

# **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 three-month period ended March 31, 2012

#### **INTRODUCTION**

The following management's discussion and analysis of the financial condition and results of operations ("MD&A") for St-Georges Platinum and Base Metals Ltd. (formerly ACFAW.COM Inc., "St-Georges" or the "Company") should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes for the period ended March 31, 2012 and the audited financial statements and accompanying notes for the year ended December 31, 2011. 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 Based Metals Ltd. or on the Company's website ([www.stgeorgesplatinum.com](http://www.stgeorgesplatinum.com)).

This MD&A is dated May 30, 2012.

#### **FORWARD-LOOKING STATEMENTS**

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

#### **GOING-CONCERN**

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. The Company has not generated revenues from operations. As at March 31, 2012, the Company had cash of \$21,090 and negative working capital of \$936,500. As such, the Company's ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information.

## **COMPANY DESCRIPTION**

The Company was incorporated on June 21, 2002 under the Canada Business Corporation Act. On February 13, 2003, the Company became a publicly traded corporation. On June 2, 2009, the Company, then operating under the name Emergence Resort Canada Inc. (“Emergence”), acquired 100% of the common shares of ACFAW.COM Inc., a social entrepreneurship company developing high-technology platforms. This acquisition constituted Emergence’s Qualifying Transaction. Following Emergence’s request, its common shares were delisted from the NEX and listed subsequently on the CNSX. Immediately following the completion of this acquisition, Emergence changed its name to ACFAW.COM Inc.

On December 20, 2009, the Company purchased mineral claims, thereby expanding the nature of its activities to include the acquisition, exploration and development of mining properties in Canada. The acquisition of these mineral claims in Quebec’s Abitibi and North Shore regions was valued at \$2,947,510. This acquisition was approved by the shareholders of the Company at its annual and special meeting of shareholders held in Montreal on March 3, 2010 and was paid by the issuance of 117,900,400 common shares.

On May 4, 2010, the Company changed its name from ACFAW.COM Inc. to St-Georges Platinum and Base Metals Ltd., and a share consolidation approved by the shareholders at the last annual and special meeting became effective on May 7, 2010 on the basis of one new share of the Company for two previous common shares held.

The Company’s common shares are listed on CNSX under the symbol ‘SX’ and on the OTCQX under the symbol “SXOOF”. The Company has one reportable segment in Canada and all of the assets are located in Canada.

## **OVERVIEW OF Q1 2012**

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

In the event of a change of control or a joint venture affecting the property, St-Georges will surrender additional milestone shares to the Tétépisca Syndicate for an approximate value of \$300,000. If the Company can establish more than 5,000,000 tonnes of carbon graphite with a cut-off grade of 15% in the NI 43-101 Indicated category, it will issue an additional \$300,000 worth of shares.

On February 29, 2012, St-Georges announced that it planned to team up with Amesco Exploration Ltd. in order to acquire and explore more than 10,110 hectares on the North Shore of Quebec, in a district that hosts multiple graphite occurrences. As at the date of this MD&A, both parties are in the process of negotiating the terms of their joint venture.

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

On March 13, 2012, the Company announced the signing of a memorandum of understanding with Focus Metals Inc. with regard to the graphite resource viability of two of St-Georges’ properties on Quebec’s North Shore. Under the terms of the three-month agreement, Focus Metals will research and evaluate the

potential of St-Georges' Tétépisca graphite property and assist St-Georges' geological staff in evaluating the potential of multiple graphite occurrences found on the southeast extension of the Company's Julie nickel-copper project. This non-binding agreement gives Focus Metals a 120-day right of first refusal for the establishment of a joint venture relationship with St-Georges for the future development of these properties.

## QUALIFIED PERSON

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

## SELECTED FINANCIAL INFORMATION

### Statements of Comprehensive Loss

For the three-month periods ended March 31, 2012 and 2011 (unaudited)

Three-month periods ended March 31 (Unaudited)	2012 \$	2011 \$
Revenues – Interest income	4,482	-
Operating expenses	(102,989)	(433,555)
Net loss and comprehensive loss for the period	(98,507)	(433,555)
Basic and diluted loss per share	(0.001)	(0.005)

### Statements of Financial Position

As at March 31, 2012 (unaudited) and December 31, 2011 (audited)

	March 31, 2012 (audited) \$	December 31, 2011 (audited) \$
Cash and cash equivalents	21,090	175,130
Working capital	(936,500)	(722,673)
Exploration and evaluation assets	7,394,669	7,279,349
Total assets	7,977,687	8,078,499
Shareholders' equity	6,558,169	6,656,676

## RESULTS OF OPERATIONS

For the three-month period ended March 31, 2012, the Company recognized revenues of \$4,482 (March 31, 2011 – \$Nil). The revenues earned by the Company are primarily attributable to interest receivable with respect to the secured debenture issued to LiteWave Corporation (please see Related Parties below).

