ST-GEORGES
Platinum & Base Metals Ltd.

ST-GEORGES PLATINUM AND BASE METALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2012

INTRODUCTION

The following management's discussion and analysis of the financial condition and results of operations ("MD&A") for St-Georges Platinum and Base Metals Ltd. ("St-Georges" or the "Company") should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2012. Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All currency amounts are in Canadian dollars, unless otherwise stated. Additional information relating to the Company can be found on SEDAR (www.sedar.com) under St-Georges Platinum and Based Metals Ltd. or on the Company's website (www.stgeorgesplatinum.com).

This MD&A is dated April 30, 2013.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated. The Company considers the assumptions upon which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the Company's control, may ultimately prove to be incorrect.

GOING-CONCERN

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, 2012, the Company has not yet achieved profitable operations, had no operating income and had cash and cash equivalents of $525 and negative working capital of $1,597,027. 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.

COMPANY DESCRIPTION

St-Georges Platinum & Base Metals Ltd. (the "Company" or "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 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 principal activities of the Company are the exploration and evaluation of mineral properties in Canada. 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.

OVERVIEW OF 2012

On February 9, 2012, the Company announced that it had significantly increased the size of its Tétépisca Property, following its North Shore properties' analysis and compilation and fall 2011 surface drilling campaign. Subject to approval of the CNSX, St-Georges intends on issuing 500,000 common shares to the Tétépisca Syndicate, a group of prospectors who own 66 claims in the immediate vicinity of St-Georges' 100%-owned Tétépisca Property, which hosts significant carbon graphite occurrences. This property is located approximately 20 km to the southwest of the Manic 5 reservoir.

In the event of a change of control or a joint venture affecting the property, St-Georges will surrender additional milestone shares to the Tétépisca 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 NI 43-101 Indicated category, it will issue an additional $300,000 worth of shares.

On February 29, 2012, St-Georges announced that it planned to team up with Amesco Exploration Ltd. in order to acquire and explore more than 10,110 hectares on the North Shore of Quebec, in a district that hosts multiple graphite occurrences. As at the date of this MD&A, no joint venture or similar arrangement has been entered into by the parties.

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 regard to the graphite resource viability of two of St-Georges' properties on Quebec's North Shore. Under the terms of the three-month agreement, Focus Metals will research and evaluate the potential of St-Georges' Tétépisca graphite property and assist St-Georges' geological staff in evaluating the potential of multiple graphite occurrences found on the southeast extension of the Company's Julie nickel-copper project. 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. As of the date of this MD&A, no joint venture or similar arrangement has been entered into with Focus Metals.

On April 5, 2012, the Company announced that the Phase 1 of its drilling campaign on the Isoukustouc property had resumed. The Company added that it expected to complete a minimum of 1,200 metres (representing 6 drill holes) on the B40 and northern Isoukustouc sections of the property.

On October 16, 2012, at its annual and special meeting of shareholders, the shareholders of the Company elected Guy Simard to the board of directors of St-Georges. Mr. Simard has more than 15 years of experience as CEO and director of industrial development for organizations in the areas of economic and regional development in Quebec. Mr. Simard replaced Anthony Garson, who did not stand for re-election to the board of directors of St-Georges.

On December 11, 2012, St-Georges announced the appointment of Mr. Herb Duerr, P. Geo., to its board of directors. Mr. Duerr is a graduate of Florida Atlantic University with a BSc in Geology and has over 30 years of experience in the mineral exploration field. Mr. Duerr was appointed to the board of directors of St-Georges following the resignation of Linda Thorstad.

SUBSEQUENT EVENTS

On April 22, 2013, the Company completed a consolidation of its shares on the basis of one (1) new common share for every 6.5 common shares held. As at December 31, 2012, there were 103,562,111 common shares issued and outstanding on a pre-consolidation basis. There will be approximately 15,932,606 common shares issued and outstanding following this consolidation.

