

# **ST-GEORGES**

Platinum & Base Metals Ltd.

**An exploration stage company**  
**Condensed Interim Financial Statements**  
**For the three months ended March 31, 2014**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

The accompanying interim financial statements of the Company for the period ended March 31, 2014 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or review of these condensed interim financial statements.

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**St-Georges Platinum & Base Metals Ltd.**  
**Statements of Financial Position**  
**(Unaudited)**

As at	March 31, 2014	December 31, 2013
<b>Assets</b>	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	1,566	707
Other receivables (Note 5)	39,068	41,562
Prepaid expenses	14,101	6,535
<b>Total current assets</b>	<b>54,735</b>	<b>48,804</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 6)	1,316,426	1,300,000
Advances (Note 7)	120,000	80,000
<b>Total non-current assets</b>	<b>1,436,426</b>	<b>1,380,000</b>
<b>Total assets</b>	<b>1,491,161</b>	<b>1,428,804</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	583,452	485,663
Taxes payable	24,174	24,174
Due to a company controlled by a director (Note 8)	12,500	32,500
Due to a director (Note 9)	22,500	-
<b>Total liabilities</b>	<b>642,626</b>	<b>542,337</b>
<b>Long-Term Liabilities</b>		
Debt component of convertible debentures (Note 10)	449,745	615,792
<b>Shareholders' equity</b>		
Common shares (Note 11)	9,408,265	8,804,832
Equity component of convertible debentures (Note 11)	949,225	1,359,552
Contributed surplus (Note 11)	1,419,447	1,419,447
Deficit	(11,378,147)	(11,313,156)
<b>Total shareholders' equity</b>	<b>398,790</b>	<b>270,675</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,491,161</b>	<b>1,428,804</b>

These financial statements were approved and authorized for issue by the Board of Directors on May 29, 2014

(Signed) \_\_\_\_\_  
Robert Gardhouse  
President and Chief Executive Officer

(Signed) \_\_\_\_\_  
Vivian Doyle-Kelly  
Chief Financial Officer

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

## St-Georges Platinum & Base Metals Ltd. Statements of Comprehensive Loss (Unaudited)

For the three months ended March 31	2014	2013
	\$	\$
<b>Operating expenses</b>		
Professional fees	2,838	838
Subcontractors	24,649	7,500
Publicity and promotions	1,454	34,973
Office expenses	111	2,245
Brokerage fees	8,635	8,733
Travel expenses	-	19,126
Financial fees and bank charges	245	2,595
Interest on convertible debentures	27,059	-
	<u>64,991</u>	<u>76,010</u>
Sales taxes recoverable	-	9,046
<b>Net loss before income taxes</b>	<b>(64,991)</b>	<b>(66,964)</b>
Income taxes – Future (recovered)	-	-
<b>Net loss and comprehensive loss for the period</b>	<b>(64,991)</b>	<b>(66,964)</b>
<b>Deficit, beginning of period</b>	<b>(11,313,156)</b>	<b>(4,045,902)</b>
<b>Deficit, end of period</b>	<b>(11,378,147)</b>	<b>(4,112,866)</b>
Basic and diluted loss per share (\$ per share) (Notes 11 and 19)	(0.003)	(0.004)
Weighted average number of common shares outstanding –		
Basic	21,996,936	15,932,606
Diluted	21,996,936	15,932,606

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

**St-Georges Platinum & Base Metals Ltd.**  
**Statements of Changes in Equity**  
**For the three months ended March 31, 2014 and 2013**  
**(Unaudited)**

	Number of Common Shares (Note 10)	Common Shares	Equity component of convertible debentures	Contributed Surplus	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$	\$
<b>Balance as at January 1, 2013</b>	15,932,606	8,804,832	-	1,419,447	(4,045,902)	6,178,377
Net loss for the period	-	-	-	-	(66,964)	(66,964)
<b>Balance as at March 31, 2013</b>	15,932,606	8,804,832	-	1,419,447	(4,112,866)	6,111,413
<b>Balance as at January 1, 2014</b>	15,932,606	8,804,832	1,359,552	1,419,447	(11,313,156)	270,675
Issued on conversion of debentures	6,034,330	603,433	(603,433)	-	-	-
Debt component of debentures	-	-	193,106	-	-	193,106
Net loss for the period	-	-	-	-	(64,991)	(64,991)
<b>Balance as at March 31, 2014</b>	21,996,936	9,408,265	949,225	1,419,447	(11,378,147)	398,790

