

# **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, 2015**

#### **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 for the year ended December 31, 2015. 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](http://www.sedar.com)) under St-Georges Platinum and Base Metals Ltd. or on the Company's website ([www.stgeorgesplatinum.com](http://www.stgeorgesplatinum.com)).

This MD&A is dated April 29, 2016.

#### **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.

#### **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 Securities Exchange ("CSE"), having the symbol SX, on the OTC PINK, 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.

## **OVERVIEW**

On December 29, 2014, the Company announced that it had confirmed the presence of a significant zone of Nickel-Copper-Cobalt mineralization on its wholly-owned Julie project following receipt of initial results from AGAT Laboratories. These included significant intersections of interesting grades of Nickel, Copper and Cobalt were discovered over 2 zones, T1 and T2.

On January 26, 2015, the Company announced a new series of results and grades of the previously reported T1 and T2 zones in the Julie Nickel-Copper Discovery. The results from AGAT Laboratories increased the size and grades of the previously reported discovery on the T1 zone as well as additional positive results from the T2 zone. The analysis was reported as an 11.64 metre intersection containing 1.82% Nickel, 0.29% Copper and 0.04% Cobalt.

### *Conversion of Debt for Equity*

In February 2015, the Company announced a private placement of up to \$720,000 to reduce debt and to advance exploration work on the Julie Nickel Discovery Project. The private placement consists of Units consisting of one common share and one non-transferable warrant carrying specific exercise conditions. St-Georges subsequently announced that it had received subscriptions of \$476,075 from 10 places in the first closing of its private placement. All of the Directors and Officers of the Company to whom St-Georges was indebted at the time participated in the placement.

### *Issuance of shares for debt*

On February 19, 2015, St-Georges announced that it had concluded a Share-for-Debt Agreement with Fancamp Exploration Limited. Under the terms of this Agreement, 1,000,000 shares were issued to Fancamp to retire a debt of \$60,000 accumulated over 3 years as Advance Royalties under the terms of the Company's acquisition of the Villebon project. The parties also agreed that all future Advance Royalty commitments would be eliminated in exchange for a 5% interest in the Villebon project issued to Fancamp and the commitment of St-Georges to deliver a NI 43-101 report no later than December 2017.

On April 23, 2015 the Company and Sheridan Platinum Group Inc. amended the terms of their 2009 Agreement under which St-Georges acquired the Villebon project. Under the Amended Agreement St-Georges will issue 1,000,000 common shares to Sheridan at a deemed value of \$0.06 per share, transfer a 5% interest in the Villebon project to Sheridan and agreed to publish a NI 43-101 report on the Villebon project before the end of 2017.

### *Due to a director*

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. The director has agreed to extend the loan due date.

## **QUALIFIED PERSON**

The technical information disclosed in this MD&A has been reviewed and approved by Joel Scodnick, 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*.

## **RESULTS OF OPERATIONS**

For the year ended December 31, 2015, the Company recorded a net loss of \$12,268 (2014 - \$749,761) and had a cumulative deficit of \$12,075,185 (December 31, 2014 – \$12,062,917). The Company had no continuing source of operating revenues or related expenditures.

## SELECTED ANNUAL INFORMATION

### Statements of Comprehensive Loss

For the years ended December 31, 2015, 2014 and 2013:

| For years ended December 31                  | 2015      | 2014      | 2013        |
|--|-----------|-----------|-------------|
|  | \$        | \$        | \$          |
| Revenues – Interest income                   | -         | -         | -           |
| Operating expenses                           | (137,259) | (523,357) | (448,738)   |
| Net loss and comprehensive loss for the year | (12,268)  | (749,761) | (7,267,254) |
| Basic and diluted loss per share             | (0.01)    | (0.02)    | (0.46)      |

### Statements of Financial Position

| As at December 31                 | 2015      | 2014      |
|-----------------------------------|-----------|-----------|
|                                   | \$        | \$        |
| Cash and cash equivalents         | -         | 3,754     |
| Working capital (deficiency)      | (285,025) | (774,806) |
| Exploration and evaluation assets | 1,035,267 | 1,160,084 |
| Total assets                      | 1,069,129 | 1,252,482 |
| Shareholders' equity              | 643,948   | 363,179   |

For the year ended December 31, 2015, the Company recognized revenues of \$Nil, which was equal to revenues of \$Nil earned for the year ended December 31, 2014.