QUALIFIED PERSON

The technical information disclosed in this MD&A has been reviewed and approved by Michel Boily, Ph.D., P.Geo., Vice-President, Exploration for St-Georges and a Qualified Person, as defined by National Instrument 43-101 for the *Standards of Disclosure for Mineral Projects*.

SELECTED FINANCIAL INFORMATION

Statements of Comprehensive Loss
For the years ended December 31, 2012, 2011 and 2010 (audited)

For years ended December 31	**2012** **$**	**2011** **$**	**2010** **$**
Revenues – Interest income	13,482	18,127	7,500
Operating expenses	(332,976)	(844,144)	(1,571,095)
Net loss and comprehensive loss for the year	(478,299)	(335,598)	(964,353)
Basic and diluted loss per share	(0.03)	(0.02)	(0.08)

Subsequent to the share consolidation described above under Subsequent Events, the basic and diluted loss per share figures above are presented on a post-consolidation basis.

Statements of Financial Position
As at December 31, 2012 and 2011 (audited)

As at December 31	**2012** **$**	**2011** **$**
Cash and cash equivalents	525	175,130
Working capital	(1,597,027)	(722,673)
Exploration and evaluation assets	7,735,404	7,279,349
Total assets	8,191,785	8,078,499
Shareholders' equity	6,178,377	6,656,676

RESULTS OF OPERATIONS

For the year ended December 31, 2012, the Company recognized revenues of $13,482, which was a decrease of $4,645, compared to revenues of $18,127 earned for the year ended December 31, 2011. In 2012 and 2011, the revenues earned by the Company were attributable to interest receivable with respect to the secured debenture issued to LiteWave Corporation.

The Company incurred a net loss and comprehensive loss for the year of $478,299 (or $0.03 per share) for the year ended December 31, 2012, which was an increase of $142,701 compared to the net loss and comprehensive loss of $335,598 (or $0.02 per share) for the year ended December 31, 2011.

For the year ended December 31, 2012, the Company generated operating expenses of $332,976, which was a decrease of $511,168 compared to the operating expenses of $844,144 for the year ended December 31, 2011. The following table outlines the variation in operating expenses for the years ended December 31, 2012 and 2011.

Operating Expenses
For the years ended December 31, 2012 and 2011 (audited)

For the years ended December 31	**2012**	**2011**	**Variation**
	$	**$**	**$**
Professional fees	53,463	88,587	(35,124)
Subcontractors	82,343	257,737	(175,394)
Publicity and promotions	139,041	252,027	(112,986)
Office expenses	12,993	35,884	(22,891)
Mineral rights	12,347	2,895	9,452
Brokerage fees	18,707	59,859	(41,152)
Travel expenses	3,902	115,195	(111,293)
Bank charges	10,180	935	9,245
Share-based payment compensation	-	50,000	(50,000)
Allowance for doubtful accounts – Advance	-	17,989	(17,989)
Write-down of tangible asset	-	536	(536)
Gain on change in fair value of the provision for finder’s fees	-	(37,500)	37,500
	332,976	844,144	(511,168)

In the year ended December 31, 2012, the Company recognized an amount of $Nil in future income taxes to be recovered, which was a decrease of $490,419, compared to an amount of $490,419 in future income taxes to be recovered that was recognized in the year ended December 31, 2011.

Write-offs in 2012

For the year ended December 31, 2012, the Company decided to write-off three amounts. First, the Company wrote-off an amount of $19,702 in taxes receivables. This was done to reconcile the amounts receivable with the claims submitted to the federal and provincial governments.

The two other write-offs relate to the secured debenture issued to LiteWave Corporation. On May 27, 2010, the Company issued a secured debenture for a principal amount of $100,000 to LiteWave Corp., a related party. This secured debenture was to 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 then increased from 15% per annum to 18% per annum.

Given the current financial condition of LiteWave Corp., the management of the Company is of the view that there is a very strong possibility that the interest will never be received from LiteWave.

