

ST-GEORGES

Platinum & Base Metals Ltd.

An exploration stage company

Audited Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

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

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 Inc., 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)

Francois Dumas
President and Chief Executive Officer

(signed)

Vivian Doyle-Kelly
Chief Financial Officer

April 30, 2015

INDEPENDENT AUDITOR'S REPORT

To the shareholders of ST-GEORGES PLATINUM AND BASE METALS LTD.

We have audited the accompanying financial statements of ST-GEORGES PLATINUM AND BASE METALS LTD., which comprise the statements of financial position as at December 31, 2014 and December 31, 2013, and the statements of comprehensive loss, statement of changes in equity and statements of cash flows for the years then ended, 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 (IFRS), 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 audits 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 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 AND BASE METALS LTD. as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 AND BASE METALS LTD.'s ability to continue as a going concern. The directors have a reasonable expectation that the Company will be able to obtain necessary funding to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Guimond Lavallée Inc.¹

Chartered Professional Accountant Corporation

Brossard (Quebec)
April 30, 2014

¹ CPA auditor, CA permit No. A128130

St-Georges Platinum & Base Metals Ltd.

An Exploration stage company

Audited Financial Statements

For the years ended December 31, 2014 and 2013

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St-Georges Platinum & Base Metals Ltd.
Statements of Financial Position
For the years ended December 31, 2014 and 2013
(Audited)

As at	December 31, 2014	December 31, 2013
Assets	\$	\$
Current assets		
Cash and cash equivalents	3,754	707
Other receivables (Note 5)	9,806	41,562
Prepaid expenses	11,695	6,535
Total current assets	<u>25,255</u>	<u>48,804</u>
Non-current assets		
Exploration and evaluation assets (Note 6)	1,160,084	1,300,000
Advances (Note 6)	67,143	80,000
Total non-current assets	<u>1,227,227</u>	<u>1,380,000</u>
Total assets	<u>1,252,482</u>	<u>1,428,804</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	639,304	485,663
Taxes payable	24,174	24,174
Due to a company controlled by a director (Note 15)	-	32,500
Due to a director (Note 15)	136,583	-
Total liabilities	<u>800,061</u>	<u>542,337</u>
Long-Term Liabilities		
Debt component of convertible debentures (Note 7)	<u>89,242</u>	<u>615,792</u>
Shareholders' equity		
Common shares (Note 8)	10,692,308	8,804,832
Equity component of convertible debentures (Note 8)	162,616	1,359,552
Contributed surplus (Note 8)	1,571,172	1,419,447
Deficit	<u>(12,062,917)</u>	<u>(11,313,156)</u>
Total shareholders' equity	<u>363,179</u>	<u>270,675</u>
Total liabilities and shareholders' equity	<u>1,252,482</u>	<u>1,428,804</u>

Subsequent events (Note 12)

(signed)

(signed)

Francois Dumas
President and Chief Executive Officer

Vivian Doyle-Kelly
Chief Financial Officer

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

St-Georges Platinum & Base Metals Ltd.**Statements of Comprehensive Loss**

For the years ended December 31, 2014 and 2013

(Audited)

For the years ended December 31	2014	2013
	\$	\$
Operating expenses		
Professional fees	30,096	55,416
Subcontractors	95,142	146,148
Publicity and promotions	131,174	42,542
Office expenses	5,679	7,028
Mineral rights	8,219	12,216
Brokerage fees	45,892	45,497
Travel expenses	12,195	29,278
Financial fees and bank charges	35,977	58,186
Interest on convertible debentures	49,900	56,690
Accretion on convertible debentures	-	(4,263)
Stock based compensation	109,083	-
	<u>523,357</u>	<u>448,738</u>
Recovery of taxes receivable	-	2,100
Impairment of exploration and evaluation assets (Note 6)	(173,547)	(6,796,442)
Impairment of advances	(52,857)	-
	<u>(226,404)</u>	<u>(6,794,342)</u>
Loss before taxes	<u>(749,761)</u>	<u>(7,243,080)</u>
Part XII.6 taxes	-	24,174
	<u>(749,761)</u>	<u>(7,267,254)</u>
Loss and comprehensive loss for the year	<u>(749,761)</u>	<u>(7,267,254)</u>
Basic and diluted loss per share (\$ per share) (Note 16)	(0.022)	(0.456)
Weighted average number of common shares outstanding -		
Basic	34,504,463	15,932,606
Diluted	34,504,463	15,932,606

St-Georges Platinum & Base Metals Ltd.

Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(Audited)

	Number of Common Shares (Note 10)	Common Shares	Equity component of convertible debentures	Contributed Surplus	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$	\$
Balance as at January 1, 2013	15,932,606	8,804,832	-	1,419,447	(4,045,902)	6,178,377
Equity component of convertible debentures	-	-	1,359,552	-	-	1,359,552
Net loss for the year	-	-	-	-	(7,267,254)	(7,243,080)
Balance as at December 31, 2013	15,932,606	8,804,832	1,359,552	1,419,447	(11,313,156)	270,675
Balance as at January 1, 2014	15,932,606	8,804,832	1,359,552	1,419,447	(11,313,156)	270,675
Shares issued on conversion of debentures	17,583,056	1,773,387	(1,196,936)	-	-	576,451
Stock based compensation	-	-	-	119,725	-	119,725
Shares issued as settlement of accounts payable	988,801	114,089	-	-	-	114,089
Common share to issue (Note 10)	-	-	-	32,000	-	32,000
Net loss for the year	-	-	-	-	(749,761)	(749,761)
Balance as at December 31, 2014	34,504,463	10,692,308	162,616	1,571,172	(12,062,917)	363,179

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

St-Georges Platinum & Base Metals Ltd.

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(Audited)

For the years ended December 31	2014	2013
	\$	\$
Operating activities		
Net loss and comprehensive loss for the year	(749,761)	(7,267,254)
Non-cash items		
Impairment of exploration and evaluation assets (Note 6)	173,547	6,796,442
Impairment of advances	52,857	-
Interest on convertible debentures	49,900	56,690
Gain on fair valuation of debenture	-	(4,263)
Stock based compensation	109,083	-
Financial fees amortization	833	-
Recovery of taxes receivable	-	(2,100)
	<u>(363,541)</u>	<u>(420,485)</u>
Net changes in working capital items		
Other receivables	31,756	360,127
Prepaid expenses	(5,160)	7,632
Accounts payable and accrued liabilities ¹	267,730	367,272
Advances	(40,000)	40,000
Due to a company controlled by director (Note 15)	(32,500)	(17,500)
	<u>221,826</u>	<u>781,705</u>
Net cash from operating activities	<u>(141,715)</u>	<u>361,220</u>
Investing activities		
Exploration cost ¹	(35,503)	(224,435)
Property acquisitions ¹	-	(3,711)
Tax credit received	43,636	(132,892)
Disposal of claims	879	-
Net cash from investing activities	<u>9,012</u>	<u>(361,038)</u>
Financing activities		
Due to a director (Note 15)	135,750	-
Net cash from financing activities	<u>135,750</u>	<u>-</u>
Increase in cash and cash equivalents	3,047	182
Cash and cash equivalents, beginning of year	<u>707</u>	<u>525</u>
Cash and cash equivalents, end of year	<u>3,754</u>	<u>707</u>

¹ Non-cash items are excluded from the cash flows (Note 17).

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

(Audited)

1. Corporate Information and Going Concern of Operations

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 Securities Exchange ("CSE"), having the symbol SX, on the OTCQX, having the symbol SXOOF, and on the Deutsche Börse in Frankfurt (FSE) under the symbol 85G1. The address of the Company's corporate office and principal place of business is 999 De Maisonneuve West, Suite 725, Montreal, Québec H3A 3L4 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.

As of December 15, 2014 the Company notified the OTCQX of its intention to temporarily suspend its share listing from the First Tier listing on the OTCQX Market as part of its current cost-saving measures. As a consequence of this notification, OTCQX Market may decide to delist the shares of the Company.

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, 2014, the Company has not yet achieved profitable operations, had no operating income and had cash and cash equivalents of \$3,754 and negative working capital of \$774,806. 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.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying resource claims, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production or proceeds from the disposition thereof. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. Basis of Presentation

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("ISAB").

The significant accounting policies applied in these financial statements are presented in Note 3 and are based on IFRS effective as at December 31, 2014.

The financial statements of the Company were authorized for issue by the Board of Directors on April 30, 2015.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

(Audited)

2. Basis of Presentation (Continued)

b) Basis of Measurement

The financial statements have been prepared on an historical cost basis except for certain liabilities measured at fair value as required under specific IFRS pronouncements.

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.

c) Functional and Presentation Currency

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

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements. Please refer to section (p) which addresses standards issued but not yet effective.

a) 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.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements
For the years ended December 31, 2014 and 2013
(Audited)

3. Summary of Significant Accounting Policies (Continued)

a) Mining Properties and Deferred Exploration and Evaluation Expenditures

Exploration and Evaluation Expenditures

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.

b) 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.

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

c) 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.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

(Audited)

3. Summary of Significant Accounting Policies (Continued)

c) Financial Instruments (Continued)

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, and other receivables 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.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

(Audited)

3. Summary of Significant Accounting Policies (Continued)

c) Financial Instruments (Continued)

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, due to a company controlled by a director and convertible debentures.

