

ST-GEORGES

Platinum & Base Metals Ltd.

(First-time adoption of IFRS)

An exploration stage company

Audited Financial Statements

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of St-Georges Platinum and Base Metals Ltd. ("St-Georges" or the "Company") were prepared by management in accordance with the International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in notes 2 and 3 to the financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

Guimond Lavallée, the Company's independent auditors, conducted an audit of the financial statements in accordance with Canadian generally accepted auditing standards. Their audit included an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they made an assessment of the accounting principles used and significant estimates made by management, and they evaluated the overall financial statement presentation.

The Board of Directors of the Company is responsible for reviewing and approving the financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. A majority of the members of the Audit Committee are independent. The Audit Committee meets with management to review the internal controls over the financial reporting process, the financial statements and the auditors' report. The Audit Committee also reviews the Company's Management's Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

ST-GEORGES PLATINUM AND BASE METALS LTD.

(signed)

François Dumas
President, CEO & Directors

(signed)

Mark Billings
CFO & Director

May 1, 2012

INDEPENDANT AUDITOR'S REPORT

To the shareholders of ST-GEORGES PLATINUM & BASE METALS Ltd.

We have audited the accompanying financial statements of ST-GEORGES PLATINUM & BASE METALS Ltd., which comprise the statements of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010 and the statements of comprehensive loss, changes in equity and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ST-GEORGES PLATINUM & BASE METALS Ltd. as at December 31, 2011 and December 31, 2010 and January 1, 2010, and its operation financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast substantial doubt about ST-GEORGES PLATINUM & BASE METALS Ltd.'s ability to continue as a going concern.

Restated Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explain that certain comparative information for the year ended December 31, 2010 has been restated.

*Guimond Lavallée Inc.*¹

Chartered Accountants

Brossard (Quebec)
May 1, 2012

¹ Chartered Accountants auditor permit No. 23358

St-Georges Platinum & Base Metals Ltd.
(First-time adoption of IFRS)
Audited Financial Statements
For the years ended December 31, 2011 and 2010
For an exploration stage company

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St-Georges Platinum & Base Metals Ltd.
Statements of Financial Position
(First-time adoption of IFRS)
(Audited)

As at	December 31, 2011	(Restated) December 31, 2010	January 1, 2010
Assets	\$	\$	\$
Current assets			
Cash and cash equivalents (Note 6)	175,130	1,267,562	903,899
Restricted cash (Note 7)	-	30,000	-
Other receivables (Note 8)	216,142	843,556	7,507
Advances to drilling subcontractors (Note 9)	307,878	-	-
Advance to a company with common directors	-	17,989	-
Total current assets	699,150	2,159,107	911,406
Non-current assets			
Secured Debenture (Note 10)	100,000	100,000	-
Exploration and evaluation assets (Note 11)	7,279,349	4,545,968	2,947,510
Property, plant and equipment (Note 12)	-	536	765
Intangible asset (Note 13)	-	-	150,000
Total non-current assets	7,379,349	4,646,504	3,098,275
Total assets	8,078,499	6,805,611	4,009,681
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	1,421,823	566,897	104,282
Provision for finder's fee (Note 15)	-	450,000	-
Due to a director	-	-	16,500
Total liabilities	1,421,823	1,016,897	120,782
Shareholders' equity			
Common shares (Note 14)	8,804,832	7,813,192	5,765,565
Contributed surplus (Note 14)	1,419,447	1,207,527	390,986
Deficit	(3,567,603)	(3,232,005)	(2,267,652)
Total shareholders' equity	6,656,676	5,788,714	3,888,899
Total liabilities and shareholders' equity	8,078,499	6,805,611	4,009,681

These financial statements were approved and authorized for issue by the Board of Directors on May 1, 2012

(Signed)

 François Dumas
 President, CEO & Director

(Signed)

 Mark Billings
 CFO & Director

The accompanying notes are an integral part of these financial statements.

St-Georges Platinum & Base Metals Ltd.
Statements of Comprehensive Loss
(First-time adoption of IFRS)
(Audited)

For the year ended December 31	2011	(Restated) 2010
	\$	\$
Operating expenses		
Professional fees and subcontractors	318,924	392,217
Administrative expenses	315,311	455,466
Mineral rights	2,895	16,000
Brokerage fees	59,859	43,613
Travel expenses	115,195	40,050
Bank charges	935	2,970
Depreciation – property, plant and equipment	-	229
Share-based payment compensation (note 15)	50,000	320,550
Allowance for doubtful account – Advance	17,989	-
Write-down of tangible asset	536	-
Write-down of intangible asset	-	150,000
(Gain) loss on change in fair value of the provision for finder's fees	(37,500)	150,000
	<u>844,144</u>	<u>1,571,095</u>
Interest revenue from secured debenture	18,127	7,500
Net loss before income taxes	(826,017)	(1,563,595)
Income taxes – Future (recovered)	(490,419)	(599,242)
Net loss and comprehensive loss for the year	(335,598)	(964,353)
Deficit, beginning of year	(3,232,005)	(2,267,652)
Deficit, end of year	(3,567,603)	(3,232,005)
Basic and diluted loss per share (\$ per share)	(0.003)	(0.013)
Weighted average number of common shares outstanding –		
Basic	100,403,960	74,757,093
Diluted	100,403,960	74,861,984

St-Georges Platinum & Base Metals Ltd.
Statements of Changes in Equity
(First-time adoption of IFRS)
(Audited)

	Number of Common Shares	(Restated) Common Shares	Contributed Surplus	(Restated) Deficit	(Restated) Total Shareholders' Equity
		\$	\$	\$	\$
Balance as at January 1, 2010	72,319,778	5,765,565	390,986	(2,267,652)	3,888,899
Shares issued for cash (note 14)	20,917,333	3,739,000	-	-	3,739,000
Shares issued for property acquisition (note 14)	450,000	45,000	-	-	45,000
Share issue costs (note 14)	-	(739,957)	98,817	-	(641,140)
Future income taxes (note 14)	-	(599,242)	-	-	(599,242)
Warrants issued (note 14)	-	(397,174)	397,174	-	-
Share-based payment compensation (note 15)	-	-	320,550	-	320,550
Net loss for the year	-	-	-	(964,353)	(964,353)
Balance as at December 31, 2010	93,687,111	7,813,192	1,207,527	(3,232,005)	5,788,714
Balance as at January 1, 2011	93,687,111	7,813,192	1,207,527	(3,151,005)	5,869,714
Shares issued for cash (note 14)	6,875,000	1,345,000	-	-	1,345,000
Shares issued for property acquisition (note 14)	500,000	90,000	-	-	90,000
Shares issued as finder's fee (note 14)	2,500,000	412,500	-	-	412,500
Share issue costs (note 14)	-	(175,343)	21,822	-	(153,521)
Future income taxes (note 14)	-	(490,419)	-	-	(490,419)
Warrants issued (note 14)	-	(190,098)	190,098	-	-
Net loss for the year	-	-	-	(335,598)	(335,598)
Balance as at December 31, 2011	103,562,111	8,804,832	1,419,447	(3,567,603)	6,656,676