Management of St-Georges therefore believes that it is prudent to write off completely the interest receivable from LiteWave Corp. As of December 31, 2012, the interest receivable from LiteWave Corp. is $Nil. The Company recognized a write-off of interest revenue from this secured debenture of an amount of $39,103 for the year ended December 31, 2012.

Management of the Company has also decided to write off the secured debenture itself. The Company does have a claim to the assets of LiteWave Corp., which consist primarily of mineral property claims. In the event of liquidation of LiteWave Corp., these mineral property claims would revert to St-Georges. Management estimates the value of these property claims to be $Nil, resulting in a write-off of the secured debenture for a total amount of $100,000 for the year ended December 31, 2012.

SUMMARY OF QUARTERLY RESULTS

The following table outlines selected unaudited financial information of the Company for the last eight quarters.

Quarters ended ($)	Dec. 31, 2012	Sep. 30, 2012	June 30, 2012	Mar. 31, 2012
Net income (loss)	(253,129)	(24,496)	(102,167)	(98,507)
Net income (loss) per share - basic & diluted	(0.016)	(0.002)	(0.006)	(0.006)
Basic & diluted weighted average number of shares	15,932,606	15,932,606	15,932,606	15,932,606

Quarters ended ($)	Dec. 31, 2011	Sep. 30, 2011	June 30, 2011	Mar. 31, 2011
Net income (loss)	380,496	(83,992)	(198,547)	(433,555)
Net income (loss) per share - basic & diluted	0.024	(0.005)	(0.013)	(0.029)
Basic & diluted weighted average number of shares	15,679,622	15,671,094	15,671,094	14,752,728

Subsequent to the share consolidation described above under Subsequent Events, the net income (loss) per share and weighted average number of shares outstanding are presented on a post-consolidation basis.

LIQUIDITY AND CASH FLOW

At December 31, 2012, the Company had cash and cash equivalents of $525, which was a decrease of $174,605, compared to cash and cash equivalents of $175,130 at December 31, 2011. At December 31, 2011, the Company had $5,130 in cash and $170,000 in a lawyer's trust account. The decrease in cash is largely attributable to the operating costs of the Company for 2012.

At December 31, 2012, the Company had negative working capital of $1,597,027, which was a decrease of $874,354 compared to the negative working capital position of December 31, 2011 of $722,673. Management expects to finance future operations and growth as required, by the issuance of equity and debt securities.

OVERVIEW OF Q4 2012

In the fourth quarter of 2012, the Company had a net loss of $253,129 ($0.02 per share – basic and diluted). In the fourth quarter of 2011, the Company had net income of $380,426 ($0.02 per share – basic and fully diluted). The Q4 2012 results represent a decrease of $633,555 when compared to those of Q4 2011.

SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value. The share capital of the Company consists only of fully paid common shares.

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.

The following is a summary of changes in common share capital from January 1, 2011 to December 31, 2012:

	Number of Shares	Amount ($)
Balance at January 1, 2011	**93,687,111**	**7,813,192**
Shares issued via private placement (i)	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
Tax effect of flow-through renunciation	-	(490,419)
Issuance costs (including options issued)	-	(175,343)
Balance at December 31, 2011	**103,562,111**	**8,804,832**
Balance at December 31, 2012	**103,562,111**	**8,804,832**

i) On March 1, 2011, the Company completed a 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.

The Company also completed a non-brokered private placement concurrently. 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, 2012, there were no common shares in escrow with the Company's transfer agent (December 31, 2011 – 346,500 common shares).

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value. As at December 31, 2012, the share capital of the Company does not include any preferred shares.

