	—	—	—	9,307	—	9,307
Rights offering - share issuance cost	(62)	—	—	—	(62)	—	(62)
Warrants exercised for 40,000 common shares	12	(4)	—	—	8	—	8
Share-based compensation	—	57	—	—	57	—	57
<b>Balance, June 30, 2021</b>	<b>\$ 1,240,820</b>	<b>\$ 1,343</b>	<b>\$ (295,768)</b>	<b>\$ (804,740)</b>	<b>\$ 141,655</b>	<b>\$ (45,857)</b>	<b>\$ 95,798</b>

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

## Eastern Platinum Limited

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

	Six months ended June 30	
	2021	2020
<b>Operating activities</b>		
Income (loss) before income taxes	\$ 2,909	\$ (12,829)
Adjustments to net loss for non-cash items		
Depreciation and amortization	3,648	1,716
Stock based compensation	57	4
Shares and warrants issued for AlphaGlobal settlement	—	2,266
Gain on disposal of property, plant and equipment	(697)	(372)
Interest income	(180)	(312)
Finance costs	2,832	2,521
Foreign exchange loss	(1,030)	7,517
Net changes in non-cash working capital items		
Trade and other receivables	(9,143)	2,765
Inventories	331	75
Trade and other payables	4,886	663
Deferred revenue	(1,600)	(946)
<b>Cash provided from operations</b>	<b>2,013</b>	<b>3,068</b>
Adjustments to net loss for cash items		
Interest income received	180	307
Finance costs paid	(16)	(8)
Taxes paid	(48)	(62)
<b>Net operating cash flows</b>	<b>2,129</b>	<b>3,305</b>
<b>Financing activities</b>		
Share issued, net of issuance cost	9,253	—
Contracts payable - credit facility	—	1,077
Lease payments	(846)	—
<b>Net financing cash flows</b>	<b>8,407</b>	<b>1,077</b>
<b>Investing activities</b>		
Purchases of short-term investments	(5,174)	—
Decrease of other assets	(128)	(138)
Property, plant and equipment additions	(3,764)	(910)
Disposal of property, plant and equipment	1,588	646
<b>Net investing cash flows</b>	<b>(7,478)</b>	<b>(402)</b>
Effect of exchange rate changes on cash and cash equivalents	230	(1,266)
Increase in cash and cash equivalents	3,288	2,714
Cash and cash equivalents, beginning of period	1,772	1,957
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,060</b>	<b>\$ 4,671</b>

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



# Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

## 1. Nature of operations

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

The Company is a platinum group metal ("PGM") and chrome producing company engaged in re-mining and processing of tailings at the Crocodile River Mine ("CRM") and the exploration and development of other PGM and chrome properties located in various provinces in South Africa.

The Company's presentation currency is U.S. dollars. All monetary amounts presented in these condensed interim consolidated financial statements are in thousands of U.S. dollars ("\$"), thousands of Canadian dollars ("Cdn\$") or thousands of South African Rand ("ZAR"), except for per share amounts or otherwise indicated. The Company has re-presented certain prior year figures to reflect current period presentation in these condensed interim consolidated financial statements. Accordingly, treasury shares of \$204 have been combined with issued capital of the Company in the condensed interim consolidated statement of changes in equity.

These condensed interim consolidated financial statements were approved and authorized for issuance by the board of directors on August 12, 2021.

The Company and its subsidiary, Barplats Mines (Pty) Limited ("Barplats") entered into an agreement (the "Framework agreement") with Union Goal Offshore Solution Limited ("Union Goal") on March 1, 2018 and subsequently various transactional agreements including equipment and chrome plant agreement, loan agreement, escrow agreement and offtake agreement were signed on August 31, 2018 under the Framework Agreement (collectively referred to as the "2018 Retreatment Project Agreements"). On March 10, 2021, the Company, Barplats and Union Goal executed updated Retreatment Project Agreements (the "2021 Updated Retreatment Project Agreements") (see Note 4). All of these agreements are collectively referred to as the Union Goal Contracts and provide for construction, re-mining and processing of the tailings resource, and the subsequent offtake of chrome concentrate from the Barplats Zandfontein UG2 tailings facility ("Retreatment Project"). Operations from re-mining the tailings material have produced chrome concentrate since December 2018 and started to produce PGM concentrates in December 2020. Since August 2013, the Company's other existing projects have been either in care and maintenance or on hold.

Although the Retreatment Project and PGM production have generated cash flows, CRM underground remains in care and maintenance and all other properties and projects are not generating revenue. The projected cash flows for the next twelve months are sufficient to cover the Company's operating expenses, approved capital expenditures and all other care and maintenance expenses. However significant judgements and estimates are involved in projecting the future cash flows including the level of production and the global impact of the novel coronavirus ("COVID-19") (see below). The Retreatment Project is also dependent on its operating cash inflows from Union Goal, its sole offtaker of chrome concentrate, in order to fund its current operating activities and eventually fulfil all obligations under the Union Goal Contracts. Lastly, in addition to cash inflows from current operations, additional funding will be required in the future to commence underground production at CRM, and to develop the Kennedy's Vale ("KV"), Spitzkop PGM ("Spitzkop") and Mareesburg PGM Project ("Mareesburg") (together the "Eastern Limb Projects") and to bring them into production. For more information, refer to Financial risk management - liquidity risk (Note 9(c)(v)).

# Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

## 1. Nature of operations (continued)

The Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration and or reoccurrence of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions to the Optimization Program or other objectives and targets and other factors that will depend on future developments beyond the Company's control. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could negatively impact the Company's financial position, financial performance, cash flows, and its ability to raise capital, in 2021 or the future. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's anticipated activities, and operations, cannot be reasonably estimated at this time.

## 2. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The preparation of these unaudited condensed interim consolidated financial statements is based on accounting principles and methods consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2020 except for below (b). The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020. The Company's interim results are not necessarily indicative of its results for a full year.

### (a) *Judgments and estimates*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

The Company's primary operation is in South Africa. On June 28, 2021, South Africa increased its restrictions by moving up the alert level to stage 4 to fight the third wave of COVID-19 infections. On July 26, 2021, the alert level was reduced to stage 3. The Company's operations continue with precautions and follow 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 cash flows.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

### 2. Basis of preparation (continued)

#### (a) *Judgments and estimates (continued)*

As discussed in Note 4, the Company signed the 2021 Updated Retreatment Project Agreements on March 10, 2021. The assessment of the accounting effect of the 2021 Updated Retreatment Project Agreements requires significant judgement. Other areas of significant judgement and estimates made by management for the three and six months ended June 30, 2021 in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 4(u) and 4(v) of the Company's audited consolidated financial statements for the year ended December 31, 2020.

#### (b) *PGM revenue recognition*

In 2021, the Company started to generate Retreatment Project PGM concentrate revenue based on the agreement with Impala Platinum Limited ("Impala") dated September 18, 2020. PGM concentrate revenue is recognized when control is transferred to the offtake party which is upon the PGM concentrates being physically transported, assayed and accepted at the site of the offtake party.

The sale of PGM is provisionally priced at the date of sale based on the Company's assay results for the metal contents. The final selling price for metal contents in concentrate is based on the prevailing spot price on a specific future date after shipment to Impala which is approximately a five-month period (the "Final Price"). Revenue on these sales is measured at the amount to which the Company expects to be entitled, being the estimated price to be received and a corresponding trade receivable is recognized. The provisional price adjustments refer to the sales price based on movements in quoted market prices up to the Final Price. The trade receivables subject to provision price adjustments are measured at fair value through profit or loss ("FVTPL") from initial recognition and until the date of settlement. The provision price adjustments are recorded in the statement of income (loss) each period and presented separately from PGM revenue. The Company does not have significant performance obligations for freight and shipping service.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

### 3. Property, plant and equipment

	Right-of-use assets \$	Plant and equipment owned \$	Mineral properties previously depleted \$	Mineral properties not being depleted \$	Properties and land \$	Total \$
<b>Cost</b>						
<b>Balance as at December 31, 2019</b>	<b>66</b>	<b>389,066</b>	<b>72,438</b>	<b>295,938</b>	<b>13,704</b>	<b>771,212</b>
Additions	4,268	7,243	—	—	—	11,511
Environmental provision change in estimate	—	(394)	—	(97)	—	(491)
Disposals	—	(339)	—	—	(168)	(507)
Foreign exchange movement	272	(16,339)	(3,260)	(13,326)	(630)	(33,283)
<b>Balance as at December 31, 2020</b>	<b>4,606</b>	<b>379,237</b>	<b>69,178</b>	<b>282,515</b>	<b>12,906</b>	<b>748,442</b>
Additions	—	3,755	—	9	—	3,764
Disposals	—	(876)	—	—	(26)	(902)
Foreign exchange movement	123	10,205	1,844	7,531	345	20,048
<b>Balance as at June 30, 2021</b>	<b>4,729</b>	<b>392,321</b>	<b>71,022</b>	<b>290,055</b>	<b>13,225</b>	<b>771,352</b>
<b>Accumulated depreciation and impairment</b>						
<b>Balance as at December 31, 2019</b>	<b>—</b>	<b>308,574</b>	<b>59,310</b>	<b>265,708</b>	<b>2,223</b>	<b>635,815</b>
Depreciation	329	3,982	—	—	89	4,400
Depreciation of disposed assets	—	(98)	—	—	(74)	(172)
Foreign exchange movement	21	(13,521)	(2,625)	(11,959)	(96)	(28,180)
<b>Balance as at December 31, 2020</b>	<b>350</b>	<b>298,937</b>	<b>56,685</b>	<b>253,749</b>	<b>2,142</b>	<b>611,863</b>
Depreciation	661	2,962	—	—	24	3,647
Depreciation of disposed assets	—	—	—	—	(11)	(11)
Foreign exchange movement	27	8,025	1,485	6,764	57	16,358
<b>Balance as at June 30, 2021</b>	<b>1,038</b>	<b>309,924</b>	<b>58,170</b>	<b>260,513</b>	<b>2,212</b>	<b>631,857</b>
<b>Carrying amounts</b>						
At December 31, 2019	66	80,492	13,128	30,230	11,481	135,397
At December 31, 2020	4,256	80,300	12,493	28,766	10,764	136,579
<b>At June 30, 2021</b>	<b>3,691</b>	<b>82,397</b>	<b>12,852</b>	<b>29,542</b>	<b>11,013</b>	<b>139,495</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