St-Georges Platinum & Base Metals Ltd.
Statements of Cash Flows
(First-time adoption of IFRS)
(Audited)

For the years ended December 31	2011	(Restated) 2010
	\$	\$
Operating activities		
Net loss and comprehensive loss for the year	(335,598)	(964,353)
Non-cash items		
Depreciation – property, plant & equipment	-	229
Share-based payment compensation (note 15)	50,000	320,550
Write-down of tangible asset	536	-
Write-down of intangible asset	-	150,000
Gain (loss) on change in fair value of the provision for finder's fees	(37,500)	150,000
Future income taxes	(490,419)	(599,242)
	<u>(812,981)</u>	<u>(942,816)</u>
Net changes in working capital items		
Restricted cash	30,000	(30,000)
Other receivables	627,414	(836,049)
Advances to drilling subcontractors	(307,878)	-
Advance to a company with common directors	17,989	(17,989)
Accounts payable and accrued liabilities	854,926	462,615
	<u>1,222,451</u>	<u>(421,423)</u>
Net cash from operating activities	<u>409,470</u>	<u>(1,364,239)</u>
Investing activities		
Secured debenture	-	(100,000)
Acquisition of exploration and evaluation assets	(2,643,381)	(1,553,458)
Net cash from investing activities	<u>(2,643,381)</u>	<u>(1,653,458)</u>
Financing activities		
Issuance of shares and warrants, net of issue costs ¹	1,141,479	3,397,860
Repayment of amount due to a director	-	(16,500)
Net cash from financing activities	<u>1,141,479</u>	<u>3,381,360</u>
Increase (Decrease) in cash and cash equivalents	<u>(1,092,432)</u>	<u>363,663</u>
Cash and cash equivalents, beginning of year	<u>1,267,562</u>	<u>903,899</u>
Cash and cash equivalents, end of year (note 6)	<u>175,130</u>	<u>1,267,562</u>

¹ Non-cash items are excluded from financing activities

The accompanying notes are an integral part of these financial statements.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements (First-time adoption of IFRS)

December 31, 2011 and 2010
(Audited)

1. Corporate Information and Going Concern of Operations

The financial statements of St-Georges Platinum & Base Metals Ltd. (formerly ACFAW.com Inc., the "Company" or "St-Georges") for the year ended December 31, 2011 were authorized for issue in accordance with a resolution of the directors on May 1, 2012. St-Georges' business activity is the exploration and evaluation of mineral properties in Canada. St-Georges was incorporated under the Canada Business Corporations Act on June 21, 2002. The Company is listed on the Canadian National Stock Exchange ("CNSX"), having the symbol SX, and on the OTCQX, having the symbol SXOOF. The Company, which is in the process of exploring its mineral properties, has one reportable segment in Canada and all of the assets are located in Canada.

The address of the Company's corporate office and principal place of business is 630 Sherbrooke Street West, Suite 410, Montreal, Quebec, H3A 1E4, Canada.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At December 31, 2011, the Company has not yet achieved profitable operations, had no operating income and had cash and cash equivalents of \$175,130 and negative working capital of \$722,673. As such, the Company's ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information.

2. Restatement of Comparative Information

The financial statements were restated to reflect corrections of errors and missing information that has been disclosed under the following notes.

The Company has determined that the provision for finder's fees was understated during 2010, following the issuance of 2,500,000 shares for finder's fees on March 23, 2011, for which management had previously recorded no provision. The finder's fee related to the acquisition agreement between St-Georges Minerals Inc. and ACFAW.com Inc. (now, St-Georges), which was approved by the board of directors on December 30, 2009, but was subject to shareholders' assembly and regulatory approval. As a result, the 2010 provision for finder's fees increased by \$450,000, the December 31, 2010 balance of deficit decreased by \$300,000 and a gain on change in fair value of the provision for finder's fees of \$150,000 was added to the statement of comprehensive loss.

The Company has determined that the accrued liabilities for administrative expenses were understated during 2010 by \$81,000. As a result, the 2010 accrued liabilities, administrative expenses and deficit were increased by the same amount.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements (First-time adoption of IFRS)

December 31, 2011 and 2010
(Audited)

3. Basis of Presentation

a) Statement of Compliance

The financial statements of the Company for the year ended December 31, 2011 are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). These financial statements for the year ended December 31, 2011 have been prepared in accordance with IAS 1, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these financial statements are the Company's first annual financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period.

b) Basis of Measurement

The financial statements have been prepared on an historical cost basis.

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

4. Summary of Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year ending December 31, 2011 and have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS balance sheet at January 1, 2010, except when the Company applied certain exemptions and exceptions on the transition of IFRS. The exemptions and exceptions applied and effects of the transition to IFRS are presented in note 24.

a) Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

b) Revenue Recognition

Interest revenue is recognized on an accrual basis as it is earned.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements (First-time adoption of IFRS)
December 31, 2011 and 2010
(Audited)

4. Summary of Significant Accounting Policies (continued)

c) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's knowledge of ongoing events and on future actions the Company may undertake. Actual results could differ from these estimates and the change may be significant. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Critical estimates include valuation of the credit on mining duties refundable for losses and the refundable tax credit for resources, future income tax assets and liabilities, the possibility of recovering the value of mining properties and deferred exploration costs and the fair value of stock options and warrants granted. Actual results could therefore, differ from these estimates.

d) Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less at the time of issuance to be cash equivalents.

e) Mining Properties and Deferred Exploration and Evaluation Expenditures

The amounts recorded as mining properties and deferred exploration costs represent exploration, development and associated operating costs incurred to date and are not intended to reflect present or future values. These costs are deferred until the discovery of economically exploitable reserves and the start-up of the production phase on a property-by-property basis or until the property is abandoned. Mining properties are abandoned when management allows property interests to lapse or when they determine that properties are not economically viable. Costs accumulated relating to projects that are abandoned are written-off in the year in which a decision to discontinue the project is made.