Derecognition of financial liabilities

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

d) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares include both a financial liability and an equity component, such as the option to convert debentures in shares. The components of the instrument are classified separately as liabilities and equity. The Company first determines the carrying amount of financial liability by discounting future cash flows representing principal payments and interest payments generally at market rate for a similar liability which no equity component is associated to. The carrying value of the equity instrument that represents the convertible in share option is then determined by deducting the carrying amount of financial liability in the amount of the hybrid instrument as a whole.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements
For the years ended December 31, 2014 and 2013
(Audited)

3. Summary of Significant Accounting Policies (Continued)

e) 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.

f) 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% (28% since June 5, 2014) 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.

g) 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.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

(Audited)

3. Summary of Significant Accounting Policies (Continued)

h) 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.

i) 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.

j) 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 8 and recorded as share capital when the warrants are exercised.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

(Audited)

3. Summary of Significant Accounting Policies (Continued)

k) 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.

l) 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.

St-Georges Platinum & Base Metals Ltd.

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For the years ended December 31, 2014 and 2013

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3. Summary of Significant Accounting Policies (Continued)

l) Loss per Share (Continued)

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.

m) 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 exploration 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, 2014, no rehabilitation provision has been recorded.

n) Net Smelters Return (NSR) Royalties

The NSR royalties are generally not be accounted for when acquiring the mining property since they are deemed to be a contingent liability. Royalties are only accounted for when probable and can be measured with sufficient reliability.

o) Segment Disclosures

The Company currently operates in a single segment: the acquisition and exploration of mining properties. All of the Company's activities are conducted in Canada.

p) Application of New and Revised IFRS

IAS 32 - Financial Instruments: Presentation, provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014. The adoption of IAS 32 has no impact on the financial statements.

IAS 36 - Impairment of Assets, requiring disclosure of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. This standard is effective for years beginning on or after January 1, 2014. The adoption of IAS 36 has no impact on the financial statements.

St-Georges Platinum & Base Metals Ltd.

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3. Summary of Significant Accounting Policies (Continued)

p) Application of New and Revised IFRS

IFRIC 21 – Levies, provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. This standard is effective for years beginning on or after January 1, 2014. The adoption of IFRIC 21 has no impact on the financial statements.

New and revised IFRSs in issue but not yet effective

IFRS 9 –Financial Instruments - In November 2009, the IASB issued IFRS 9, which will replace IAS 39, “Financial instruments: Recognition and Measurement. 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.

4. Critical Accounting Judgments and Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments 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 judgments 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:

a) Judgments

i) *Exploration and Evaluation Expenditures*

The application of the Company’s accounting policy for exploration and evaluation expenditure requires judgment 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.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

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4. Critical Accounting Judgments and Estimates (Continued)

a) Judgments (Continued)

ii) *Income Taxes*

Significant judgment 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.

b) Estimates

i) *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.

ii) *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.

iii) *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 8.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

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4. Critical Accounting Judgments and Estimates (Continued)

b) Estimates (Continued)

iv) *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.

v) *Impairment of exploration and evaluation assets*

Exploration and evaluation assets shall be assessed for an impairment test when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of exploration and evaluation assets require significant judgment. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals.

vi) *Valuation of tax credits related to resources and mining tax credits*

Tax credit related to resources and mining tax credit for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection.

The calculation of the Company's credits necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to tax credit related to resources and to mining tax credit, exploration and evaluation assets and income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and management's judgment as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore have an impact on the Company's financial position and its cash flows.

St-Georges Platinum & Base Metals Ltd.

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5. Other receivables

As of December 31, 2014, the Company had other receivables of \$9,806 (December 31, 2013 - \$41,562), as described below:

	2014	2013
	\$	\$
Sales taxes recoverable	9,806	32,556
Tax credits and mining duties	-	9,006
	<u>9,806</u>	<u>41,562</u>

6. Exploration and Evaluation Assets

	Villebon	Julie & Isoukustouc Projects	St-Jean Property	Franquelin Property	Total
	\$	\$	\$	\$	\$
Balance as at January 1, 2013	4,481,851	2,822,267	-	506,286	7,810,404
Exploration costs	-	149,435	-	-	149,435
Property acquisitions	542	1,679	-	1,490	3,711
Tax credits and mining duties	-	132,892	-	-	132,892
Less: Impairment	(4,397,393)	(1,906,273)	-	(492,776)	(6,796,442)
Balance as at Dec. 31, 2013	85,000	1,200,000	-	15,000	1,300,000
Exploration costs	1,143	45,003	-	-	46,146
Property acquisitions	-	-	51,000	-	51,000
Property dispositions	(19,000)	-	-	(879)	(19,879)
Tax credits and mining duties	-	(43,636)	-	-	(43,636)
Less: Impairment	-	(159,976)	-	(13,571)	(173,547)
Balance as at Dec. 31, 2014	67,143	1,041,391	51,000	550	1,160,084

The Villebon, Julie & Isoukustouc Projects, the St-Jean Property and the Franquelin Property are all located in Quebec, Canada and are 100% owned by the Company. The properties are described in more detail below.