The Company incurred a net loss and comprehensive loss of \$98,507 (or \$0.001 per share) in the first quarter of 2012, which was a decrease of \$335,048 compared to the net loss of \$433,555 (or \$0.005 per share) in the first quarter of 2011.

For the three-month period ended March 31, 2012, the Company generated operating expenses of \$102,989, which was a decrease of \$330,566 compared to the operating expenses of \$433,555 for the three-month period ended March 31, 2011. The following table outlines the variation in operating expenses for the first quarters of 2012 and 2011.

## Operating Expenses

For the three-month periods ended March 31, 2012 and 2011 (unaudited)

Three-month periods ended March 31 (Unaudited)	2012 \$	2011 \$	Variation \$
Professional fees and subcontractors	41,100	184,510	(143,410)
Administrative expenses	58,474	173,070	(114,596)
Mineral rights	-	29,876	(29,876)
Brokerage fees	3,370	11,328	(7,958)
Travel expenses	-	34,075	(34,075)
Bank charges	45	656	(611)
Depreciation – property, plant and equipment	-	40	(40)
	102,989	433,555	(330,566)

## SUMMARY OF QUARTERLY RESULTS

The following table outlines selected unaudited financial information of the Company for the last eight quarters. Investors should note that the figures for the quarters ended March 31, 2012, December 31, 2011, September 30, 2011, June 30, 2011 and March 31, 2011 have been prepared in accordance with IFRS, while the figures presented for the prior quarters have been prepared in accordance with Canadian GAAP. Please note that the figures for 2010 are based on the restated figures.

Quarters ended	Mar. 31 2012	Dec. 31 2011	Sep. 30 2011	June 30 2011	Mar. 31 2011	Dec. 31 2010	Sep. 30 2010	June 30 2010
(\$)								
Net income (loss)	(98,507)	380,496	(83,992)	(198,547)	(433,555)	(175,460)	(88,245)	(229,129)
Net income (loss) per share— basic and diluted	(0.001)	0.004	(0.001)	(0.001)	(0.005)	(0.002)	(0.007)	(0.019)
Basic and diluted weighted average number of shares	103,562,111	101,917,546	101,862,111	101,862,111	95,891,733	79,296,263	12,201,539	11,992,830

Please note that the share figures presented in the table above are shown taking into consideration the one-for-two share consolidation that occurred on May 4, 2010.

## LIQUIDITY AND CASH FLOW

At March 31, 2012, the Company had cash and cash equivalents of \$21,090, which was a decrease of \$154,040, compared to cash and cash equivalents of \$175,130 at December 31, 2011. At March 31, 2012, the Company had \$21,090 in cash. At December 31, 2011, the Company had \$5,130 in cash and \$170,000 in a lawyer's trust account. The decrease in cash is attributable to the operating costs of the Company for the first quarter of 2012.

At March 31, 2012, the Company had negative working capital of \$936,500, which was an increase of \$213,827 compared to the negative working capital position of December 31, 2011 of \$722,673. Management expects to finance future operations and growth as required, by the issuance of equity and debt securities.

## SHARE CAPITAL

### Common Shares

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

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

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

As at March 31, 2012 and as at the date of this MD&A, the Company had 103,562,111 common shares issued and outstanding. The following is a summary of changes in common share capital from December 31, 2011 to March 31, 2012:

	<b>Number of Common Shares</b>
<b>Balance at December 31, 2011</b>	<u>103,562,111</u>
<b>Balance at March 31, 2012</b>	<u>103,562,111</u>

#### **Escrow**

On June 1, 2009, the Company, then trading as Emergence Resort Canada Inc., signed an escrow agreement with its transfer agent, Computershare, in which 2,310,000 common shares of the Company were placed in escrow, with releases every six months over the following three years. The release schedule is as follows: 10% of the initial amount in escrow was released upon signature of the escrow agreement (231,000 common shares), with further releases of 15% (or 346,500 common shares) every six months thereafter over the next 36 months. On March 31, 2012, there were 346,500 common shares in escrow with the Company's transfer agent (December 31, 2011 – 346,500 common shares).

#### **Warrants**

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

	<b>Number of Warrants</b>	<b>Weighted Average Strike Price</b>
<b>Balance at December 31, 2011</b>	<u>25,715,553</u>	<u>\$0.48</u>
Expired	(666,667)	\$0.15
<b>Balance at March 31, 2012</b>	<u>35,048,886</u>	<u>\$0.49</u>
<b>Warrants exercisable, March 31, 2012</b>	<u>35,048,886</u>	<u>\$0.49</u>