When it has been determined that a mining property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are amortized using the units-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

The Company is in the development stage and by definition commercial production has not yet commenced. Commercial production occurs when an asset or property is substantially complete, is fully permitted and ready for its intended use. No amortization of mining properties has been charged in these financial statements.

Where there is an indication that impairment may exist, senior management reviews the carrying values of mining properties and deferred exploration expenditures with a view to assessing whether there has been any impairment in value. In the event that it is determined there is impairment in the carrying value of any property, the carrying value will be written down or written off, as appropriate. There was no impairment write-down required at December 31, 2011.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements (First-time adoption of IFRS)
December 31, 2011 and 2010
(Audited)

4. Summary of Significant Accounting Policies (continued)

f) Property, Plant and Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements (First-time adoption of IFRS)

December 31, 2011 and 2010
(Audited)

4. Summary of Significant Accounting Policies (continued)

Depreciation

Depreciation is recognized in profit or loss and is provided on a declining balance basis over the estimated useful life of the assets as follows:

Office Equipment	Declining balance of 30%
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Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Assets are depreciated once they are available for use. Depreciation is recognized in other comprehensive income within 'Depreciation of property, plant and equipment'.

g) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including Mining properties, Deferred exploration and evaluation assets and Property, Plant and Equipment, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

The Company has three separate exploration and evaluation assets: Villebon, Lac Julie-Isoukoustouc and Manicouagan Constellation. These assets are reviewed separately for indications of impairment at each statement of financial position date.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

h) Intangible Asset

Web technology sold on December 1, 2010 for \$1, was accounted at cost. Amortization was based on its useful life using the diminishing balance method. The recorded cost of Web Technology was based on shares issued in consideration of the Web Technology. The cost recorded is not an indication of fair market value or removable amounts.

The carrying value of Web Technology was reviewed by management at least annually to determine if it has become impaired. Impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amounts for the assets.

	Rate
Web Technology	30%

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements (First-time adoption of IFRS)

December 31, 2011 and 2010
(Audited)

4. Summary of Significant Accounting Policies (continued)

i) Financial Instruments

Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. Cash, cash equivalents, restricted cash, other receivables are included in this category of financial assets.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit and loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss. There are no financial assets classified in this category.

Held to Maturity ("HTM")

Securities that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held-to-maturity financial instruments are included in the underlying balance. The secured debenture issued to LiteWave Corp. is classified in this category.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company has classified cash and cash equivalent, restricted cash, other receivables and advance to a company with common directors as loans and receivables.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements (First-time adoption of IFRS)

December 31, 2011 and 2010
(Audited)

4. Summary of Significant Accounting Policies (continued)

Available-For-Sale Investments

Non-derivative financial assets are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

As at December 31, 2011, the Company did not have any Available-for-Sale Investments.

Effective Interest Rate Method

The effective interest rate method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset of the group of financial assets.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements (First-time adoption of IFRS)
December 31, 2011 and 2010
(Audited)

4. Summary of Significant Accounting Policies (continued)

Financial Liabilities

Financial liabilities are classified into one of the following categories:

Fair Value Through Profit or Loss

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the change in fair value recognized in the statement of operations and comprehensive loss. The provision for finder's fees is classified in this category. The finder's fees are classified in this category as they were issued in connection with the financing of the Company, and it represents a financial operation. These amounts were valued on the basis of the fair value through profit or loss.

Other Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred and comprise trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a this constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid.

Derecognition of Financial Liabilities

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

j) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

St-Georges Platinum & Base Metals Ltd.
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4. Summary of Significant Accounting Policies (continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

k) Tax Credits and Mining Duties

From time to time, the Company receives government incentive programs such as investment tax credits. The Government of Quebec provides a non-taxable refundable credit for losses to help operators meet exploration, mineral deposit evaluation and mine development costs by refunding part of eligible expenditures incurred. This credit is based on the lesser of:

- The amount of the annual loss; and
- The exploration, mineral deposit evaluation and mine development expenses

The Government of Quebec also offers businesses having establishments and that carry on activities in Quebec a refundable tax credit for mineral exploration activities, covering up to 45% of exploration expenses.

Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in operations in the period in which it is determined.

l) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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4. Summary of Significant Accounting Policies (continued)

Flow-through Shares

The Company may from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a share capital transaction. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a deferred tax expense in the statement of income/loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Earnings / Loss Per Share

Basic earnings / loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings / loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

m) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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4. Summary of Significant Accounting Policies (continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life and forfeiture rate used in the model is adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payments made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

n) Standards, Amendments and Interpretations Not Yet Effective

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

- (i) New accounting standards impacting on or after January 1, 2012

IFRS 7 Financial Instruments: Disclosures (Amendment)

The amendment, effective for annual periods beginning on or after January 1, 2012, with early application permitted, requires additional quantitative and qualitative disclosures relating to transfers of financial assets where: financial assets are derecognized in their entirety, but where the entity has a continuing involvement in them; financial assets that are not derecognized in their entirety.

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4. Summary of Significant Accounting Policies (continued)

IAS 12 Income Taxes (Amendment)

IAS 12 amendments regarding Deferred Tax: Recovery of Underlying Assets introduces an exception to the existing principle for the measurement of deferred tax assets and liabilities arising on investment property measured at fair value, and the requirement and deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after January 1, 2012.

- (ii) New accounting standards impacting on or after July 1, 2012

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 require companies preparing financial statements in accordance with IFRS to group together items within other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the income statement. The amendments retain the "one or two statement" approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotal for those elements that may be "recycled" (e.g., cash flow hedging, foreign currency translation), and those elements that will not (e.g., fair value through OCI items under IFRS 9). In addition, the tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendment is effective for annual periods beginning on or after July 1, 2012.

- (iii) New accounting standards impacting on or after January 1, 2013

IFRS 7 Financial Instruments: Disclosures in Respect of Offsetting (Amendment)

At its meeting December 13 to 15, 2011, the IASB approved amendments to IFRS 7 *Financial Instruments: Disclosures* with respect to offsetting financial assets and financial liabilities. The common disclosure requirements issued by the IASB and the FASB in December 2011 are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. Companies and other entities are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. This standard (i) requires a parent entity (an entity that controls one or more entities) to present consolidated financial statements; (ii) defines the principle of control and establishes control as a basis of consolidation; (iii) sets out how to apply the principle of control whether an investor controls an investee and therefore must consolidate the investee; (iv) sets out the accounting requirements for the preparation of consolidated financial statements.