Villebon

The Villebon copper-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.

St-Georges Platinum & Base Metals Ltd.

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6. Exploration and Evaluation Assets (Continued)

Villebon (Continued)

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, 2014, the Company recorded an impairment charge of \$52,857 to reflect the net value of the property. Thus the total value of the advance is decreased to \$67,143 (2013 – \$80,000) from which an amount of \$120,000 was unpaid at year-end (2013 – \$80,000) and is included in accounts payable and accrued liabilities. Please see Notes 13 and 18 below for further details in this regard.

Upon commencement of Full Scale Production on these properties, the Royalty Holders becomes eligible to receive 2% of the Net Smelter Returns from all claims from the original transaction and the zone of interest and 3% from one claim holding the Céré Showing from St-Georges. The Company shall have the right to purchase 50% of these NSR from the Royalty Holder at any time for a total cash sum of \$2,000,000.

In 2013, the Company assessed its future plans for the Villebon property and determined that there are indicators of impairment. As a result, the Company has decided to record an impairment charge for its Villebon property in the amount of \$4,397,393 (2012 – Nil). The impairment charge is based on management's best estimate of fair value less costs to sell and on the determination that insufficient work was being completed on the Villebon property to maintain all of the mining claims.

On September 25, 2014 St-Georges announced that it had signed an Agreement to transfer all its rights and titles in 9 mining claims in Villebon to Exploration Khalkos Inc. in consideration of the transfer of 93 mining claims constituting the St-Jean Property (previously known as the Poissons Blancs property).

As part of the acquisition, St-Georges agreed to issue 800,000 common shares over a period of four years starting in Fall 2015. The transaction was valued at \$51,000 and a 1% Net Smelter Royalty was in favour of each party was assigned to the respective properties. The NSRs are exercisable at any time and half of either of the royalties can be purchased for \$500,000.

At December 31, 2014 the Villebon property consists of 32 claims (December 31, 2013 – 45 claims).

Julie & Isoukoustouc Projects

The Isoukoustouc Project is located less than 10 kilometres west of the Manic-3 Hydro electric Dam within the Manicouagan River – Manic Complex.

The Julie Project is located approximately 65 kilometres further to the east, south of Lac La Blache and near the Outarde IV Electric Dam.

The two exploration campaigns executed in the Fall of 2013 and analysed through the third and fourth quarters of 2014 enabled the Company to confirm the presence of nickel at surface along the whole 1.8 km corridor and to establish the presence of additional nickel mineralisation in historical trenches that were ignored by previous exploration efforts.

These Projects are accessible from the deep sea port town of Baie-Comeau by paved and gravel road (Isoukoustouc 74km, Julie 146km). Collectively they consist of 340 claims of which 128 claims are in the Julie area and 212 are in the Isoukoustouc Complex area. (December 31, 2013 – 340 claims).

St-Georges Platinum & Base Metals Ltd.

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6. Exploration and Evaluation Assets (Continued)

Julie & Isoukoustouc Projects (Continued)

Upon the Company exercising the Option of its 100% interest in the Property and upon commencement of Full Scale Production, the Optionor becomes eligible to receive 3% of the Net Smelter Returns from St-Georges. The Company has the right to purchase 1.5% of the NSR from the Optionor at any time, but not later than 12 months from the commencement of industrial exploitation of the properties for a total cash sum of \$3,000,000.

The Company assessed its future plans for the Julie-Isoukoustouc Complex properties and concluded there were indications that the assets may be impaired. The impairment relates to the Isoukoustouc properties while the Company intends to pursue exploration activities in the Julie area. As a result, the Company decided to record an impairment charge for its Julie-Isoukoustouc Complex properties in the amount of \$159,976 (2013 – \$1,906,273). The impairment charge is based on management's best estimate of fair value less costs to sell and on the determination that insufficient work was being completed on the Julie-Isoukoustouc Complex properties to maintain all of the mining claims.