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

**St-Georges Platinum & Base Metals Ltd.**  
**Statements of Cash Flows**  
**(Unaudited)**

<b>For the three months ended March 31</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss and comprehensive loss for the quarter	<b>(64,991)</b>	(66,964)
Non-cash item		
Interest on convertible debentures	<b>27,059</b>	-
	<b>(37,932)</b>	(66,964)
Net changes in working capital		
Other receivables	<b>2,494</b>	126,458
Prepaid expenses	<b>(7,566)</b>	(9,922)
Advance royalty payment	<b>(40,000)</b>	(40,000)
Accounts payable and accrued liabilities	<b>97,789</b>	24,706
	<b>52,717</b>	101,242
<b>Net cash from operating activities</b>	<b>14,785</b>	34,278
<b>Investing activities</b>		
Acquisition of exploration and evaluation assets	<b>(16,426)</b>	(15,985)
<b>Net cash from investing activities</b>	<b>(16,426)</b>	(15,985)
<b>Financing activities</b>		
Due to a company controlled by a director	<b>(20,000)</b>	-
Due to a director	<b>22,500</b>	-
<b>Net cash from financing activities</b>	<b>2,500</b>	-
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>859</b>	18,293
Cash and cash equivalents, beginning of period	<b>707</b>	525
<b>Cash and cash equivalents, end of period</b>	<b>1,566</b>	18,818

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

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# **St-Georges Platinum & Base Metals Ltd.**

## **Notes to Condensed Interim Financial Statements**

**March 31, 2014 and 2013**  
**(Unaudited)**

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### **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 National Stock Exchange (“CNSX”), having the symbol SX, and on the OTCQX, having the symbol SXOOF. The address of the Company’s corporate office and principal place of business is 630 Sherbrooke Street West, Suite 410, Montreal, Quebec, H3A 1E4, Canada. The principal activities of the Company are the exploration and evaluation of mineral properties in Canada. The Company, which is in the process of exploring its mineral properties, has one reportable segment in Canada and all of the assets are located in Canada.

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 March 31, 2014, the Company has not yet achieved profitable operations, had no operating income and had cash and cash equivalents of \$1,566 and negative working capital of \$587,891. As such, the Company’s ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information.

### **2. Basis of Presentation**

#### **a) Statement of Compliance**

These condensed interim financial statements of the Company for the period ended March 31, 2014 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The policies applied in these condensed interim financial statements are consistent with the policies disclosed in Notes 2, 3 and 4 of the financial statements for the year ended December 31, 2013. These condensed interim financial statements should be read in conjunction with the Company’s financial statements for the year ended December 31, 2013.

#### **b) Basis of Measurement**

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the financial statements for the year ended December 31, 2013.

**St-Georges Platinum & Base Metals Ltd.**  
**Notes to Condensed Interim Financial Statements**  
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**3. Significant Accounting Policies**

The preparation of the financial data is based on accounting principles and practices consistent with those used in the preparation of the financial statements for the year ended December 31, 2013. The condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2013.

**4. Future Accounting Policy Changes Issued But Not Yet In Effect**

The following are new pronouncements issued by the IASB. The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements; however, they may impact future periods.

*IFRS 9 "Financial Instruments"*  
*IAS 32 "Financial Instruments: Presentation"*  
*IAS 36 "Impairment of Assets"*

**5. Other Receivables**

As of March 31, 2014, the Company had accounts receivable of \$39,068 (December 31, 2013 - \$41,562), as described below:

	<b>March 31, 2014</b>	December 31, 2013
	\$	\$
Taxes recoverable	<b>39,068</b>	32,556
Tax credits and mining duties	-	9,006
	<b>39,068</b>	41,562

**6. Exploration and Evaluation Assets**

(\$)

	Villebon	Julie- Isoukustouc Complex	Manicouagan Constellation Franquelin	Total
<b>Balance as at Dec. 31, 2013</b>	<b>85,000</b>	<b>1,200,000</b>	<b>15,000</b>	<b>1,300,000</b>
Exploration costs	-	15,550	-	15,550
Property acquisitions	548	328	-	876
<b>Balance as at Mar. 31, 2014</b>	<b>85,548</b>	<b>1,215,878</b>	<b>15,000</b>	<b>1,316,426</b>

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

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# **St-Georges Platinum & Base Metals Ltd.**

## **Notes to Condensed Interim Financial Statements**

**March 31, 2014 and 2013**  
**(Unaudited)**

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### **6. Exploration and Evaluation Assets (continued)**

#### **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. The Villebon property consists of 44 claims.

#### **Julie – Isoukustouc Complex**

The 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 Julie – Isoukustouc Complex properties are located approximately 65 kilometres further to the east, close to Lac La Blache. The Julie – Isoukustouc Complex properties are composed of 367 claims.