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4. Summary of Significant Accounting Policies (continued)

IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 may be adopted to an earlier accounting period, but in doing so, an entity must disclose the fact that it has early-adopted the standard and apply IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* (as amended in 2011) and IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011).

IFRS 11 Joint Arrangements

IFRS 11 was issued by the IASB on May 12, 2011 and will replace IAS 31 *Interests in Joint Ventures*. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures. This new standard is effective for the annual period beginning on or after January 1, 2013. This new standard will not have an impact on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. This standard requires the disclosure of information that enable users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, and entities are permitted to incorporate any of the new disclosures into their financial statements before that date.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value, but does not change when fair value is required or permitted under IFRS. IFRS 13 defined fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions with the scope of IAS 17 *Leases*; measurements that have some similarities to fair value that are not fair value, such as net realizable value in IAS 2 *Inventories*; or value in use IAS 36 *Impairment of Assets*. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC20")

In October 2011, the IASB issued IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 must be applied starting January 1, 2013 with early adoption permitted.

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4. Summary of Significant Accounting Policies (continued)

IAS 27 Separate Financial Statements

IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. This standard will not have an impact on the financial statements.

IAS 28 Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and to set requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

(iv) New accounting standards impacting on or after January 1, 2014

IAS 32 Financial Instruments – Presentation in Respect of Offsetting (Amendment)

At its meeting December 13 to 15, 2011, the IASB approved amendments to IFRS 7 *Financial Instruments: Disclosures* with respect to offsetting financial assets and financial liabilities. As part of this project, the IASB also clarified aspects of IAS 32 *Financial Instruments: Presentation*. The amendments to IAS 32 address inconsistencies in current practice when applying the requirements. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

(v) New accounting standards impacting on or after January 1, 2015

IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring assets as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some circumstances)
- Investments in equity instruments can be designated “fair value through other comprehensive income” with only dividends being recognized in profits or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before January 1, 2015. For annual periods beginning on or after January 1, 2015, the Company must adopt IFRS 9 (2010).

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4. Summary of Significant Accounting Policies (continued)

IFRS 9 Financial Instruments (2010)

A revised version of IFRS 9 incorporating revised requirements for the classification and measurements of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in the cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

This standard applies to annual periods beginning on or after January 1, 2015 and supersedes IFRS 9 (2009). However, for annual reporting periods before January 1, 2015, the Company may early adopt IFRS 9 (2009) instead of applying this standard.

5. Critical Accounting Estimates and Judgements

St-Georges makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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4. Summary of Significant Accounting Policies (continued)

iii) Income Taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

iv) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 15.

6. Cash and Cash Equivalents

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Cash	5,130	49,144	648
Cash in trust	170,000	1,218,418	903,251
Cash and cash equivalents	175,310	1,267,562	903,899

7. Restricted Cash

As of December 31, 2011, the Company had no restricted cash (December 31, 2010 - \$30,000). These balances in 2010 were restricted to pay legal fees associated with the Company's financings in 2011.

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8. Other receivables

As of December 31, 2011, the Company had accounts receivable of \$216,142 (December 31, 2010 - \$843,556), as described below:

	December 31, 2011	December 31, 2010
	\$	\$
Taxes recoverable	190,515	51,056
Subscriptions receivable	-	785,000
Interest receivable from a company with common directors	25,627	7,500
	<u>216,142</u>	<u>843,556</u>

9. Advances to drilling subcontractors

As of December 31, 2011, the Company had advances to drilling subcontractors for an amount of \$307,878 (December 31, 2010 - \$Nil). This balance is associated primarily with advances paid to drilling companies in connection with the Company's 2011 exploration drilling campaign.

10. Secured Debenture

On May 27, 2010, the Company issued a secured debenture for a principal amount of \$100,000 to LiteWave Corp., which is a company with common directors. This secured debenture shall bear interest at the rate of 15% per annum, payable semi-annually and maturing on May 27, 2011. LiteWave is presently in default of its obligations to repay the principal amount and interest to the Company. Interest on the debenture has increased from 15% per annum to 18% per annum until the debenture will be repaid. As of December 31, 2011, the interest receivable is \$25,627 (December 31, 2010 - \$7,500).

11. Exploration and Evaluation Assets

(\$)	Lac Julie-			Total
	Villebon	Isoukustouc Complex	Manicouagan Constellation	
Balance as at January 1, 2010	1,817,631	786,003	343,876	2,947,510
Exploration costs	1,072,617	305,378	155,463	1,533,458
Property acquisitions	65,000	-	-	65,000
Balance as at Dec. 31, 2010	2,955,248	1,091,381	499,339	4,545,968
Exploration costs	1,116,728	1,186,650	-	2,303,378
Property acquisitions	395,464	30,723	3,816	430,003
Balance as at Dec. 31, 2011	4,467,440	2,308,754	503,155	7,279,349

The Villebon, Lac Julie – Isoukustouc Complex and Manicouagan Constellation properties are all located in Quebec, Canada and are 100% owned by the Company.

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11. Exploration and Evaluation Assets (continued)

Villebon

The Villebon property is located in the Abitibi region of Northern Quebec close to the north boundary of the La Vérendry Provincial Park and the Reserve in Villebon Township, close to Val-d'Or. This property is located less than 2 kilometres east of Highway 117, about 21 kilometres south of the community of Louvicourt and about 45 kilometres southeast of Val-d'Or. The Villebon property consists of 40 claims (December 31, 2010 – 26 claims).

Lac Julie – Isoukustouc Complex

The Lac Julie – Isoukustouc Complex properties are located in the North Shore region of the St. Lawrence River, in proximity to the communities of Baie-Comeau and Sept-Îles. The Manic-3, Mathilda and Isoukustouc properties are located less than 10 kilometres west of the Manic-3 hydro generating station within the Manicouagan reservoir. The Lac Julie – Isoukustouc Complex properties are located approximately 65 kilometres further to the east, close to Lac La Blache. The Lac Julie – Isoukustouc Complex properties are composed of 628 claims (December 31, 2010 – 49).