The St-Jean Property

On September 25, 2014 St-George announced that it had signed an Agreement to acquire 93 mining claims constituting the St-Jean Property (previously the "Poissons Blancs" property) in consideration of St-Georges transferring all of its rights and titles in 9 claims in Villebon. The transaction was valued at \$51,000.

As part of the acquisition, St-Georges agreed to issue 800,000 common shares over a period of four years starting in Fall 2015. A 1% Net Smelter Royalty was in favour of each party was assigned to the respective properties. The NSRs are exercisable at any time and one half of either of the NSR's can be purchased for \$500,000.

Management could not reliably estimate the fair value of the 93 mining claims constituting the St-Jean Property acquired, hence it based the fair value, and the corresponding increase in equity, by evaluating the asset given up in the fair value of the 9 claims in Villebon and the value of equity instruments granted as future considerations. Equity instruments granted was determined using the closing share price of the Corporation's common shares on September 25, 2014 of \$0.04 per common share.

As at December 31, 2014, 47 claims have expired as they were not renewed by St-George. The expiration had no monetary impact since no value was granted for these claims on acquisition.

The St-Jean Property is located in the Saguenay Lac St-Jean region and comprises 46 claims.

Franquelin Property

The Franquelin property (previously presented as part of the larger Manicouagan Constellation is located about 21 kilometres east of Baie-Comeau and is accessible by national route 138 and is bordered to the south by the St-Lawrence River. The property hosts Gold, Copper, Nickel, Zinc and PGE showings. It consists of 40 claims (December 31, 2013 – 124 claims).

Upon commencement of Full Scale Production, the Vendors of the Franquelin West properties become eligible to receive 1.0% of the Net Smelter Returns from St-Georges. The Company has the right to purchase 0.5% of these NSR from the Vendors at any time for a total cash sum of \$500,000.

St-Georges Platinum & Base Metals Ltd.

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6. Exploration and Evaluation Assets (Continued)

Franquelin Property (Continued)

The Company assessed its future plans for the Manicouagan Constellation Complex properties and concluded there were indications of impairment for essentially all of the claims with the exception of the Franquelin property. As a result, the Company has decided to record an impairment charge for its Manicouagan Constellation Complex properties in the amount of \$13,571 (2013 – \$492,776). The impairment charge is based on management's best estimate of fair value less costs to sell and on the determination that insufficient work was being completed on the Manicouagan Constellation Complex properties to maintain all of the mining 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 in 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 Julie property.

These claims have expired and, as at December 31, 2014 St-Georges and Amseco jointly have Nil claims (December 31, 2013 – 185).

The Tétépisca West and Southern properties were owned 50-50 by each corporation. The relationship between the two corporations does not constitute a joint venture.

7. Convertible Debentures

- a) On July 3, 2013, the Company issued Convertible Unsecured Debentures in the aggregate amount of \$1,829,000 and entered into Agreements with its suppliers to satisfy more than 90% of its short-term liabilities by conversion of current Accounts Payable to Debentures.

The Debentures bear interest at the annual rate of 6% calculated quarterly in arrears and payable on a pro-rata basis on conversion or at maturity. The Debentures mature on July 2, 2023. At any time before the maturity date the Debentures are convertible at the option of either the holder or the Company into fully paid and non-assessable common shares of the Company subject to certain conditions.

At the date of issuance, the debt component of the Debentures amounted to \$535,850, representing the present value of interest and principal repayment until July 2, 2023. The difference between the nominal value and the debt component amounted to \$1,293,150 and represents the conversion option, which was recorded in the equity of the Company. Over the term of the convertible debenture, the debt component will be increased to its nominal value of \$1,829,000 to provide, for accounting purposes, an actual interest expense equal to 20%, representing the estimated interest rate of similar debt instruments which do not have such an equity component. The debt component amounted to \$89,242 on December 31, 2014 (December 31, 2013 - \$586,994).

St-Georges Platinum & Base Metals Ltd.
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7. Convertible Debentures (Continued)

	<u>Total</u>
	\$
Balance as at January 1, 2013	-
Issuance of convertible debentures	535,850
Accretion	(4,136)
Accrued interest	55,282
Conversion	-
Balance as at December 31, 2013	<u>586,994</u>
Issuance of convertible debentures	-
Accretion	-
Accrued interest	48,684
Conversion	(546,436)
Balance as at December 31, 2014	<u>89,242</u>

- b) On October 5, 2013 the Company issued a second tranche of the Convertible Unsecured Debentures in the aggregate amount of \$93,916 and entered into an Agreement with another supplier to convert a current Account Payable to Debentures.

The second tranche of the Debentures bear interest at the annual rate of 6% calculated quarterly in arrears and payable on a pro-rata basis on conversion or at maturity. The Debentures mature on October 5, 2023. At any time before the maturity date the Debentures are convertible at the option of either the holder or the Company into fully paid and non-assessable common shares of the Company subject to certain conditions.