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

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

	Crocodile River Mine	Mareesburg Project	Kennedy's Vale and Concentrator	Spitzkop PGM Project	Other property plant and equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>Balance as at December 31, 2019</b>	<b>388,433</b>	<b>17,861</b>	<b>297,788</b>	<b>66,894</b>	<b>236</b>	<b>771,212</b>
Additions	11,511	—	—	—	—	11,511
Environmental provision change in estimate	(169)	(81)	(225)	(16)	—	(491)
Disposals	(507)	—	—	—	—	(507)
Foreign exchange movement	(16,051)	(809)	(13,417)	(3,011)	5	(33,283)
<b>Balance as at December 31, 2020</b>	<b>383,217</b>	<b>16,971</b>	<b>284,146</b>	<b>63,867</b>	<b>241</b>	<b>748,442</b>
Additions	3,723	9	27	—	5	3,764
Disposals	(26)	—	(876)	—	—	(902)
Foreign exchange movement	10,301	453	7,585	1,702	7	20,048
<b>Balance as at June 30, 2021</b>	<b>397,215</b>	<b>17,433</b>	<b>290,882</b>	<b>65,569</b>	<b>253</b>	<b>771,352</b>
<b>Accumulated depreciation and impairment</b>						
<b>Balance as at December 31, 2019</b>	<b>279,152</b>	<b>7,544</b>	<b>286,223</b>	<b>62,746</b>	<b>150</b>	<b>635,815</b>
Depreciation	4,318	—	51	—	31	4,400
Depreciation of disposed assets	(172)	—	—	—	—	(172)
Foreign exchange movement	(12,145)	(339)	(12,876)	(2,825)	5	(28,180)
<b>Balance as at December 31, 2020</b>	<b>271,153</b>	<b>7,205</b>	<b>273,398</b>	<b>59,921</b>	<b>186</b>	<b>611,863</b>
Depreciation	3,601	—	29	—	17	3,647
Depreciation of disposed assets	(11)	—	—	—	—	(11)
Foreign exchange movement	7,276	192	7,288	1,597	5	16,358
<b>Balance as at June 30, 2021</b>	<b>282,019</b>	<b>7,397</b>	<b>280,715</b>	<b>61,518</b>	<b>208</b>	<b>631,857</b>
<b>Carrying amounts</b>						
At December 31, 2019	109,281	10,317	11,565	4,148	86	135,397
At December 31, 2020	112,064	9,766	10,748	3,946	55	136,579
<b>At June 30, 2021</b>	<b>115,196</b>	<b>10,036</b>	<b>10,167</b>	<b>4,051</b>	<b>45</b>	<b>139,495</b>

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

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

#### (a) *Assets held for sale*

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 (collectively referred to as the "Maroelabult Assets") located near Brits in South Africa. The consideration to be received is ZAR20,000 (approximately \$1,355), the assumption of the rehabilitation obligation and immediate assumption of the care and maintenance costs (the "Purchase Price") subject to representations and warranties by both parties. The Purchase Price is payable and enforceable on closing the transaction following the transfer of legal title and the completion of the various legal and regulatory obligations required in South Africa.

As at June 30, 2021, the sale of Maroelabult Assets has not been completed. The carrying value of the Maroelabult Assets of \$1,943 (ZAR27,768) (December 31, 2020 - \$1,893 (ZAR27,768)) have been presented as assets held for sale and the related rehabilitation obligation in the amount of \$544 (ZAR7,768) (December 31, 2020 - \$530 (ZAR7,768)) has been presented as liabilities associated with the assets held for sale.

#### (b) *Impairment of property, plant and equipment*

##### (i) *Three and six months ended June 30, 2021*

The Company assesses the carrying values of its mineral properties for indication of impairment at each quarter end. Based on its assessment, the Company concluded that there were no indicators of impairment as at June 30, 2021.