Manicouagan Constellation

The Manicouagan Constellation properties are located along Quebec's North Shore region of the St. Lawrence River, in the Manicouagan sector. The Lac en Dentelle property is 65 kilometres northwest of Labrieville and about 200 kilometres from Forestville. The Franquelin property is located about 14 kilometres from Baie-Comeau. The Ste-Anne property is located east of Manicouagan. The Manic-5 property is located in the centre of Manicouagan. The five other properties (Lac Ste-Anne, Bois-Long, Indian Summer, Katshi and Tétépisca) are located in the northwestern sector of Manicouagan. The Manicouagan Constellation properties are composed of 137 claims (December 31, 2010 – 29 claims).

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12. Property, Plant & Equipment

	Computer Equipment (\$)
Cost	
Balance as at January 1, 2010	900
Balance as at December 31, 2010	900
Balance as at December 31, 2011	900
Depreciation and impairment losses	
Balance as at January 1, 2010	135
Depreciation for the year	229
Balance as at December 31, 2010	364
Impairment loss	536
Balance as at December 31, 2011	-
Net Carrying Amounts	
As at January 1, 2010	765
As at December 31, 2010	536
As at December 31, 2011	-

13. Intangible Asset

	Web Technology (\$)
Cost	
Balance as at January 1, 2010	840,000
Balance as at December 31, 2010	840,000
Balance as at December 31, 2011	840,000
Depreciation and impairment losses	
Balance as at January 1, 2010	690,000
Impairment loss	150,000
Balance as at December 31, 2010	840,000
Balance as at December 31, 2011	840,000
Net Carrying Amounts	
As at January 1, 2010	150,000
As at December 31, 2010	-
As at December 31, 2011	-

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On June 2, 2009, the Company acquired 100% of the voting shares of ACFAW.COM, a Company which offered development, promotion and support to fundraising websites. The Company issued 6,000,000 common shares for a total value of \$840,000. This transaction was accounted for at the market value of the issued shares.

On December 1, 2010, the Company sold its web technology for one (1) dollar. The Company will receive a royalty of 10% on sales related to this web technology during the next three (3) years.

14. Share Capital

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value.

The holders of common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

On May 4, 2010, the Company consolidated its existing capital on the basis of two (2) common shares for one (1) new common share of the Company. For purposes of comparison, all common share figures presented in these financial statements are on a post-consolidation basis.

The following is a summary of changes in common share capital from January 1, 2010 to December 31, 2011:

	Number of Shares	Amount (\$)
Balance at January 1, 2010	72,319,778	5,765,565
Shares issued via private placement (i)	20,917,333	3,341,826
Shares issued for acquisition of mining properties	450,000	45,000
Tax effect of flow-through renunciation	-	(599,242)
Issuance costs (including options issued)	-	(739,957)
Balance at December 31, 2010	93,687,111	7,813,192
Shares issued via private placement (ii)	6,875,000	1,154,902
Shares issued for acquisition of mining properties	500,000	90,000
Shares issued as finder's fee	2,500,000	412,500
Issuance costs (including options issued)	-	(175,343)
Tax effect of flow-through renunciation	-	(490,419)
Balance at December 31, 2011	103,562,111	8,804,832

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14. Share Capital (continued)

- i) On March 22, 2010, a non-brokered private placement was closed for gross aggregate proceeds of \$1,000,000 through the sale of 6,666,667 flow-through units at \$0.15 per unit. Each flow-through unit is comprised of common share, to be issued as a flow-through share, and one non-flow-through common share purchase warrant, exercisable at a price of \$0.50 per share no later than 36 months following the closing date. Moreover, 266,666 non-flow-through common shares were issued as a finder's fee, as well as options to purchase 666,667 non-flow-through units at a price of \$0.10 no later than 24 months following the closing date, and a cash fee equal to 10% of the subscription proceeds. The gross proceeds of \$973,333 for the units were assigned to common shares and \$27,667 to warrants, using the Black-Scholes pricing model.

On May 14, 2010, a non-brokered private placement was closed for gross aggregate proceeds of \$352,000 through the sale of 3,520,000 units at \$0.10 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.50 per share no later than 36 months following the closing date. Moreover 72,000 warrants at \$0.50 for 36 months were issued as a finder's fee, plus \$5,760 cash. The gross proceeds of \$274,560 for the units were assigned to common shares and \$77,440 to warrants, using the Black-Scholes pricing model.

On December 31, 2010, the Company completed a brokered private placement for gross aggregate proceeds of \$2,387,000 through the sale of 153 A units at \$1,000 per unit, 1,471 B units at \$1,000 per unit and a non-brokered private placement of 763 C units at \$1,000 per unit.

The A units consist of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant will entitle the holder to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per share at any time on or before the date that is 36 months from the date of issuance of the warrant. The gross proceeds of \$117,381 for the A units were assigned to common shares and \$35,619 to warrants, using the Black-Scholes pricing model.

The B units consist of 4,000 flow-through common shares at a price of \$0.25 per share and 4,000 common share purchase warrants. Each warrant will entitle the holder thereof to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per common share at any time on or before the date that is 12 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.55 per share at any time on or before the date that is 24 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.60 per share, at any time on or before the date that is 36 months from the date of issuance of the warrant. The gross proceeds of \$1,391,581 for the B units were assigned to common shares and \$79,419 to warrants, using the Black-Scholes pricing model.

The C units consist of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant will entitle the holder to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per share at any time on or before the date that is 36 months the date of issuance of the warrant. The gross proceeds of \$584,971 for the C units were assigned to common shares and \$178,829 to warrants, using the Black-Scholes pricing model.

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14. Share Capital (continued)

The Company paid a total cash commission of \$235,380 and issued a total of 1,201,400 agent's options. 731 400 agent's options entitle the holder thereof to purchase one agent's unit of the Company (an "Agent's Unit") at the price of \$0.20 per Agent's Unit for a period of 36 months following the closing date. Each Agent's Unit consists of one common share and one non-transferable common share purchase warrant of the Company (an "Agent's Unit Warrant"). Each Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at a price of \$0.50 per share during a period of 36 months following the closing date.

Moreover, the Company also issued 470,000 agent's options as a finder's fee (each an "Agent's Option"). Each Agent's Option entitles its holder thereof to purchase one agent's unit of the Company (an "Agent's Unit") at the price of \$0.25 per Agent's Unit for a period of 24 months following the closing date. Each Agent's Unit consists of one common share (an "Agent's Unit Share") and one non-transferable common share purchase warrant (an "Agent's Unit Warrant"). Each Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at a price of an exercise price of \$0.50 per common share at any time on or before the date that is 12 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.55 per share at any time on or before the date that is 24 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.60 per share, at any time on or before the date that is 36 months from the date of issuance of the warrant.