Contributed Surplus

The following is a summary of changes in contributed surplus from January 1, 2011 to December 31, 2012:

	Amount ($)
Balance at January 1, 2011	**1,207,527**
Warrants issued in private placements	190,098
Warrants issued for finder's fees	21,822
Balance at December 31, 2011	**1,419,447**
Balance at December 31, 2012	**1,419,447**

Warrants

Warrants

The following is a summary of changes in warrants from January 1, 2011 to December 31, 2012:

	Number of Warrants	Weighted Average Exercise Price
Balance as at January 1, 2011	**29,905,534**	**$0.47**
Issued	6,475,000	$0.48
Expired	(664,981)	$0.15
Balance as at December 31, 2011	**35,715,553**	**$0.48**
Expired	8,517,886	$0.43
Balance as at December 31, 2012	**27,197,667**	**$0.49**
Warrants exercisable, December 31, 2012	**27,197,667**	**$0.49**

As at December 31, 2012, the Company had outstanding warrants as follows:

Number of Warrants	Exercise Price	Weighted average remaining contractual life (years)
100,000	$0.20	0.16
180,000	$0.25	0.16
6,666,667	$0.50	0.23
3,592,000	$0.50	0.38
850,000	$0.23	0.74
5,175,000	$0.54	0.94
170,000	$0.10	0.99
10,464,000	$0.50	1.00
27,197,667	**$0.49**	**0.70**

Share-based Payments

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.

The following options were outstanding as at December 31, 2012:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
	Options outstanding and exercisable		
$		Years	$
0.20	400,000	2.02	0.20
0.15	3,650,000	2.80	0.15
0.15 - 0.20	**4,050,000**	**2.72**	**0.15**

In 2012, no options were granted, exercised, forfeited or expired.

The fair value of stock options issued in 2010 was estimated at the grant date based on the Black-Scholes options pricing model using the following weighted average assumptions:

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

EXPLORATION AND EVALUATION ASSETS

	Villebon	**Lac Julie-Isoukustouc Complex**	**Manicouagan Constellation**	**Total**
Balance as at January 1, 2011	**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
Tax credits and mining duties	-	-	-	-
Balance as at Dec. 31, 2011	**4,467,440**	**2,308,754**	**503,155**	**7,279,349**
Exploration costs	-	569,814	-	569,814
Property acquisitions	14,411	10,675	3,131	28,217
Tax credits and mining duties	-	(141,976)	-	(141,976)
Balance as at Dec. 31, 2012	**4,481,851**	**2,747,267**	**506,286**	**7,735,404**

St-Georges is a junior platinum, palladium, rhodium, copper, cobalt, nickel and carbon graphite explorer with projects in the Province of Quebec, Canada. The Company owns a 100% interest in the Villebon Property in the Abitibi region, which hosts copper, nickel and platinum group elements (“PGEs”). The Company owns a 100% interest in the Julie and Isoukustouc nickel-copper-PGEs projects on the Quebec North Shore. St-Georges also owns a 100% interest in eight North Shore properties that constitute the Manicouagan Constellation, which are being explored for nickel, copper, platinum, palladium and graphite. The Company also has a 50% interest in six properties being explored for graphite with Amseco Exploration; these properties are on Quebec's North Shore near Baie-Comeau. The properties are described in more detail below.

Villebon

The Villebon gold-nickel-PGE property lies within the Abitibi Greenstone Belt of northwestern Quebec, close to the north boundary of the La Vérendrye 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 45 claims (December 31, 2011 – 40 claims).

As per the agreement entered into by the Company with Fancamp Resources Inc. and Sheridan Platinum Group Ltd. on February 15, 2009 concerning the purchase of the Villebon Property, the Company agreed to pay an advance royalty payment of $40,000 per year, beginning in February 2012. These advances will be applied against future royalty payments. As at December 31, 2012, the Company had $40,000 in advances (2011 – $Nil) from which an amount of $40,000 was unpaid at year-end (2011 – $Nil) and is included in accounts payable and accrued liabilities. Please see Note 16 of the financial statements for the year ended December 31, 2012 for further details in this regard.

Lac Julie – Isoukustouc Complex

The Lac Julie – Isoukustouc Complex properties are both part of the rich Proterozoic Grenville Province of Quebec. Exploration work on these properties will focus on nickel, copper and PGE. These 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 755 claims (December 31, 2011 – 656 claims), of which 378 claims are in the Lac Julie area and 377 are in the Isoukustouc Complex area.