The Company incurred a net loss and comprehensive loss for the year of \$12,268 (or \$0.01 per share) for the year ended December 31, 2015, which was a decrease of \$737,493 compared to the prior year \$749,761 (or \$0.02 per share) for the year ended December 31, 2014. The decrease in the loss is primarily due to gains on settlement of debt, reduction of subcontractors fees, publicity fees and stock based compensation as the Company concentrated on reducing discretionary changes where possible. Further details are available in the analysis below.

For the year ended December 31, 2014, the Company recognized revenues of \$Nil, which was equal to revenues of \$Nil earned for the year ended December 31, 2013.

The Company incurred a net loss and comprehensive loss for the year of \$749,761 (or \$0.022 per share) for the year ended December 31, 2014, which was a decrease of \$6,517,493 compared to the net loss and comprehensive loss of \$7,267,254 (or \$0.46 per share) for the year ended December 31, 2013. The increase in the loss is primarily due to the Company's decision to recognize an impairment charge of \$6,796,442 on its Exploration and Evaluation Assets in 2013.

For the year ended December 31, 2014, the Company generated operating expenses of \$523,357, which was an increase of \$74,619 compared to the operating expenses of \$448,738 for the year ended December 31, 2013. The following table outlines the variation in operating expenses for the years ended December 31, 2014 and 2013.

## Operating Expenses

For the years ended December 31, 2015 and 2014

| For the years ended December 31    | 2015    | 2014    |
|------------------------------------|---------|---------|
|                                    | \$      | \$      |
| Professional fees                  | 14,506  | 30,096  |
| Subcontractors                     | 43,400  | 95,142  |
| Publicity and promotion            | 16,908  | 131,174 |
| Office expenses                    | 2,489   | 5,679   |
| Mineral rights                     | -       | 8,219   |
| Brokerage fees                     | 19,278  | 45,892  |
| Travel expenses                    | -       | 12,195  |
| Financial fees and bank charges    | 23,626  | 35,977  |
| Interest on Convertible Debentures | 17,052  | 49,900  |
| Accretion of Debentures            | -       | -       |
| Stock based compensation           | -       | 109,083 |
|                                    | 137,259 | 523,357 |

### *Impairment charge on Exploration and Evaluation Assets*

The Company evaluated its Exploration and Evaluation Assets and determined that there were indicators of impairment as it focuses on specific claims for further investment in 2016. As a result, the Company recorded an impairment charge in 2015 of \$118,692 (2014 - \$173,547).

The Company also recorded a gain on debt settlement in the year of \$303,038 (2014 – Nil).

## SUMMARY OF QUARTERLY RESULTS

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

|                              | Dec. 31, 2015 | Sep. 30, 2015 | Jun. 30, 2015 | Mar. 31, 2015 |
|------------------------------|---------------|---------------|---------------|---------------|
| Total assets                 | 1,069,129     | 1,257,721     | 1,258,185     | 1,248,775     |
| Working capital (deficiency) | (285,025)     | (328,628)     | (368,133)     | (298,865)     |
| Shareholders' equity         | 643,948       | 812,843       | 777,310       | 847,531       |
| Revenue                      | -             | -             | -             | -             |
| Net income (loss)            | 158,680       | (24,467)      | (70,222)      | (51,723)      |
| Net income (loss) per share  | 0.00          | (0.00)        | (0.00)        | (0.00)        |
|                              | Dec. 31, 2014 | Sep. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 |
| Total assets                 | 1,252,482     | 2,438,099     | 1,494,905     | 1,491,161     |
| Working capital (deficiency) | (774,806)     | (767,556)     | (667,459)     | (587,891)     |
| Shareholders' equity         | 363,179       | 1,413,567     | 522,474       | 398,790       |
| Revenue                      | -             | -             | -             | -             |
| Net income (loss)            | (1,459,727)   | 864,381       | (89,424)      | (64,991)      |
| Net income (loss) per share  | (0.04)        | 0.30          | (0.00)        | (0.00)        |

## THREE MONTHS ENDED DECEMBER 31, 2015

For the three months ended December 31, 2015 and 2014, the Company had no revenues.