- ii) On March 1, 2011, the Company completed the second tranche of the December 31, 2010 brokered private placement.

The Company received a total of \$700,000 for subscriptions to 700 flow-through units at a price of \$1,000 per unit (the "B Units"). Each B Unit consists of 4,000 flow-through common shares at a price of \$0.25 per share and 4,000 common share purchase warrants (each being a "Warrant"). Each warrant entitles the holder thereof to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per common share at any time on or before March 1, 2012, and thereafter at an exercise price of \$0.55 per share at any time on or before March 1, 2013, and thereafter at an exercise price of \$0.60 per share, at any time on or before March 1, 2014.

The Company paid a cash commission of \$25,000 and issued 100,000 agent's options (the "Agent's Options"). Each Agent's Option entitles its holder thereof to purchase one agent's unit of the Company (an "Agent's Unit") at the price of \$0.20 per Agent's Unit for a period of 24 months following the closing date. Each Agent's Unit consists of one common share (an "Agent's Unit Share") and one non-transferable common share purchase warrant of the Company (an "Agent's Unit Warrant"). Each Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at a price of \$0.50 per share during a period of 36 months following the closing date.

The Company also paid finders' fees for a cash consideration of \$47,925 and issued a total of 180,000 flow-through agent's options (each a "FT Agent's Option"). Each FT Agent's Option entitles its holder thereof to purchase one agent's unit of the Company (an "FT Agent's Unit") at the price of \$0.25 per FT Agent's Unit for a period of 24 months following the closing date. Each FT Agent's Unit consist of one common share and one non-transferable Warrant.

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14. Share Capital (continued)

The Company completed the second and final tranche of a non-brokered private placement previously announced of C Units on December 31, 2010. For this tranche, a total of 475 C units at a purchase price of \$1,000 per unit have been issued for total gross proceeds of \$475,000. Each C unit consists of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant entitles the holder to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.50 per share at any time on or before the date that is 36 months from the date of issuance of the warrant.

The Company paid an aggregate of \$42,640 in finder's fees on the non-brokered private placement.

On December 29, 2011, the Company completed a non-brokered private placement of flow-through units ("Units") at a price of \$0.10 per Unit for gross proceeds of \$170,000. Each Unit was comprised of one Flow-Through Share and one-half (1/2) of one non-flow-through common share purchase warrant. Each whole Warrant will entitle the holder thereof to purchase one additional common share of the capital stock of the Company at an exercise price of \$0.15 per share at any time on or before December 29, 2012, and thereafter at an exercise price of \$0.25 per share at any time on or before December 29, 2013. Legal fees of \$19,851 were recognized as costs associated with this financing.

The Company paid finders' fees in the amount of \$18,105 and issued a total of 170,000 agent's options ("Agent's Options"). Each Agent's Option entitles its holder to purchase one agent's unit ("Agent's Unit") at a price of \$0.10 per Agent's Unit until December 29, 2013. Each Agent's Unit consists of one common share and one non-transferrable Warrant.

Escrow

On June 1, 2009, the Company, then trading as Emergence Resort Canada Inc., signed an escrow agreement with its transfer agent, Computershare, in which 2,310,000 common shares of the Company were placed in escrow, with releases every six months over the following three years. The release schedule is as follows: 10% of the initial amount in escrow was released upon signature of the escrow agreement (231,000 common shares), with further releases of 15% (or 346,500 common shares) every six months thereafter over the next 36 months. On December 31, 2011, there were 346,500 common shares in escrow with the Company's transfer agent (December 31, 2010 – 1,039,500 common shares).

b) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value.

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14. Share Capital (continued)

c) Contributed Surplus

The following is a summary of changes in contributed surplus from January 1, 2010 to December 31, 2011:

	<u>Amount (\$)</u>
Balance at January 1, 2010	390,986
Share-based payment compensation	320,550
Warrants issued in private placements	397,174
Warrants issued for finder's fees	98,817
Balance at December 31, 2010	<u>1,207,527</u>
Warrants issued in private placements	190,098
Warrants issued for finder's fees	21,822
Balance at December 31, 2011	<u>1,419,447</u>

d) Warrants

Warrants

The following is a summary of changes in warrants from January 1, 2010 to December 31, 2011:

	<u>Number of Warrants</u>	<u>Weighted Average Strike Price</u>
Balance as at January 1, 2010	<u>7,574,801</u>	<u>\$0.46</u>
Issued	22,590,733	\$0.47
Expired	(260,000)	\$0.40
Balance as at December 31, 2010	<u>29,905,534</u>	<u>\$0.47</u>
Issued	6,475,000	\$0.48
Expired	(664,981)	\$0.15
Balance as at December 31, 2011	<u>35,715,553</u>	<u>\$0.48</u>
Warrants exercisable, December 31, 2011	<u>35,715,553</u>	<u>\$0.48</u>

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14. Share Capital (continued)

As at December 31, 2011, the Company had outstanding warrants as follows:

Number of Warrants	Strike Price	Weighted average remaining contractual life (years)
666,667	\$0.15	0.23
6,649,819	\$0.50	1.00
731,400	\$0.20	1.00
470,000	\$0.25	1.00
100,000	\$0.20	1.16
180,000	\$0.25	1.16
6,666,667	\$0.50	1.23
3,592,000	\$0.50	1.38
850,000	\$0.23	1.74
5,175,000	\$0.54	1.94
170,000	\$0.10	1.99
10,464,000	\$0.50	2.00
35,715,553	\$0.48	1.52

15. Share-based Payments

a) Stock Option Plan

On June 1, 2009, the Company established a stock-based compensation plan. Under the stock-based compensation plan, the board of directors of the Company may, from time to time, at its discretion, and in accordance with CNSX requirements, grant to directors, officers and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five (5) years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding Common Shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to expiry date of such option.

The subscription price of the shares which may be issued under the plan must not be lower than the closing price of the last regular board lot (not less than \$0.10) sold on the CNSX on the trading day immediately preceding the date of grant. The option price is payable in full at the time the options is exercised. The vesting periods in respect of the options are determined by the Board of Directors at the time of each grant of options.