#### **Manicouagan Constellation Franquelin**

The Manicouagan Constellation Franquelin 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 Franquelin properties are composed of 77 claims.

#### **Claims Held Jointly with Amseco Exploration Ltd.**

On February 29, 2012, the Company announced that it had partnered with Amseco Exploration Ltd. ("Amseco") to acquire and explore properties known to host multiple graphite occurrences. These claims are divided into two areas. The Tétépisca West, Canadian Goose and Wooden Lake properties (collectively, the "Tétépisca West properties") are all located to the southwest of the Manicouagan Reservoir, close to the Company's Tétépisca property; St-Georges and Amseco jointly have 118 claims on the Tétépisca West properties. In addition, the Pike River, Lake 222 and the Polynesian Lake Graphite properties (collectively, the "Southern properties") are located approximately 120 km northwest of Baie-Comeau, Quebec, close to the Company's Lac Julie properties; St-Georges and Amseco jointly have Nil claims on the Southern properties. St-Georges and Amseco jointly have 118 claims (December 31, 2013 – 185) on the Tétépisca West and Southern properties, which are owned 50-50 by each corporation. The relationship between the two corporations does not constitute a joint venture.



**St-Georges Platinum & Base Metals Ltd.**  
**Notes to Condensed Interim Financial Statements**  
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**(Unaudited)**

**7. Advances**

As per the Agreement entered into by the Company with Fancamp Resources Inc. and Sheridan Platinum Group Ltd. on February 15, 2009 concerning the Villebon Property, the Company is obliged to pay an advance royalty payment of \$40,000 per year, beginning in February 2012. These advances will be applied against future royalty payments. Please see Note 14 below for further details in this regard.

As of March 31, 2014, the Company had Advances of \$120,000 (December 31, 2013 - \$80,000).

**8. Due to a Company Controlled by a Director**

On March 9, 2012, the Company signed a promissory note with a company controlled by a Director of the Company for a principal amount of \$50,000, plus \$10,000 in fees. The total amount is due 48 hours following the closing of the Company's next private placement or upon receipt of sales taxes receivable. If the amount is not paid in full within 65 calendar days after the date when such payment is due, then a late charge of 5% applies (please refer to Note 17).

**9. 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 refer to Note 17).

**10. Convertible Debentures**

	<b>March 31, 2014</b>	December 31, 2013
	\$	\$
Convertible debenture, unsecured, bearing interest at an annual rate of 6% (effective interest rate of 20%) calculated quarterly. The capital amount of \$ 1,829,000 is due on July 2, 2023 and is convertible any time into common shares. (Please see a) below).	<b>439,698</b>	586,994
Convertible debenture, unsecured, bearing interest at an annual rate of 6% (effective interest rate of 20%) calculated quarterly. The capital amount of \$ 93,916 is due on October 5, 2023 and is convertible any time into common shares. (Please see b) below).	<b>10,047</b>	28,798
	<b>449,745</b>	615,792

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**St-Georges Platinum & Base Metals Ltd.**  
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March 31, 2014 and 2013  
(Unaudited)

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**10. Convertible Debentures (continued)**

During 2013 the Company issued twenty-year Convertible Unsecured Debentures in tranches of \$1,829,000 and \$93,916 respectively 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. 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.

- a) At the date of issuance, the debt component of the first tranche 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. Following conversion of \$520,000 of the first tranche in the period, the debt component amounted to \$439,698 at March 31, 2014. (December 31, 2013 - \$586,994).
- b) 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. Following conversion of \$62,611 of the second tranche in the period, the debt component amounted to \$10,047 at March 31, 2014. (December 31, 2013 - \$28,798).

**11. Share Capital**

**a) Common Shares**

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

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

**St-Georges Platinum & Base Metals Ltd.**  
**Notes to Condensed Interim Financial Statements**  
 March 31, 2014 and 2013  
 (Unaudited)

**11. Share Capital (continued)**

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

	<b>Number of Shares</b>	<b>Amount (\$)</b>
<b>Balance at December 31, 2013</b>	<b>15,932,606</b>	<b>8,804,832</b>
Issued on conversion of Debentures	<b>6,034,330</b>	<b>603,433</b>
<b>Balance at March 31, 2014</b>	<b>21,966,936</b>	<b>9,408,265</b>

During the period ended March 31, 2014, a total \$582,611 of the capital value of the debentures was converted into common shares. Including accumulated interest this represented a value of \$603,433 for which the Company issued 6,034,330 common shares on conversion.