##### (ii) *Year ended December 31, 2020*

As at December 31, 2020, there were no impairment indicators for the CRM, Spitzkop and Mareesburg CGUs. However, in the first quarter of 2020, management determined that there were indicators of impairment due to the significant fluctuation in the then forecasted metal prices, the decline in the forecasted platinum prices, the decline in the market price of the Company's common shares at the end of the first quarter of 2020 and the uncertainty globally as a result of the COVID-19 pandemic. As a result, management performed impairment assessments of CRM, Spitzkop and Mareesburg based on fair value less cost to disposal (level 3 in the fair value hierarchy). For the purpose of the impairment assessment performed in the first quarter of 2020, 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 of the impairment analysis, the recoverable amount of CRM and Spitzkop approximated the carrying amount and the recoverable amount of Mareesburg exceeded the carrying amount, and no impairment was recorded for the CRM, Spitzkop and Mareesburg projects.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

### 4. Union Goal Contracts

The continuity of the Union Goal Contracts is presented below:

	June 30 2021 \$	December 31 2020 \$
<b>Deferred revenue</b>		
Balance, beginning of period	<b>11,999</b>	<b>12,539</b>
Additions		
- Advance payment of mining equipment	—	1,010
- Adjustments of contracts payable (a)	<b>4,821</b>	954
- Discounting effect from Chrome Circuit equipment payable	—	385
- Discounting effect from Credit Facility	—	164
	<b>4,821</b>	2,513
Recognized as revenue	<b>(1,600)</b>	(2,663)
Foreign exchange	<b>492</b>	(390)
<b>Balance, end of period</b>	<b>15,712</b>	11,999
Deferred revenue - current	<b>4,889</b>	3,124
<b>Deferred revenue - non-current</b>	<b>10,823</b>	8,875

	June 30 2021 \$	December 31 2020 \$
<b>Contracts payable - Chrome Circuit equipment payable</b>		
Carrying value, beginning of period	<b>43,686</b>	36,979
Changes during the period		
- Adjustments of contracts payable (a)	<b>(4,167)</b>	(934)
- Face value of additions	—	3,782
- Discounting effect	—	(385)
- Net present value	<b>(4,167)</b>	2,463
- Accretion	<b>2,076</b>	4,244
<b>Carrying value, end of period</b>	<b>41,595</b>	43,686

<b>Contracts payable - Credit Facility</b>		
Carrying value, beginning of period	<b>6,890</b>	5,328
Changes during the period		
- Adjustments of contracts payable (a)	<b>(654)</b>	(20)
- Face value of additions	—	1,077
- Discounting effect	—	(164)
Net present value	<b>(654)</b>	893
- Accretion	<b>347</b>	712
- Foreign exchange	<b>190</b>	(43)
<b>Carrying value, end of period</b>	<b>6,773</b>	6,890
<b>Contracts payable, carrying value - total</b>	<b>48,368</b>	50,576

Accretion capitalized	—	—
Accretion expensed	<b>2,423</b>	4,956
<b>Total contract payable accretion</b>	<b>2,423</b>	4,956

## Eastern Platinum Limited

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

### 4. Union Goal Contracts (continued)

(a) The 2021 Updated Retreatment Project Agreements were signed on March 10, 2021 and include the following:

- (i) The 2021 Revised and Restated Framework Agreement;
- (ii) The 2021 Revised and Restated Offtake Agreement;
- (iii) The 2021 Revised and Restated Eastplats Loan Agreement; and
- (iv) The 2021 Revised and Restated Barplats Equipment and Chrome Plant Agreement.

Significant changes included in the 2021 Updated Retreatment Project Agreements are, among other things:

- (i) An upward adjustment of the overhead per tonnage charge rate and recognition of the total capital recovery of the project required by Barplats;
- (ii) Incorporation of the optimization equipment purchase on the same updated terms as the original equipment;
- (iii) Removal of the entire interest charge on Chrome Circuit equipment payable and Credit Facility from day one to the due date;
- (iv) Extension of the due date from January 14, 2022 to 210 days after the date of issuing the plant commissioning certificate on the optimization equipment, which is estimated to be the later part of 2022;
- (v) Cancellation of \$2 million escrow fund that Union Goal was required to deposit according to the 2018 Escrow Agreement; and
- (vi) Increase of the Credit Facility from ZAR50,000 (approximately \$3,387) to ZAR130,000 (approximately \$8,806).

The 2021 Updated Retreatment Project Agreements is an adjustment and refinement of the 2018 Retreatment Project Agreements based on two-years of operational history. The effect on contracts payable is considered an accounting estimate change and is recognized prospectively. The present value of the Chrome Circuit equipment payable and the Credit Facility is adjusted based on the revised future payments discounted by the estimated market rate of 9%. The difference of \$4,821 between the revised present value of the Chrome Circuit equipment payable and the Credit Facility, and their carry values was credited to deferred revenue in line with the treatment of the 2018 Retreatment Project Agreements, and will be recognized as revenue based on the material re-mined from the tailings and made available on a per ton basis to the chrome plant over the remaining operations of the Retreatment Project.

### 5. Commitments

The Company has committed to capital expenditures in South Africa of approximately \$871 (ZAR12,441) as at June 30, 2021, all of which are expected to be incurred during the next 12 months.



## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

### 6. Related party transactions

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

#### (a) Trading transactions

The Company's related parties consist of private companies owned by current executive officers and directors. The Company incurred the following fees and expenses in the normal course of operations:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Director fees	45	34	81	70
Management fees	65	55	216	112
Share-based payments	15	4	57	4
	125	93	354	186

- (i) The Company has a consulting agreement with Oriental Fortune Consulting Services Limited ("Oriental Fortune") which is controlled by the Company's Chief Operating Officer ("COO"). The Company agreed to pay \$22 (Cdn\$27) per month to Oriental Fortune for management consulting services rendered. During the three and six months ended June 30, 2021, Oriental Fortune also received a bonus payment of \$Nil and \$88 (Cdn\$112) (three and six months ended June 30, 2020 - \$Nil and \$Nil), respectively.