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15. Share-based Payments (continued)

The following options were outstanding as at December 31, 2011:

Range of exercise prices	<u>Options outstanding</u>			<u>Options exercisable</u>	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$		Years	\$		\$
0.20	400,000	3.02	0.20	400,000	0.20
0.15	3,650,000	3.80	0.15	3,650,000	0.15
0.15 - 0.20	4,050,000	3.72	0.15	4,050,000	0.15

The following table shows a reconciliation of stock options outstanding under the plan at the beginning and the end of the year:

	<u>2011</u>		<u>2010</u>	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	4,050,000	0.15	475,000	0.26
Granted	-	-	4,050,000	0.15
Forfeited	-	-	475,000	0.26
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, end of year	4,050,000	0.15	4,050,000	0.15
Options exercisable at end of year	4,050,000		4,050,000	

The fair value of stock options issued was estimated at the grant date based on the Black-Scholes options pricing model using the following weighted average assumptions:

	<u>2011</u>	<u>2010</u>
Share price at grant date	Nil	\$0.11 - \$0.15
Exercise price	Nil	\$0.15 - \$0.20
Risk-free interest rate	Nil	1.92% to 2.81%
Expected life (years)	Nil	5
Expected volatility	Nil	62% to 65%
Expected dividend yield	Nil	Nil

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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15. Share-based Payments (continued)

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

In 2011, the Company issued 200,000 shares to a consultant who had provided investor relations services to the Company; the deemed value of these shares at the time of issue was \$50,000. The Company based the value of the services provided by the consultant on similar services provided by other consultants to the Company.

In 2011, the Company acquired a 100% interest in the Cooper Lake property, which is adjacent to the Company's Villebon property in the Abitibi region of Quebec. The Company issued to the vendor \$25,000 in cash and 500,000 common shares of the Company at a deemed value of \$0.18 per share (or \$90,000 in consideration). The Company based the value of the services rendered on the fair value of the shares issued, given the difficulty of establishing value for comparable properties.

In 2011, the Company issued as a finder's fee 2,500,000 common shares of the Company to three parties in connection with the reverse take-over that occurred in December 2009, but which was approved at a meeting of shareholders in May 2011. The deemed value at the time of approval of the finder's fee in May 2010 was \$0.18 per share (or \$450,000). This amount was revalued at \$412,500 at the time the shares were issued in March 2011. The Company based the value of the services rendered on the fair value of the shares issued, given the difficulty of establishing value for comparable services.

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16. Income Taxes

The statutory tax rate in Canada is 28.4% (2010 – 29.9%). The Company's effective tax rate in the year ended December 31, 2011 was 0% (2010 – 0%). A reconciliation of income tax expense applicable to profit from operating activities is as follows:

<u>Federal and provincial</u>	<u>2011</u>	<u>2010</u>
	\$	\$
Loss per financial statements	<u>(335,598)</u>	<u>(964,353)</u>
Adjustments:		
Future income taxes	(490,419)	(599,242)
Depreciation	-	229
Share-based payments	50,000	320,550
Allowance for doubtful account – Advance	17,989	-
(Gain) loss on change in fair value of the provision of finder's fees	(37,500)	150,000
Write-down of tangible asset	536	-
Write-down of intangible asset	-	150,000
Tax loss for the year	<u>(794,992)</u>	<u>(942,816)</u>

The Company has non-capital loss carry forwards that expire approximately as follows:

<u>Year of expiry</u>	<u>Canada - Federal and Provincial (\$)</u>
2014	166,520
2015	143,174
2026	99,208
2027	138,868
2028	161,033
2029	469,691
2030	942,816
2031	794,992
	<u>2,916,302</u>

17. Financial Risk Management and Financial Instruments

Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

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17. Financial Risk Management and Financial Instruments (continued)

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk. There has been no change in the financial risk of the Company during the year.

Market Risk

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

Interest Rate Risk

Fluctuations in interest rates have only an impact on the return that the cash generates as interest income. Unfavourable changes in the applicable interest rate may result in a decrease of interest income. Based on the Company's balance in cash at December 31, 2011, a 1% change in the effective interest rate on these investments would not have had a material impact on the earnings of the Company.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares.

As at December 31, 2011, the Company has current liabilities of \$1,421,823 due within 12 months and has cash and cash equivalents of \$175,130 to meet its current obligations. As a result, the Company does face liquidity risk.

At December 31, 2011, the Company had not yet achieved profitable operations, had no operating income and had negative working capital of \$722,673, which may not be sufficient to sustain operations over the next 12 months, and expects to incur further losses in the development of its business. The recoverability of the amounts shown for mining properties and related deferred exploration expenditures and the capacity of the Company to meet all of its commitments are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof. There can be no assurance that the Company will be successful or that sufficient funds can be raised in a timely manner and, as a result, there is doubt about the Company's ability to continue as a going concern.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company's credit risk is due mainly to its other receivables and its secured debenture issued to LiteWave.

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17. Financial Risk Management and Financial Instruments (continued)

The Company's statement of financial position is presented net of the allowance for doubtful advances established on a receivable by receivable basis. This amount best represents the Company's maximum exposure to credit risk. The allowance for doubtful advances was established on the basis of an individual appraisal of the advance and an overall appraisal that takes into account the current economic environment. The allowance for doubtful realization of the full value of the secured debenture was established on the appraisal of the debtor LiteWave Corp.'s current financial situation and a targeted financial evaluation of the current fair market value of the exploration mining properties currently owned by that corporation. Regional and sectorial comparative analyses were used to assess the short-term liquidation value of the exploration mining properties owned by LiteWave.

Fair Value Measurement

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

The Company's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable.

The following information provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3, based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount and fair value of financial instruments, with the exception of the provision for finders' fee and the secured debenture, are considered to be a reasonable approximation of fair value because of their short-term maturities. The carrying amount of the secured debenture is considered to be a reasonable approximation of fair value, given the interest rate of 18% that could be earned under similar market conditions.

\$	Carrying amount		Level 1	
	2011	2010	2011	2010
Provision for finder's fees	-	300,000	-	450,000

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18. Capital Management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2011, the Company's shareholders' equity was \$6,656,676 (December 31, 2010 – \$5,788,714) and it had no outstanding debt. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of exploration and development work on its properties, and for working capital purposes. Additional funds may be required to finance the Company's corporate objectives. There was no change in the capital management policy for the year ended December 31, 2011.

19. Commitments

Flow-Through Financings

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

- Two years following the flow-through placements; and
- One year after the Company has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not respected are subject to a combined tax of 30% (Canada and Quebec).

During the year, the Company raised \$870,000 (2010 – \$2,471,000) following flow-through placements. According to the tax rules, the Company has until December 31, 2012 (2010 – December 31, 2011) to fulfil its commitments. The Company has renounced all tax deductions as at December 31, 2010 and 2011, and management is required to fulfil its commitments within the stipulated deadline.