Manicouagan Constellation

The Manicouagan Constellation group of properties consists of eight prospective grass roots targets for PGE with limited historical work. Tétépisca is known to host graphite. The remaining seven properties are gold-copper-nickel-PGE projects. The Manicouagan Constellation group of 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 Lac Ste-Anne property is located east of Manicouagan. The Manic-5 property is located in the centre of Manicouagan. The four other properties (Bois-Long, Indian Summer, Katshi and Tétépisca) are located in the northwestern sector of Manicouagan. The Manicouagan Constellation properties are composed of a total of 146 claims (December 31, 2011 – 137 claims).

Claims Held Jointly with Amseco Exploration Ltd.

On February 29, 2012, the Company announced that it had partnered with Amseco Exploration Ltd. (“Amseco”) to acquire and explore properties known to host multiple graphite occurrences. These claims are divided into two areas. The Tétépisca West, Canadian Goose and Wooden Lake properties (collectively, the “Tétépisca West properties`) are all located to the southwest of the Manicouagan Reservoir, close to the Company’s Tétépisca property; St-Georges and Amseco jointly have 118 claims on the Tétépisca West properties. In addition, the Pike River, Lake 222 and the Polynesian Lake Graphite properties (collectively, the “Southern properties”) are located approximately 120 km northwest of Baie-Comeau, Quebec, close to the Company’s Lac Julie properties; St-Georges and Amseco jointly have 67 claims on the Southern properties. St-Georges and Amseco jointly have 185 claims (December 31, 2011 – Nil) on the Tétépisca West and Southern properties, which are owned 50-50 by each corporation. The relationship between the two corporations does not constitute a joint venture.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Mining Properties and Deferred Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. Tax credits and mining duties are applied to reduce related E&E in the period recognized.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Mining exploration and evaluation expenditures are classified as intangible assets.

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 exploration and evaluation assets, 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

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

Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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 or loss when incurred. FVPTL 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. There are no financial assets 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 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 equivalents, other receivables and secured debenture as loans and receivables.

Available-For-Sale Investments

Non-derivative financial assets that do not meet the definition of loans and receivables 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 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. There are no financial assets in this category.

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.

Effective interest method

The effective interest 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

At each reporting date the Company assesses 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 or the group of financial assets.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of loss and comprehensive loss.

Financial Liabilities

Financial Liabilities are classified into one of 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 changes in fair value recognized in the statement of loss and comprehensive loss. There are no financial liabilities in this category.

Other financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of 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. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried 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. This category includes accounts payable and accrued liabilities and due to a company controlled by a director.

Derecognition of financial liabilities

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in trust, deposits with banks and other highly liquid short-term investments with original maturities of three months or less.

Tax Credits and Mining Duties

The Government of Quebec provides a 16% 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
- 50% of eligible exploration expenditures, mineral deposit evaluation and mine development expenses, reduced by tax credits related to resources.

The Government of Quebec also offers businesses having establishments and that carry on activities in Quebec a refundable tax credit of 35% on eligible exploration expenses.

Tax credits and mining duties, which are earned as a result of qualifying mineral exploration expenses, are recognized when the exploration expenses are incurred and collection is reasonably assured. They are applied to reduce related mineral exploration expense in the period recognized.

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.

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 which is not a business combination and at the time of the transaction affects neither accounting nor 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 year, 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.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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.

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 i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. 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 tax provision.

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 reporting year is disclosed separately as flow-through share proceeds.

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.

Contributed Surplus

Contributed surplus is used to record the accumulated fair value of stock options recognized as share based payments and warrants issued. Contributed surplus is increased by the fair value of these items on vesting and is reduced by the corresponding amounts when options and warrants are exercised, cancelled or expire.

Warrants

The Company accounts for warrants using the fair value method. Under this method, the value of warrants is measured at fair value at the grant date using the Black-Scholes option pricing model, using management's assumptions disclosed in Note 12 of the financial statements for the year ended December 31, 2012, and recorded as share capital when the warrants are exercised.