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

The Company's key management includes the Chief Executive Officer ("CEO"), Chief Financial Officer (the "CFO"), COO, and the General Manager of South Africa ("GM"). The total compensation to key management for the three and six months ended June 30, 2021 was \$232 and \$841 (including share-based compensation) (three and six months ended June 30, 2020 - \$258 and \$423), respectively for management salaries, bonuses, and consulting fees. Key management personnel were not paid post-employment benefits or other long-term benefits during the three and six months ended June 30, 2021 and 2020.

## Eastern Platinum Limited

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2021

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

### 7. Segmented Information

- (a) *Operating segments* - The Company's operations are primarily directed towards the mining, exploration and development of platinum group metals and chrome in South Africa. The Company has three reportable segments – CRM, Eastern Limb and corporate. Eastern Limb consists of Kennedy's Vale, Spitzkop and Maresburg projects. Barbados, British Virgin Islands ("BVI") and Canada, collectively is the corporate segment.
- (b) *Geographic segments* - The Company's operations by geographic areas for the three and six months ended June 30, 2021 and 2020, and assets by geographic areas as at June 30, 2021 and December 31, 2020, are as follows:

<b>Three months ended June 30, 2021</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment additions	2,231	30	2,261	—	2,261
Cost of property, plant and equipment disposed	(26)	(876)	(902)	—	(902)
Revenue	19,982	—	19,982	—	19,982
Production costs - depreciation	(1,952)	—	(1,952)	(6)	(1,958)
Income before income taxes	811	703	1,514	2,582	4,096
Income tax expense	(2)	(35)	(37)	(12)	(49)
Net income	809	668	1,477	2,570	4,047

<b>Six months ended June 30, 2021</b>					
	<b>CRM</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment additions	3,723	36	3,759	5	3,764
Cost of property, plant and equipment disposed	(26)	(876)	(902)	—	(902)
Revenue	36,665	—	36,665	—	36,665
Production costs - depreciation	(3,553)	—	(3,553)	(11)	(3,564)
Income (loss) before income taxes	(898)	1,769	871	2,038	2,909
Income tax expense	—	(23)	(23)	(24)	(47)
Net (loss) income	(898)	1,746	848	2,014	2,862

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2021

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

### 7. Segmented Information (continued)

(b) *Geographic segments (continued)*

<b>Three months ended June 30, 2020</b>					
	<b>Crocodile River Mine</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment additions	3,733	—	3,733	—	3,733
Cost of property, plant and equipment disposals	(339)	—	(339)	—	(339)
Revenue	9,298	—	9,298	—	9,298
Production costs - depreciation	(685)	—	(685)	(3)	(688)
Income (loss) before income taxes	28	(19)	9	(3,177)	(3,168)
Income tax (expense) recovery	(62)	1	(61)	(11)	(72)
Net loss	(34)	(18)	(52)	(3,188)	(3,240)

<b>Six months ended June 30, 2020</b>					
	<b>CRM</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Property, plant and equipment additions	4,284	—	4,284	—	4,284
Cost of property, plant and equipment disposals	(396)	—	(396)	—	(396)
Revenue	23,477	—	23,477	—	23,477
Production costs - depreciation	(1,633)	—	(1,633)	(8)	(1,641)
Income (loss) before income taxes	(10,404)	706	(9,698)	(3,131)	(12,829)
Income tax expense	(62)	(17)	(79)	(24)	(103)
Net (loss) income	(10,466)	689	(9,777)	(3,155)	(12,932)

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2021

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

### 7. Segmented Information (continued)

(b) *Geographic segments (continued)*

	<b>June 30, 2021</b>				
	<b>CRM</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Total assets	149,957	25,379	175,336	8,659	183,995
Total liabilities	75,012	2,074	77,086	11,111	88,197
	<b>December 31, 2020</b>				
	<b>CRM</b>	<b>Eastern Limb</b>	<b>Total South Africa</b>	<b>Canada, Barbados and BVI</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Total assets	137,932	24,743	162,675	310	162,985
Total liabilities	68,662	2,131	70,793	10,862	81,655

(c) *Revenue*

90% and 92% of revenues generated during the three and six months ended June 30, 2021 and 100% of revenues during the comparable period in 2020 are related to the processing of chrome concentrate (Note 4). The remaining revenues generated during the three and six months ended June 30, 2021 are related to PGM sales.

## Eastern Platinum Limited

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For the three and six months ended June 30, 2021

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

### 8. Share capital

#### (a) Authorized

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

#### (b) Issued and outstanding

As at June 30, 2021, the Company had 137,520,773 common shares issued and outstanding (December 31, 2020 - 100,639,032).