**b) Preferred Shares**

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

**c) Equity component of Convertible Debentures**

During 2013 the Company issued convertible debentures including a debt component as described in Note 8 and an equity component. The following is a summary of the changes in the equity component from December 31, 2013 to March 31, 2014.

	<b>Amount (\$)</b>
<b>Balance at January 1, 2013</b>	<b>-</b>
Issuance of convertible debentures	<b>1,359,552</b>
<b>Balance at December 31, 2013</b>	<b>1,359,552</b>
Conversion of equity component to common shares	<b>410,327</b>
<b>Balance at March 31, 2014</b>	<b>949,225</b>

**d) Contributed Surplus**

There were no changes in the contributed surplus from December 31, 2013 to March 31, 2014:

	<b>Amount (\$)</b>
<b>Balance at December 31, 2013</b>	<b>1,419,447</b>
<b>Balance at March 31, 2014</b>	<b>1,419,447</b>

**St-Georges Platinum & Base Metals Ltd.**  
**Notes to Condensed Interim Financial Statements**  
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 (Unaudited)

**11. Share Capital (continued)**

**e) Warrants**

*Warrants*

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

	<b>Number of Warrants</b>	<b>Weighted Average Strike Price</b>
<b>Balance as at December 31, 2013</b>	<b>953,077</b>	<b>\$3.16</b>
Expired	(796,154)	\$3.60
<b>Balance as at March 31, 2014</b>	<b>156,923</b>	<b>\$0.92</b>
<b>Warrants exercisable, March 31, 2014</b>	<b>156,923</b>	<b>\$0.92</b>

As at March 31, 2014, the Company had warrants outstanding and exercisable as follows:

<b>Number of Warrants</b>	<b>Strike Price</b>	<b>Expiry Date</b>
26,154	\$0.65	December 29, 2014
130,769	\$0.98	December 29, 2014
<b>156,923</b>	<b>\$0.92</b>	

**12. Share-based Payments**

**a) Stock Option Plan**

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

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

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

**St-Georges Platinum & Base Metals Ltd.**  
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**12. Share Based Payments (continued)**

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

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the period			Closing Balance	Vested	Unvested
				Granted	Exercised	Forfeited			
6-Jan-10	6-Jan-15	\$1.30	61,538	-	-	-	61,538	61,538	-
20-Oct-10	20-Oct-15	\$0.98	346,154	-	-	-	346,154	346,154	-
			407,692	-	-	-	407,692	407,692	-
Weighted Average Exercise Price			\$1.03	-	-	-	\$1.03	\$1.03	-

**13. 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 March 31, 2014, the Company has current liabilities and accrued liabilities of \$634,463 due within 12 months and has cash and cash equivalents of \$1,566 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.

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**St-Georges Platinum & Base Metals Ltd.**  
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(Unaudited)

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**13. Financial Risk Management and Financial Instruments (continued)**

*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 Company considers its interest rate risk to be minimal.

The Company's statement of financial position is presented net of the allowance for doubtful advances established on a receivable by receivable basis. This amount best represents the Company's maximum exposure to credit risk. The allowance for doubtful advances was established on the basis of an individual appraisal of the advance and an overall appraisal that takes into account the current economic environment.

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

**14. Capital Management**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2014, the Company's shareholders' equity was \$398,790 (December 31, 2013 – \$270,675) and it had amounts due to related parties of \$35,000 (December 31, 2013 - \$50,000). The Company had no outstanding debt other than the debt component of the Unsecured Convertible Debentures of \$449,745 (December 31, 2013 - \$615,792). 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, 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.

Capital for expansion is primarily from proceeds from the issuance of common shares. The net proceeds, when raised, are sufficient for a certain amount of exploration and development work on the Company's properties, and for working capital purposes. Additional future funds may subsequently be required to finance the Company's corporate objectives. There was no change in the capital management policy for the period ended March 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.

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**St-Georges Platinum & Base Metals Ltd.**  
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**15. 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.

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.

**16. Contingencies**

The Company is 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 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 not in a position to estimate any contingent liability representing such indemnification in the event of a reduction in the expenses or renunciations allowed.