The Company incurred a net income for the period of \$130,311 (2014 net loss - \$725,294). The decrease in the loss is primarily due to the net gains in the current period of \$303,038 (2014 – Nil) relating to a gain on settlement of debt (settled by issuance of shares at a deemed value), stock based compensation of Nil (2014 – 109,083) due to the issuance of options, reduction of subcontractor costs to a credit of (\$27,324) in the current period (2014 - \$84,642), as accruals were cancelled, and a

reduction in publicity to \$5,967 (2014 – \$130,860) as the Company reduced discretionary expenses where possible.

## **YEAR ENDED DECEMBER 31, 2015**

For the year ended December 31, 2015 and 2014, the Company had no revenues.

The Company incurred a net loss for the year of \$12,268 (2014 - \$749,761). The decrease in the loss is primarily due to the net gains in the current period of \$303,038 (2014 – Nil) relating to a gain on settlement of debt (settled by issuance of shares at a deemed value), reduction of stock based compensation of Nil (2014 – \$109,083) due to the non-issuance of options in the current year, reduction of subcontractor costs to \$43,400 (2014 - \$95,142), as discretionary costs were reduced, and a reduction in publicity and promotions to \$16,908 (2014 – \$131,174) as the Company reduced discretionary expenses where possible.

## **LIQUIDITY AND CASH FLOW**

At December 31, 2015, the Company had cash of nil (December 31, 2014 - \$3,754).

At December 31, 2015, the Company had a working capital deficit of \$285,025 (December 31, 2014 - \$774,806). The change in working capital is primarily attributable to the issuance of shares during the period to settle outstanding debts. Management expects to finance future operations and growth as required by the issuance of equity and debt securities. There can be no assurance that the Company may be able to raise funds at acceptable terms, or at all.

On November 19, 2015 the Company issued 200,000 common shares relating to mining claims in Quebec (Note 6 – Villebon).

As at December 31, 2015, the Company had 44,639,045 common shares outstanding, and at the current date has 44,639,045 common shares outstanding.

## **FINANCIAL RISK MANAGEMENT AND FINANCIAL ESTIMATES**

### **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 period.

#### *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, 2015, the Company has current liabilities and accrued liabilities of \$318,857 due within 12 months and has cash and cash equivalents of \$Nil 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, 2015 the allowance for doubtful advances was \$Nil (December 31, 2014 - \$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.

#### **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 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.

#### **CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2015, the Company's shareholders' equity was \$643,948 (December 31, 2014 – \$363,179) and it had an amount due to a related party of \$32,602 (December 31, 2014 - \$136,583). 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, 2015.

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.

## **RELATED PARTY TRANSACTIONS**

### **a) Management Contracts**

During the period, the Company has incurred professional fees amounting to \$Nil (2014 – \$54,480) with a company controlled by its former CFO. In relation with these transactions, \$ 60,767 was payable as at December 31, 2015 (December 31, 2014 - \$48,028). These amounts are included in accounts payable and accrued liabilities. In the period, the Company has accrued \$20,000 in fees payable to a company controlled by the current CFO.

During the period, the Company has incurred professional fees amounting to \$ Nil (\$8,162 in 2014) with a director of the company. In relation with these transactions, \$Nil was payable as at December 31, 2015 (December 31, 2014 - \$43,803). This amount is included in accounts payable and accrued liabilities.

### **b) Due to a Director**

On February 21, 2014 the Company 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.

On February 23, 2015, this amount was settled by the issuance of shares.

On April 25, 2015, the Company signed a promissory note for \$25,000 in favour of a director of the Company. The note is due April 25, 2016 together with a \$5,000 fee and interest at 24% per annum, secured by a security interest in all the tangible and intangible property of the Company. The Company is currently renegotiating this loan.

### **c) 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.

### **d) Stock based compensation**

During the prior year, the company issued 1,125,000 stock options to the members of the board. The stock options are exercisable at a price of \$ 0.20 per share before April 3, 2019. The fair value of the stock option grant was calculated at \$109,083. No options have been granted in the current period.

## **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.

*signed "Francois Dumas"*  
President and Chief Executive Officer

*signed "Richard Barnett"*  
Chief Financial Officer