In January 2021, the Company issued 36,841,741 common shares at a price of Cdn\$0.32 per share for rights exercised on the Toronto Stock Exchange (the "TSX") and ZAR3.77136 per share for rights exercised on the Johannesburg Stock Exchange (the "JSE"). The Company received total gross proceeds of \$9,307 in connection with the rights offering.

In February 2021, 40,000 warrants were exercised at a price of Cdn\$0.24 per share for total proceeds of \$8.

During the three and six months ended June 30, 2021, 4,270,000 stock options and 5,960,000 share purchase warrants are dilutive if exercised and will increase the EPS denominator by 2,819,972 and 2,889,378 common shares, respectively. During the three and six months ended June 30, 2020, common share equivalents (including stock options and warrants) are not included in the computation of loss per share as such inclusion would be anti-dilutive.

#### (c) Warrants

As at June 30, 2021, the Company had 5,960,000 (December 31, 2020 - 6,000,000) warrants outstanding and each warrant entitles its holder to acquire one common share of the Company at an exercise price of Cdn\$0.24 per share expiring two years from the date of issuance of June 26, 2020.

#### (d) Share options

The Company has an incentive plan (the "2016 Plan"), approved by the Company's shareholders at its special meeting held on October 12, 2016, under which options to purchase common shares may be granted to its directors, officers, employees and others at the discretion of the Board of Directors. The 2016 Plan was renewed for another three years and approved by the Company's shareholders at its annual general meeting held on June 13, 2019. Options granted before the meeting continue to be governed by the old stock option plan but no further options can be issued under the old stock option plan.

During the three months ended June 30, 2021, the Company granted 1,420,000 stock options to its directors and officers to acquire common shares of the Company at an exercise price of Cdn\$0.34 per share expiring in five years from the date of grant. These stock options vested 90 days from the grant date.

## Eastern Platinum Limited

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For the three and six months ended June 30, 2021

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

### 8. Issued capital (continued)

#### (d) Share options (continued)

During the three months ended June 30, 2020, the Company granted 50,000 stock options to a member of management to acquire common shares of the Company at an exercise price of Cdn\$0.24 per share expiring in five years from the date of grant. These stock options vested 90 days from the grant date.

There were no new stock options granted during the first quarter of 2021 and 2020.

The fair value of the options granted during the second quarter of 2021 and 2020 were estimated using the Black-Scholes options pricing model with the following assumptions:

	2021	2020
Fair value (Cdn\$)	<b>0.34</b>	0.10
Risk-free interest rate	<b>0.25%</b>	0.50%
Dividend yield	<b>0%</b>	0%
Expected volatility	<b>59.24%</b>	52.94%
Expected life of options	<b>5</b>	5

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

During the three and six months ended June 30, 2021, a total of \$15 and \$57 (three and six months ended June 30, 2020 – \$4 and \$4) was recorded as share-based compensation expense relating to general and administrative services.

The following is a summary of stock option transactions:

	Number of options	Weighted average exercise price Cdn\$
Balance, December 31, 2019	3,600,000	0.4
Granted	1,820,000	0.37
Balance, December 31, 2020	5,420,000	0.39
Granted	1,420,000	0.34
<b>Balance, June 30, 2021</b>	<b>6,840,000</b>	<b>0.38</b>

## Eastern Platinum Limited

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

### 8. Issued capital (continued)

(d) *Share options (continued)*

The following table summarizes information concerning outstanding and exercisable options as at June 30, 2021:

Number of options outstanding		Number of options exercisable	Exercise price Cdn\$	Remaining contractual life (Years)	Expiry date
200,000	(i)	200,000	1.05	0.01	July 4, 2021
300,000	(i)	300,000	1.05	0.12	August 14, 2021
100,000		100,000	1.05	0.22	September 20, 2021
100,000	(i)	100,000	0.40	0.65	February 24, 2022
600,000	(i)	600,000	0.32	1.36	November 9, 2022
550,000	(i)	550,000	0.33	1.44	December 7, 2022
100,000		100,000	0.39	1.82	April 26, 2023
1,650,000	(ii)	1,650,000	0.21	2.96	June 13, 2024
50,000		50,000	0.24	3.83	April 29, 2025
1,770,000	(i)	1,770,000	0.37	4.30	October 16, 2025
1,420,000		—	0.34	4.98	June 23, 2026
<b>6,840,000</b>		<b>5,420,000</b>			

(i) 1,100,000 stock options expired subsequent to June 30, 2021.

(ii) 300,000 stock options were exercised for cash subsequent to June 30, 2021.

### 9. Financial instruments

(a) *Categories of financial instruments*

	<b>June 30 2021</b>	December 31 2020
	\$	\$
Financial assets		
FVTPL		
Trade receivables for PGM sales	<b>1,054</b>	—
Amortized cost		
Cash and cash equivalents	<b>5,060</b>	1,772
Restricted cash	<b>93</b>	90
Trade and other receivables (excluding taxes receivable)	<b>19,531</b>	10,830
Short-term investments (i)	<b>5,244</b>	—
Other assets (i)	<b>7,097</b>	6,787
	<b>38,079</b>	19,479
Financial liabilities		
Amortized cost		
Trade and other payables	<b>12,677</b>	7,491
Lease liabilities	<b>4,028</b>	4,557
Contracts payable	<b>48,368</b>	50,576
	<b>65,073</b>	62,624

(i) Short-term investments and other assets are mainly GICs and money market funds.