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.

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. Options or warrants granted 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.

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, adjusted for 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 payment 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.

Loss per Share

The basic 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.

The diluted 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.

Rehabilitation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbance caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the explorations sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes: restoration, reclamation, and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. As of December 31, 2012, no rehabilitation provision has been recorded.

Amendments and Interpretations Not Yet Effective

IFRS 9 - In November 2009, the IASB issued (“IFRS 9”), “Financial Instruments”, which will replace IAS 39, “Financial instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 11 – Joint Arrangements (“IFRS 11”) requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas, for a joint operation, the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, “Interests in Joint Ventures”, and SIC-13, “Jointly Controlled Entities—Non-monetary Contributions by Venturers”. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this new standard on its financial statements.

IFRS 12 - Disclosure of Interests in Other Entities (“IFRS 12”) establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this new standard on its financial statements.

IFRS 13 - Fair Value Measurement (“IFRS 13”) is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this new standard on its financial statements.

IAS 1 - Presentation of Financial Statements

IAS 1 has been amended to require companies to group items within Other Comprehensive Income (OCI) that may be reclassified to the statement of operations. The amendment also reaffirms existing requirements that items in OCI and statement of operations should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 are effective for fiscal years beginning on or after July 1, 2012. The Company is currently evaluating the impact of this standard on its financial statements.

IAS 28 - Investments in Associates and Joint Ventures

IAS 28 - Investments in Associates and Joint Ventures ("IAS 28"), was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its financial statements.

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

IFRS 20 - In October 2011, the IASB issued Stripping Costs in the Production Phase of a Surface Mine ("IFRS 20"). 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. The Company is currently evaluating the impact of this new standard on its financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company 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 year of the change, if the change affects that year only, or in the year of the change and future years, 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:

Judgements

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 year the new information becomes available.

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 that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. 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.

Estimates

Title to Mineral Properties

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.

Useful Lives of Depreciable Assets

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain patents.

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 stock 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 12 of the financial statements for the year ended December 31, 2012.

Provisions and Contingencies

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

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.

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.

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 or conclude private investments.

As at December 31, 2012, the Company has current liabilities and accrued liabilities of $1,963,408 due within 12 months and has cash and cash equivalents of $525 to meet its current obligations. As a result, the Company does face liquidity risk.

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.

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. The Company wrote off the entire amount of $100,000 of the secured debenture, as described in more detail in Note 8 of the financial statements for the year ended December 31, 2012.

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 carrying amount and fair value of financial instruments, with the exception of the secured debenture, are considered to be a reasonable approximation of fair value because of their short-term maturities. The secured debenture is presented at its fair value at year-end after the write-off of $100,000.

With respect to other receivables, the Company wrote off $26,648 after a credit analysis on this balance.

CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2012, the Company's shareholders' equity was $6,178,377 (December 31, 2011 – $6,656,676) and it had a due to a related party of $50,000. 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, 2012.

The Company is not exposed to any externally imposed capital requirements, except when the Company issues flow-through shares, for which an amount should be used for exploration work (refer to Note 16 of the financial statements for the year ended December 31, 2012).

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 $Nil (2011 – $870,000) following flow-through placements. According to the tax rules, the Company had until December 31, 2012 to fulfil its commitments. The Company had renounced all tax deductions as at December 31, 2011 and 2012, and management fulfilled its commitments within the stipulated deadline.

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. As of December 31, 2012, this royalty payment is included in the accounts payable.

In addition, if the Company were to generate revenues from these claims, a Net Smelter Return of 5% would be paid to the Vendors. The Company has the option to buy back up to 50% of the NSR for a total amount of $1,000,000.