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

		<b>Expiry Date</b>
<b>Number of Warrants</b>	<b>Strike Price</b>	
6,649,819	\$0.50	December 29, 2012
731,400	\$0.20	December 31, 2012
470,000	\$0.25	December 31, 2012
100,000	\$0.20	March 1, 2013
180,000	\$0.25	March 1, 2013
6,666,667	\$0.50	March 22, 2013
3,592,000	\$0.50	May 14, 2013
10,464,000	\$0.50	December 31, 2013
5,175,000	\$0.54	March 1, 2014
170,000	\$0.10	December 29, 2014
850,000	\$0.23	December 29, 2014
<b>35,048,886</b>	<b>\$0.49</b>	

### Share-based Payments

#### Stock Options

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

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

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

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

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the period			Closing Balance	Vested	Unvested
				Granted	Exercised	Forfeited			
6-Jan-10	6-Jan-15	\$0.20	-	400,000	-	-	400,000	400,000	-
20-Oct-10	20-Oct-15	\$0.15	-	3,650,000	-	-	3,650,000	3,650,000	-
			<u>475,000</u>	<u>4,050,000</u>	<u>-</u>	<u>-</u>	<u>4,050,000</u>	<u>4,050,000</u>	<u>-</u>
Weighted Average Exercise Price			\$0.26	\$0.15	-	-	\$0.15	\$0.15	-

## EXPLORATION AND EVALUATION ASSETS

(\$)	Lac Julie- Isoukustouc			Manicouagan Constellation	Total
	Villebon	Complex			
<b>Balance as at Dec. 31, 2011</b>	<b>4,467,440</b>	<b>2,308,754</b>	<b>503,155</b>	<b>7,279,349</b>	
Exploration costs	-	115,320	-	115,320	
Property acquisitions	-	-	-	-	
<b>Balance as at Mar. 31, 2012</b>	<b>4,467,440</b>	<b>2,424,074</b>	<b>503,155</b>	<b>7,394,669</b>	

St-Georges is a junior platinum, palladium, rhodium, copper, cobalt, nickel and carbon graphite explorer with projects in the Province of Quebec, Canada. The Company owns a 100% interest in the Villebon Property in the Abitibi region, which hosts copper, nickel and PGEs. The Company owns a 100% interest in the Julie and Isoukustouc nickel-copper-PGEs projects on the Quebec North Shore. St-Georges also owns a 100% interest in 10 North Shore properties that constitute the Manicouagan Constellation, which are being explored for nickel, copper, platinum, palladium and graphite. The Company also has a 50% interest in six properties being explored for graphite with Amseco Exploration.; these properties are on Quebec's North Shore near Baie-Comeau. These properties are described in more detail below.

### Villebon

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

### Lac Julie – Isoukustouc Complex

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

### Manicouagan Constellation

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

## SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements for the year ended December 31, 2011.

The accompanying condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2011.

## **CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2012, the Company's shareholders' equity was \$6,558,169 (December 31, 2011 – \$6,656,676) and it had no outstanding debt. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of exploration and development work on its properties, and for working capital purposes. Additional funds may be required to finance the Company's corporate objectives. There was no change in the capital management policy for the period ended March 31, 2012.

## **COMMITMENTS**

### **Flow-Through Financings**

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

### **Payments to Fancamp Exploration Ltd. and Sheridan Platinum Group**

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

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

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

## **RELATED PARTY TRANSACTIONS**

### **LiteWave Corporation.**

On May 27, 2010, the Company issued a secured debenture to LiteWave Corp. for a total amount of \$100,000. LiteWave Corp. and the Company are related parties as François Dumas and Mark Billings are directors of both companies. This advance was not made in the normal course of business and is measured

at the exchange amount. LiteWave is presently in default of its obligations to repay this amount to the Company. Interest on the debenture has increased from 15% per annum to 18% per annum until the debenture will be repaid. Interest payable by LiteWave to the Company totalled \$30,103 as at March 31, 2012.

### **Management Contracts**

In 2011, the Company signed a management contract with François Dumas, the President and CEO of the Company. As per the terms of this contract, Mr. Dumas was paid \$21,000 (plus applicable taxes) in fees in the three-month period ended March 31, 2012 (2011 – \$Nil).

In 2011, the Company signed a management contract with a company controlled by Mark Billings, the CFO of the Company. As per the terms of this contract, Mr. Billings' company was paid \$15,000 (plus applicable taxes) in fees in the three-month period ended March 31, 2012 (2011 – \$Nil).

### **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 GST and QST tax refunds.

## **RISK FACTORS**

### **Exploration**

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

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

### **Environmental and Other Regulations**

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

### **Financing and Development**

The Company does not presently have sufficient financial resources to undertake its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to

raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing resource properties, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

### **Commodity Prices**

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

### **Risks Not Covered by Insurance**

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

**ST-GEORGES PLATINUM AND BASE METALS LTD.**

**Date: May 30, 2012**

*signed "François Dumas"*

*signed "Mark Billings"*

**François Dumas**  
President, CEO & Director

**Mark Billings**  
CFO & Director