## Eastern Platinum Limited

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For the three and six months ended June 30, 2021

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

### 9. Financial instruments (continued)

#### (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, short-term investments, 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 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.

There were no transfers between levels during the three and six months ended June 30, 2021.

#### (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.

##### (i) Currency risk

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



## Eastern Platinum Limited

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### 9. Financial instruments (continued)

(c) *Financial risk management (continued)*

(i) *Currency risk (continued)*

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

	<b>June 30 2021</b>	December 31 2020
	\$	\$
<b>Financial assets</b>		
Denominated in USD at Canadian head office	<b>3</b>	—
Denominated in USD at South African Subsidiaries	<b>1,054</b>	—
Denominated in Rand at Canadian head office	<b>1</b>	7
<b>Total</b>	<b>1,058</b>	7
<b>Financial liabilities</b>		
Contracts payable denominated in Rand at Canadian head office	<b>6,773</b>	6,890
Contracts payable denominated in USD at South African subsidiaries	<b>41,595</b>	43,686
<b>Total</b>	<b>48,368</b>	50,576

As at June 30, 2021, with other variables unchanged, a 10% strengthening (weakening) of the Canadian dollar against the South African Rand would have increased (decreased) net income by approximately \$616; with other variables unchanged, a 10% strengthening (weakening) of the South African Rand against the U.S dollar would have increased (decreased) net income by approximately \$3,685.

(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 not subject to significant interest rate risk.

(iii) *Commodity price risk*

The Company's PGM concentrate sales are exposed to commodity price risk with respect to fluctuations in the prices of platinum group metals going forward. Prior to January 1, 2021, the Company did not have material PGM concentrate sales. Chrome concentrate sales is structured based on the tonnage processed referenced to the long-term chrome concentrate commodity price according to the Union Goal contract.

(iv) *Credit and concentration 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.

There is both a credit risk and concentration risk associated with the collection of revenue from Union Goal. This risk is mitigated due to the contract structure and the significant outstanding contracts payable due to Union Goal (Note 4).

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2021

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

### 9. Financial instruments (continued)

(c) *Financial risk management (continued)*

(iv) *Credit and concentration risk (continued)*

The trade and other receivable balances are monitored on an ongoing basis. The Company seeks to maintain strict control over its outstanding receivables to minimize credit risk. Provision for doubtful debts is calculated based on the payment history. With respect to credit risk arising from cash and cash equivalents and other assets, the Company limits its counterparty credit risk on these assets by dealing only with financial institutions with strong credit ratings.

(v) *Liquidity risk*

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

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

The Company started generating revenue from its Retreatment Project in December 2018, and at consistent expected levels since May 1, 2019. Despite the Retreatment Project 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 on investments and other income from the sale of non-core properties; although not expected to be significant, some of this income will be recurring in 2021 and future years. The projected cash flows for the next 12 months 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. The following table summarizes the Company's significant commitments (undiscounted) and corresponding maturities as at June 30, 2021. The Company currently does not have expected payments of obligations and commitments beyond 3 years.

	<1 year	1 - 3 years	Total
	\$	\$	\$
Trade and other payables	12,677	—	12,677
Contracts payable	—	52,557	52,557
Lease liabilities	1,718	3,039	4,757
	14,395	55,596	69,991

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2021

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

### 10. Revenue contracts with customers

During the three and six months ended June 30, 2021, 90% and 92% respectively, of the Company's revenue was from the processing of chrome concentrates and was generated from sales to Union Goal (Note 4). The remaining amount of the Company's revenue was from PGM concentrates sales to Impala.

As at June 30, 2021, 90% of the trade receivable balance in the amount of \$17,620 (December 31, 2020 - \$10,008) was attributed to Union Goal. The remaining amount of the trade receivable balance relates to PGM sales to Impala.

### 11. Headline and diluted headline earnings (loss) per share

The Company's shares are also listed on the Johannesburg Stock Exchange which requires the Company to present headline and diluted headline earnings (loss) per share. Headline earnings (loss) per share is calculated by dividing headline earnings (loss) attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted headline earnings (loss) per share is determined by adjusting the headline earnings (loss) attributable to equity shareholders of the Company and the weighted average number of common shares issued and outstanding during the period after taking all potential dilutive effects.

The following table summarizes the adjustments to income (loss) attributable to equity shareholders of the Company for the purpose of calculating headline earnings (loss) attributable to the equity shareholders of the Company, and the headline earnings (loss) and diluted headline earnings (loss) per share.