RELATED PARTY TRANSACTIONS

LiteWave Corporation

On May 27, 2010, the Company issued a secured debenture to LiteWave Corp. for a principal amount of $100,000. LiteWave Corp. and the Company are related parties as François Dumas and Mark Billings were directors of both companies until October 2012, when they both resigned as directors of LiteWave Corp. David Grand, a director of the Company, is also president and a director of LiteWave Corp. 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 the secured debenture to the Company. Interest receivable from LiteWave has been written off and the secured debenture has also been written off, as described in more detail above (pages 4-5) and in Note 8 of the financial statements for the year ended December 31, 2012.

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 $42,000 (plus applicable taxes) in fees in 2012 (2011 – $84,000). This entire amount of $126,000 is an account payable as at December 31, 2012. From July 1, 2012 onwards, Mr. Dumas renounced his monthly fee of $7,000.

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 $30,000 (plus applicable taxes) in fees in 2012 (2011 – $60,000). This entire amount of $90,000 is an account payable as at December 31, 2012. From July 1, 2012 onwards, the company controlled by Mr. Billings renounced its monthly fee of $5,000.

Due to a Company Controlled by a Director

On March 9, 2012, the Company signed a promissory note with a company controlled by a director of the Company for a principal amount of $50,000, plus $10,000 in fees that is included in the accounts payable and accrued liabilities at year-end. The total amount is due 48 hours following the closing of the Company's next private placement or upon receipt of sales taxes receivable. If the amount is not paid in full within 65 calendar days after the date when such payment is due, then a late charge of 5% applies (refer to Notes 10 and 17 of the financial statements for the year ended December 31, 2012).

Argex Titanium Inc.

In 2012, the Company paid for administrative expenses for the account of Argex Titanium Inc. for an amount of $17,936 (2011 – $Nil) which were subsequently reimbursed. Argex Titanium Inc. and the Company are related parties as Mark Billings is a director of both companies. As at December 31, 2012, the accounts receivable from Argex Titanium Inc. is $Nil (2011 – $Nil).

RISK FACTORS

Exploration

Exploration and mining involve a high degree of risk. Few exploration properties end up going into production. Other risks related to exploration and mining activities include unusual or unforeseen formations, fire, power failures, labour disputes, flooding, explosions, cave-ins, landslides and shortages of adequate or appropriate manpower, machinery or equipment.

The development of a resource property is subject to many factors, including the cost of mining, variations in the quality of the material mined, fluctuations in the commodity and currency markets, the cost of processing equipment and others, such as aboriginal claims and government regulations, including regulations regarding royalties, authorized production, import and export of natural resources and environmental protection. Depending on the price of the natural resource produced, the Company may decide not to undertake or continue commercial production. There can be no assurance that the expenses incurred by the Company to explore its properties will result in the discovery of a commercial quantity of ore. Most exploration projects do not result in the discovery of commercially viable mineral deposits.

Environmental and Other Regulations

Current and future environmental laws, regulations and measures could entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. Environmental regulations and standards are subject to constant revision and could be substantially tightened, which could have a serious impact on the Company and its ability to develop its properties economically. Before it commences mining a property, the Company must obtain environmental permits and the approval of the regulatory authorities. There is no assurance that these permits and approvals will be obtained, or that they will be obtained in a timely manner. The cost of complying with government regulations may also impact the viability of an operation or altogether prevent the economic development of a property.

Financing and Development

The Company does not presently have sufficient financial resources to undertake its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing resource properties, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

Commodity Prices

The factors that influence the market value of platinum, palladium, rhodium, copper, cobalt, nickel, carbon graphite and any other mineral discovered are outside the Company's control. The impact of these factors cannot be accurately predicted. Resource prices can fluctuate widely and have done so in recent years.

Risks Not Covered by Insurance

The Company may become subject to claims arising from cave-ins, pollution or other risks against which it cannot insure itself due to the high cost of premiums or other reasons. Payment of such claims would decrease and could eliminate the funds available for exploration and mining activities.

ST-GEORGES PLATINUM AND BASE METALS LTD.

Date: April 30, 2013

signed "François Dumas	*signed "Mark Billings"*
François Dumas President, CEO & Director	**Mark Billings** CFO & Director