At the date of issuance, the debt component of the second tranche of the Debentures amounted to \$27,515, representing the present value of interest and principal repayment until October 5, 2023. The difference between the nominal value and the debt component amounted to \$66,401 and represents the conversion option, which was recorded in the equity of the Company. Over the term of the convertible debenture, the debt component will be increased to its nominal value of \$93,916 to provide, for accounting purposes, an actual interest expense equal to 20%, representing the estimated interest rate of similar debt instruments which do not have such an equity component. The debt component amounted to Nil on December 31, 2014 (December 31, 2013 - \$28,798).

	<u>Total</u>
	\$
Balance as at January 1, 2013	-
Issuance of convertible debentures	27,516
Accretion	(126)
Accrued interest	1,408
Conversion	-
Balance as at December 31, 2013	<u>28,798</u>
Issuance of convertible debentures	-
Accretion	-
Accrued interest	1,236
Conversion	(30,034)
Balance as at December 31, 2014	<u>-</u>

St-Georges Platinum & Base Metals Ltd.

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8. 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 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.

On April 22, 2013, the Company completed a consolidation of its shares on the basis of one (1) new common share for every six point five (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 were 15,932,606 common shares issued and outstanding following this consolidation. All figures for common shares, per-share information, warrants and options in these financial statements are presented on a post-consolidation basis.

The following is a summary of changes in common shares from December 31, 2013 to December 31, 2014:

	<u>Number of shares</u>	<u>Amount \$</u>
Balance as at January 1, 2013	<u>15,932,606</u>	<u>8,804,832</u>
Balance as at Dec. 31, 2013	15,932,606	8,804,832
Issued on conversion of debentures	17,583,056	1,773,387
Issued as settlement of accounts payable	988,801	114,089
Balance as at Dec. 31, 2014	<u>34,504,463</u>	<u>10,692,308</u>

During the year ended December 31, 2014, a total \$1,692,916 of the capital value of the debentures was converted into common shares. Including accumulated interest this represented a value of \$1,773,387 for which the Company issued 17,583,056 common shares on conversion.

As part of the Company's Awareness Campaign it entered into Agreements during the year with suppliers of communications and publicity services to be settled in cash or by the issuance of common shares. The Company settled its liabilities in respect of these services through the issuance of 988,801 common shares at the following prices. The price of issued shares were as follow: 282,500 common shares issued at \$0.05 per unit, 347,437 common shares issued at \$0.15 per unit and 358,864 common shares issued at \$0.133 per unit.

b) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value. As at December 31, 2014, the share capital of the Company does not include any preferred shares.

St-Georges Platinum & Base Metals Ltd.

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8. Share Capital (Continued)

c) Equity component of convertible debentures

During 2013, the Company issued convertible debentures and the debt component was recorded as described in Note 7. The table below describes the equity component of the Debentures.

	Amount
	\$
Balance as at January 1, 2013	-
Issued on conversion of debentures	1,359,552
Balance as at Dec. 31, 2013	1,359,552
Conversion to common shares	(1,196,936)
Balance as at Dec. 31, 2014	162,616

d) Contributed Surplus

The following is a summary of changes in the contributed surplus from January 1, 2014 to December 31, 2014:

	Amount
	\$
Balance at January 1, 2013	1,419,447
Balance at December 31, 2013	1,419,447
Stock based compensation	119,725
Future issuance of common share	32,000
Balance at December 31, 2014	1,571,172

e) Warrants

Warrants

The following is a summary of changes in warrants from January 1, 2014 to December 31, 2014:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance as at January 1, 2013	4,184,256	3.19
Expired in 2013	3,231,179	3.41
Balance as at December 31, 2013	953,077	3.16
Expired in 2014	953,077	3.16
Balance as at December 31, 2014	-	-

St-Georges Platinum & Base Metals Ltd.

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9. 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 CSE 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 CSE 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.

On April 3, 2014, St-Georges granted 1,125,000 stock options exercisable at a price of \$0.20 per share before April 3, 2019. Officers of the Company were granted an aggregate total of 775,000 stock options and members of the Board of Directors were granted an aggregate total of 350,000 stock options.

The fair value of stock options issued on April 3, 2014 was \$119,725 and the Company capitalized \$10,642 of the fair value as exploration costs during the year. This fair value was estimated at the grant date based on the Black-Scholes options pricing model using the following assumptions:

Share price at grant date	\$0.11
Exercise price	\$0.20
Risk-free interest rate	1.789%
Expected life (years)	5
Expected volatility ¹	200%
Expected dividend yield	Nil

¹ Expected volatility is estimated by considering historic average share price volatility based on the average expected life of the options.