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19. Commitments (continued)

Payments to Fancamp Exploration Ltd. and Sheridan Platinum Group

On February 15, 2009, the Company entered into an agreement to purchase claims in the Villebon area of Quebec from Fancamp Exploration Ltd. ("Fancamp") and Sheridan Platinum Group ("Sheridan") (collectively, the "Vendors"). St-Georges originally acquired 50% of these claims, with LiteWave acquiring the remaining 50%. Since LiteWave defaulted on its payments of a total of \$100,000 to each of Fancamp and Sheridan (for a total of \$200,000), St-Georges paid these amounts to Fancamp and Sheridan in February 2011 and assumed a 100% interest in these claims.

As per the terms of this agreement with Fancamp and Sheridan, St-Georges is obliged to pay an advance royalty payment of \$40,000 per year to the Vendors, beginning in February 2012.

In addition, if the Company were to generate revenues from these claims, a Net Smelter Return of between 2% and 3% would be paid to the Vendors.

20. Related Party Transactions

a) LiteWave Corporation.

On May 27, 2010, the Company issued a secured debenture to LiteWave Corp. for a total amount of \$100,000. LiteWave Corp. and the Company are related parties as François Dumas and Mark Billings are directors of both companies. This advance was not made in the normal course of business and is measured at the exchange amount. LiteWave is presently in default of its obligations to repay this amount to the Company. Interest on the debenture has increased from 15% per annum to 18% per annum until the debenture will be repaid. Interest payable by LiteWave to the Company totalled \$25,627 as at December 31, 2011.

In 2010, the Company advanced an amount of \$17,989 to LiteWave. This amount was unsecured and had no terms of repayment. Management of the Company is of the view that, given the unsecured nature of this advance and the financial condition of LiteWave at December 31, 2011, an allowance for doubtful account should be recognized in 2011 for the entire amount of \$17,989.

b) Management Contracts

In 2011, the Company signed a management contract with François Dumas, the President and CEO of the Company. As per the terms of this contract, Mr. Dumas was paid \$84,000 (plus applicable taxes) in fees in 2011 (2010 – \$Nil). This entire amount is an account payable as at December 31, 2011.

In 2011, the Company signed a management contract with a company controlled by Mark Billings, the CFO of the Company. As per the terms of this contract, Mr. Billings' company was paid \$60,000 (plus applicable taxes) in fees in 2011 (2010 – \$Nil). This entire amount is an account payable as at December 31, 2011.

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21. Segmental Reporting

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

22. Loss Per Share

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in issue during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options, warrants and broker warrants in issue that could potentially dilute earnings per share in the future are given in note 14.

	December 31, 2011	(Restated) December 31, 2010
Loss for the year	(335,598)	(964,353)
Weighted average number of shares in issue		
Basic	100,403,960	74,757,093
Diluted	100,403,960	74,861,984
Loss per share		
Basic	(0.003)	(0.013)
Diluted	(0.003)	(0.013)

23. Events After the Reporting Date

On February 9, 2012, the Company announced that it intended to issue 500,000 shares of the Company to the Tétépisca Syndicate, a group of prospectors who own 66 claims in the immediate vicinity of St-Georges' 100%-owned Tétépisca property. In the event of a change in control or a joint venture affecting the property, the Company will surrender additional milestone shares to the Syndicate for an approximate value of \$300,000. If the Company can establish more than 5,000,000 tonnes of carbon graphite with a cut-off grade of 15% in the 43-101 Indicated category, then St-Georges will issue an additional \$300,000 worth of common shares. This transaction is subject to the approval of the CNSX.

On March 9, 2012, a company controlled by a director of St-Georges loaned to the Company a principal amount of \$50,000, plus \$10,000 in fees (the "Promissory Note"). The total amount is due 48 hours following the closing of the Company's next private placement or upon payment of sales taxes receivable. If the Promissory Note is not paid in full within 65 calendar days after the date when such payment is due, then a late charge of 5% applies. The Promissory Note is secured by a second priority security interest in all of the tangible and intangible property of St-Georges.

On March 13, 2012, the Company announced the signing of a Memorandum of Understanding with Focus Metals Inc. with respect to the graphite resource viability of St-Georges' Quebec properties. This non-binding agreement gives Focus Metals a 120-day right of first refusal for the establishment of a joint venture relationship with St-Georges for the future development of these properties.

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24. First Time Adoption of International Financial Reporting Standards

As stated in note 3 (a), the Company's financial statements for the year ended December 31, 2011 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all the effective IFRS standards as of the reporting date, which for the Company is December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP to be in accordance with IFRS.

An explanation of how the transition from pre-changeover Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following notes and tables.

Optional Exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Business Combinations

The Company elected not to retrospectively apply *IFRS 3, Business Combinations*, to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Share-based Payments Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested at the Transition Date to IFRS.

Mandatory Exceptions

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in *IAS 39, Financial Instruments: Recognition and Measurement*, prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

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24. First Time Adoption of International Financial Reporting Standards (continued)

Estimates

The estimates previously made by the Company under the pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

Reconciliations of Pre-changeover Canadian GAAP Equity and Comprehensive Income to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

Reconciliation of the Statement of Financial Position as at December 31, 2010 and January 1, 2010

	(Restated) December 31, 2010 (\$)	January 1, 2010 (\$)
Total assets, as per Canadian GAAP	6,805,611	4,009,681
Adjustments required upon adoption of IFRS	-	-
Total assets, as per IFRS	6,805,611	4,009,681
Total liabilities, as per Canadian GAAP	1,016,897	120,782
Adjustments required upon adoption of IFRS	-	-
Total liabilities, as per IFRS	1,016,897	120,782
Total shareholders' equity, as per Canadian GAAP	5,788,714	3,888,899
Adjustments required upon adoption of IFRS	-	-
Total shareholders' equity, as per IFRS	5,788,714	3,888,899

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements (First-time adoption of IFRS)

December 31, 2011 and 2010

(Audited)

24. First Time Adoption of International Financial Reporting Standards (continued)

Reconciliation of the Statement of Comprehensive Loss for the Year Ended December 31, 2010

	(Restated) December 31, 2010 (12 months) (\$)
Net loss and comprehensive loss, as per Canadian GAAP	(964,353)
Adjustments required upon adoption of IFRS	-
Net loss and comprehensive loss, as per IFRS	<u>(964,353)</u>