	Three months ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Income (loss) attributable to shareholders of the Company	<b>4,140</b>	(3,009)	<b>3,275</b>	(11,194)
Adjusted for:				
Loss (gain) on disposal of property, plant and equipment	<b>514</b>	(179)	<b>(610)</b>	(325)
Headline earnings (loss) attributable to shareholders of the Company	<b>4,654</b>	(3,188)	<b>2,665</b>	(11,519)
Headline earnings (loss) and diluted headline earnings (loss) per share	<b>0.03</b>	(0.03)	<b>0.02</b>	(0.12)

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2021

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

### 12 Settlement gain (loss)

- (a) Settlement with the former officers and directors of the Company

On June 21, 2021, the Company reached a settlement with the former officers and directors of the Company concerning the claims filed against them in relation to the agreements entered with Ingwenya Incorporated ("Ingwenya") and Serina Service AG ("Serina") on behalf of the Eastplats Companies dated June 30, 2016, pursuant to which \$13,367 was transferred to Serina and Ingwenya (see Note 13 (d)) and certain other related disputes. The settlements of the filed lawsuits provide for an amount of Cdn\$4,000 (approximately \$3,258) in cash, which was paid to the Company.

- (b) Settlement with AlphaGlobal Capital Inc.

On June 26, 2020 the Company reached a 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 against the Company or its subsidiaries (the "Claims"), in exchange for the issuance of 8,000,000 common shares of the Company (the "Common Share") at a deemed subscription price of Cdn\$0.235 per share, 6,000,000 common share purchase warrants exercisable at Cdn\$0.24, each share purchase warrant entitling the holder to acquire one Common Share of the Company for a period of two years (the "Warrants"), and the payment of ZAR9,000 (approximately \$518) (the "AlphaGlobal Settlement"). The 8,000,000 common shares were valued to be \$1,702 based on the Company's stock trading price at the issuance and the 6 million warrants were valued to be \$564 based on the Black-Scholes options pricing model. The Company recorded a settlement loss of \$2,787 during the second quarter of 2020.

### 13. Contingencies

The Company is subject to claims and legal proceedings arising in the ordinary course of business activities, each of which is subject to various uncertainties, it is not possible to predict the outcome and the result of which may be resolved unfavorably to the Company. These include the following matters:

- (a) On November 6, 2018, the Company received a petition filed with the Supreme Court of British Columbia, by 2538520 Ontario Limited ("253"), 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 consisting of three non-management Directors (the "Special Committee") to review the petition and make a recommendation on the appropriate action. Following its detailed review, the Special Committee 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 2021, 253 sought leave to appeal to the Supreme Court of Canada, which was declined on May 27, 2021. The Company is of the view that this petition is without merit and that no provision in this matter is required.

## Eastern Platinum Limited

Notes to the consolidated financial statements

For the three and six months ended June 30, 2021

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

### 13. Contingencies (continued)

- (b) On February 7, 2020 253 and its CEO, Rong Kai Hong, ("Plaintiffs") filed a further claim 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 (appeal denied). The Plaintiffs seek, among other relief, orders requiring a change to the Company share ownership, election of new Directors, several changes to senior management and damages of US\$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 apply to dismiss the lawsuit. No provision is made in the consolidated financial statements as the Company assessed the allegations have no merit.

- (c) In 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 that filed a similar petition in November 2018 for 253, which was dismissed in 2019, the appeal denied by the British Columbia Court of Appeal in November 2020 and application for leave to appeal to the Supreme Court of Canada declined in May 2021, as discussed in (a) above.

The Company has filed a response opposing the granting of the petition and the claims and allegations made. No provision is made in the consolidated financial statements as the Company assessed the allegations have no merit.

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

As at June 30, 2021, the BEE Buyout Transactions have not been completed or otherwise resolved. However, the Company has been advised by some of its BEE partners of Gubevu and Lion's Head that they have purportedly relinquished their interests in those companies in varying amounts to either Serina or Ingwenya. This could give rise to non-compliance with the mining rights and certain provisions of the MPRDA in respect of black economic empowerment requirements in South Africa. Further, in September 2018 a new Mining Charter was issued in South Africa that includes new ownership and other new BEE requirements. In December 2018 additional implementation guidelines were published. The Company is reviewing the issues and monitoring ongoing disputes in relation to the new Mining Charter to determine the effect on its business and operations. Depending on the results of the review and other factors there may be a significant impact on the Company's future operations.

## Eastern Platinum Limited

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For the three and six months ended June 30, 2021

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

### 13. Contingencies (continued)

- (e) On June 7, 2018, the Company filed a claim in the Supreme Court of British Columbia against Serina and Ingwenya in relation to the payment of \$13,367. The claim alleges that the BEE Buyout Agreements are not binding, that the funds were not properly received by them, are an unjust enrichment to them and should be returned. The Company filed an application for default judgment against Serina in the British Columbia Supreme Court in December 2018, and default judgment was granted in 2019, as Serina provided no response to the claim. The Company has been unable to successfully contact either Serina or Ingwenya to date and any recovery of the funds or judgement appears remote.
- (f) The Company has received a notice from the DMR of an appeal launched with the DMR of its mineral license issued in 2012 relating to the Spitzkop property. The Company with the assistance of counsel are addressing and intend to defend this issue related to the validity of the issued mineral rights of Spitzkop.