The following options were outstanding as at December 31, 2014:

Grant Date	Expiry Date	Exercise Price	During the period of year				Closing Balance	Vested	Unvested
			Opening Balance	Granted	Exercised	Forfeited			
		\$							
6 Jan. 10	6 Jan. 15	1.30	61,538	-	-	61,538	-	-	
20 Oct. 10	20 Oct. 15	0.98	346,154	-	-	38,462	307,692	307,692	
3 Apr. 14	3 Apr. 19	0.20	-	1,125,000	-	250,000	875,000	574,000	
			407,692	1,125,000	-	350,000	1,182,692	1,182,692	

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10. Income Taxes

The statutory tax rate is 26.9% (2013 – 26.9%). The Company's effective tax rate in the year ended December 31, 2014 was 0% (2013 – 0%). A reconciliation of income tax expense applicable to the operating activities is as follows:

<u>Federal and provincial</u>	<u>2014</u>	<u>2013</u>
	\$	\$
Net loss before income taxes	(749,761)	(7,243,080)
Income taxes at statutory rates	(201,686)	(1,948,389)
Non-deductible expenses	60,624	1,822,211
Current tax losses for which no deferred income tax asset was recognized	141,062	126,177
Effective tax expense	-	-

Significant components of the deferred tax assets are as follows:

<u>Year of expiry</u>	<u>2014</u>	<u>2013</u>
	\$	\$
Losses carried forward, beginning of year	369,794	243,617
Losses carried forward for the year	141,062	126,177
Losses carried forward, end of year	510,856	369,794

At December 31, 2014, the Company had, subject to tax authority approval, the following operating loss carry forwards:

<u>Year of expiry</u>	<u>Federal</u>	<u>Provincial</u>
	\$	\$
2015	143,174	143,174
2026	99,208	99,208
2027	138,868	138,868
2028	161,033	161,033
2029	469,691	469,691
2030	861,816	861,816
2031	794,992	794,992
2032	350,808	350,808
2033	441,301	441,301
	525,128	523,465
	3,986,019	3,984,356

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11. 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, 2014, the Company has current liabilities and accrued liabilities of \$639,304 due within 12 months and has cash and cash equivalents of \$3,754 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.

The Company's statement of financial position is presented net of any allowance for doubtful advances established on a case by case basis. This amount best represents the Company's maximum exposure to any potential credit risk. As of December 31, 2014 the allowance for doubtful advances was Nil (December 31, 2013 - Nil).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-interest rates. The Company's convertible debentures fixes interest at 6% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers minimal its interest rate risk.

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11. Financial Risk Management and Financial Instruments (Continued)

Fair Value Measurement (Continued)

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 are considered to be a reasonable approximation of fair value because of their short-term maturities.

The carrying values of the convertible debentures approximate its fair value at the reporting date because the convertible debentures was calculated by discounting future cash flows using rates that the Company would otherwise use for such debt with similar terms, conditions and maturity dates, adjusted for the Company's credit risk. Management believes that no significant change occurred in the risk of these instruments.

12. Capital Management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2014, the Company's shareholders' equity was \$363,179 (December 31, 2013 - \$270,675) and it had an amount due to a related party of \$136,583 (December 31, 2013 - \$32,500). 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 Company's capital management policy for the year ended December 31, 2014.

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 14).

13. Commitments

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.

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13. Commitments (Continued)

Payments to Fancamp Exploration Ltd. and Sheridan Platinum Group (Continued)

As of December 31, 2014, the liability for this royalty payment is included in the accounts payable in the amount of \$120,000 (December 31, 2013 - \$80,000). Please refer to Note 18.

In addition, if the Company were to generate revenues from these claims, a Net Smelter Return of 2% 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.

Services agreement

During the year the Company entered into service agreements which expire during 2015 for advertising, communication and consulting services. The Company subsequently agreed with the suppliers of these services to a suspension of the agreements. The unfulfilled commitments under these Agreements amounted to \$59,833 at December 31, 2014.

14. Contingencies

Flow-through shares

The Company has been partly financed by the issuance of flow-through shares however there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses even if the Company has committed to take all measures necessary for this purpose. Refusal of certain expenses by tax authorities could have negative tax consequences 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). The last flow through shares issuance dates back to December 29, 2011.

The Company may provide an indemnification to subscribers of flow-through shares in an amount equal to the income tax that would be payable by subscribers in the event, and as a consequence, of the Company not incurring and renouncing qualifying exploration expenses as required under the subscription agreement.