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**17. Related Party Transactions**

**a) Management Contracts**

During the period, the Company incurred professional fees amounting to \$15,220 (March 31, 2013 - \$Nil) with a company controlled by its Chief Financial Officer. In relation to these transactions, \$33,821 was payable as at March 31, 2014. This amount is included in accounts payable and accrued liabilities.

During the period, the Company has incurred professional fees amounting to \$8,162 (March 31, 2013 - \$Nil) with a Director of the company. In relation to these transactions, \$43,803 was payable as at March 31, 2014. 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 described above in Note 7.

**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.

**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 François 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.

**18. Segmental Reporting**

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



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**19. Loss per Share**

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in issue during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options, warrants and broker warrants in issue that could potentially dilute earnings per share in the future are given in Note 11.

<b>For the three months ended March 31</b>	<b>2014</b>	<b>2013</b>
Loss for the period	<u>(64,991)</u>	<u>(66,964)</u>
Weighted average number of shares in issue		
Basic	<b>21,996,936</b>	15,932,606
Diluted	<b>21,996,936</b>	15,932,606
Loss per share		
Basic	<b>(0.003)</b>	(0.004)
Diluted	<b>(0.003)</b>	(0.004)

**20. Events after the Reporting Date**

**Issuance of Stock Options**

On April 3, 2014, subject to the terms and conditions of its Stock Option Plan (refer to Note 10), 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 of 775,000 stock options and members of the Board of Directors were granted an aggregate of 350,000 stock options.

The Company also confirmed the expiry of 100,000 stock options issued in 2010 resulting in a total of 1,432,692 options outstanding as of April 3, 2014.

The following options were outstanding and exercisable as at April 3, 2014:

<b><u>Options outstanding and exercisable</u></b>			
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
\$		Years	\$
0.98	307,692	1.55	0.98
0.20	1,125,000	5.00	0.20
<b>0.20 - 0.98</b>	<b>1,432,692</b>	<b>4.26</b>	<b>0.37</b>

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**20. Events after the Reporting Date (continued)**

The fair value of stock options issued on April 3, 2014 of a total fair value of \$130,340 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	200%
Expected dividend yield	Nil

**Conditional Purchase Agreement**

On April 14, 2014 the Company entered into a 5 year Conditional Agreement with Copper Dynasty Corporation and Zhongda Power Fuel Co. Ltd. of Hong Kong, China for the delivery of copper concentrate expected to originate from the mining properties in Western Zambia which St-Georges acquired on February 5, 2014 (See Acquisition of Mining Properties above in Note 20).

The Agreement is based on the delivery of 20,000 metric tonnes per month of copper concentrate, expected to be of 25% concentrate grade, at an agreed price of London Metal Exchange "LME" copper metal pricing less 50%. The Company will be allowed to suspend delivery at its discretion if the LME price for copper reaches \$2.25 USD per pound or lower. An additional commodity brokerage fee of 2% of the net profits will be returned to Copper Dynasty Corp.

As part of the Agreement a bulk calibration order of 200 metric tonnes should be delivered by St-Georges to the designated shipping port of Durban, South Africa within 60 days of signing the contract or within 30 days of closing acquisition of the Western Zambian projects.

**Engagement of Service Provider for the Company's Awareness Campaign and Communications Services**

On April 1, 2014, the Company concluded a one-year Agreement with National Media Associates whereby National Media will conduct a media awareness campaign and offer communication and consulting services to St-Georges.

The Agreement is in the amount of \$6,500 per month plus pre-approved expenses which are subject to a ceiling of \$10,000 per month. Payment can be made quarterly by St-Georges in cash or shares starting on June 30, 2014. If National Media is paid by shares the agreed conversion price is \$0.15 cents per share on June 30, 2014 and September 30, 2014, \$0.20 per share on December 31, 2014 and \$0.25 per share on March 31, 2015.

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**20. Events after the Reporting Date (continued)**

**Extension of the due diligence date for Acquisition of Mining Properties**

On May 5, 2014 the Company signed an amendment to the February 5, 2014 Agreement to acquire two mineral mining properties in Western Zambia. This amendment extends the due diligence period to June 30, 2014 and the proposed closing date for the acquisition to no later than August 31, 2014.

**OTC Markets notice**

On May 20, 2014 the Company was advised by OTC Markets in the United States that, following the impairment charge on its Exploration and Evaluation Assets in the year ended December 31, 2013, the value of its total assets has fallen below the USD \$2,000,000 minimum requirement for listing on OTC International.

The Company has been provided a grace period up to June 19, 2014 to cure the deficiency or provide a plan of compliance acceptable to OTC Markets.