The Company is unable to estimate the liability to be recorded representing the estimated amount payable to indemnify the subscribers for the reduced renunciations.

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15. Related Party Transactions

a) Management and Director Contracts

During the year, the Company has incurred professional fees amounting to \$59,480 (2013 - \$51,653) with a company controlled by its Chief Financial Officer. In relation with these transactions, \$48,028 was payable as at December 31, 2014 (December 31, 2013 - \$21,000). These amounts are included in accounts payable and accrued liabilities.

During the year, the Company has incurred professional fees amounting to \$8,162 (\$34,096 in 2013) with a director of the company. In relation with these transactions, \$43,803 was payable as at December 31, 2014 (2013 - \$34,096). This amount is included in accounts payable and accrued liabilities.

b) 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. The Company agrees to repay the principal of \$50,000 and fees of \$10,000 following the closing of a private placement or upon receipt of sales taxes receivable. As of December 31, 2014 the amount due to the company controlled by a director was Nil (December 31, 2013 - \$32,500).

c) Due to a Director

On February 21, 2014 St-Georges issued a promissory note in the amount of \$200,000 maturing on February 21, 2019 in favour of a Director of the Company. Under the terms of the Promissory Note the Director will provide financing to the Company in a series of scheduled payments between February 21, 2014 and March 30, 2015.

Interest on the Promissory Note is calculated at 18% per annum of which 12% is payable in cash or shares and 6% is payable in shares.

The Company has the right to repay the financing under the Promissory Note at any time (please see Note 18).

d) St-Georges Family Trust

On October 5, 2013, following the final payment related to the 2007 initial acquisition of Julie and Isoukustouc properties, the St-Georges Family Trust (of which Francois Dumas, a Director of the Company, is one of the Trustees) became eligible to receive a perpetual production royalty of 1.5% of the Net Smelter Returns from these properties. The Company has the option to purchase 0.5% of these NSR within 12 months of commencement of industrial exploitation of the properties for an amount of \$500,000.

As exploration of these properties is ongoing, there is currently no industrial exploitation.

e) Stocked based compensation

During the year, the company issued 1,125,000 stock options to the members of the board and officers. The stock options are exercisable at a price of \$0.20 per share before April 3, 2019. The stock option is valued at \$119,725 as at December 2014.

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16. 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, warrants and convertible debentures 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 8.

	<u>2014</u>	<u>2013</u>
	\$	\$
Loss for the year	(749,761)	(7,267,254)
Weighted average number of shares in issue	34,504,463	15,932,606
Basic		
Diluted	<u>34,504,463</u>	<u>15,932,606</u>
Loss per share		
Basic	(0.022)	(0.456)
Diluted	<u>(0.022)</u>	<u>(0.456)</u>

17. Additional information on cash flow

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Non-cash transactions</u>		
Conversion of accounts payable and accrued liabilities in convertible debentures	-	(1,922,916)
Exploration costs paid by stock based compensation	(10,642)	
Property acquisition	(32,000)	
Accounts payable and accrued liabilities settled in common shares	(114,089)	
Conversion of convertible debentures in common shares	(1,773,387)	

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18. Events after the Reporting Date

Private placement of shares and share-for-debt Agreements

In early February 2015, the Company announced plans for a private placement of up to \$720,000 in units of \$0.06. Each Unit consists of one common share and one three-year warrant. The warrants are exercisable at price which increases over the three year life of the warrant and their exercise may be forced by St-Georges if the Company's share price exceeds a certain valuation on the CSE according to the terms of the unit.

On February 19, 2015 the Company announced that it received total subscriptions of \$476,075 (7,934,578 shares and 7,934,578 warrants) including insider participation of \$449,646. Including this insider participation the Company reached an Agreement to convert current liabilities to equity with the majority of its creditors and convert the amount due to a director (please refer to Note 15) into common shares.

On February 15, 2015 the Company and Fancamp Exploration Ltd. amended the terms of their 2012 Agreement under which St-Georges acquired the Villebon project and incurred a liability to Fancamp Exploration Ltd. which amounted to \$60,000 at December 31, 2014.

Under the Amended Agreement St-Georges has issued 1,000,000 common shares to Fancamp at a deemed value of \$0.06 per share, transferred a 5% interest in the Villebon project to Fancamp and agreed to publish a NI 43-101 report on the Villebon project before the end of 2017.

On April 25, 2015 the Company signed a Promissory Note in favour of director of the Company. Under the terms of the Note, the Company promises to pay the lender \$25,000 no later than April 25, 2016 together with a \$5,000 fee and interest of 24% per annum, capitalized on the first day. The loan is secured by a security interest in all of the tangible and intangible property of St-Georges.