

# **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- and nine month periods ended September 30, 2014

#### **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 unaudited condensed interim financial statements and accompanying notes for the period ended September 30, 2014 and the audited financial statements and accompanying notes for the year ended December 31, 2013. 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 November 2, 2014.

#### **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 September 30, 2014, the Company had cash of \$14,560 and negative working capital of \$767,556. 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 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.

The Company's common shares are listed on CSE under the symbol "SX", on the OTCQX under the symbol "SXOOF" and on the Deutsche Börse in Frankfurt (FSE) under the symbol 85G1. The Company has one reportable segment in Canada and all of the assets are located in Canada.

## **OVERVIEW OF Q3 2014**

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

As part of the acquisition, St-Georges agreed to issue 800,000 common shares over a period of four years starting in Fall 2015. The transaction was valued by the parties at \$450,000 and a 1% Net Smelter Royalty was in favour of each party was assigned to the respective properties. The NSRs are exercisable at any time and half of either of the royalties can be purchased for \$500,000.

During 2013 the Company recognized an impairment loss on its exploration and evaluation assets of which \$1,906,273 related to the Julie and Isoukoustouc Projects. Prior to recognizing this impairment the data and information available on the Julie Project was limited to three sections separated by hundreds of metres with no guarantee of a direct relationship between these showings and no knowledge of any continuity between them. The information about the surface and near surface of the historical Julie "showing" was known but the Company had limited information on the two other sections.

The two exploration campaigns executed in the Fall of 2013 and analysed through the second and third quarter of 2014 enabled the Company to confirm the presence of nickel at surface along the whole 1.8 km corridor and to establish the presence of additional nickel mineralisation in historical trenches that were ignored by previous exploration efforts. This new data indicates that the impairment of the Julie asset no longer exists to the extent previously estimated and the Company has reversed its impairment loss on this asset in the amount of \$542,325.

## **SUBSEQUENT EVENTS**

Following the end of the fiscal period at September 30, 2014, \$295,000 of Convertible Debentures plus accumulated interest to that date were converted into 3,171,130 common shares of the Company. As at the date of issue of this MD&A St-Georges had 33,515,662 common shares outstanding and \$295,000 in Convertible Debentures outstanding.

## **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*.

## SELECTED FINANCIAL INFORMATION

### Statements of Comprehensive Income (Loss)

For the three- and nine-month periods ended September 30, 2014 and 2013 (unaudited)

(Unaudited)	3-months ended September 30		9-months ended September 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Gain on disposal of exploration and evaluation assets	431,000	-	431,000	-
Operating expenses	108,944	26,451	263,359	187,591
Reversal of impairment charge	542,325	-	542,325	-
Net income (loss) and comprehensive income (loss) for the period	864,381	(26,451)	709,966	(185,491)
Basic and diluted income (loss) per share	0.03	(0.002)	0.027	(0.012)

### Statements of Financial Position

As at September 30, 2014 (unaudited) and December 31, 2013 (audited)

	September 30, 2014 (unaudited) \$	December 31, 2013 (audited) \$
Cash and cash equivalents	14,560	707
Working capital	(767,556)	(493,533)
Exploration and evaluation assets	2,290,411	1,300,000
Total assets	2,438,099	1,428,804
Shareholders' equity	1,413,567	270,675

## RESULTS OF OPERATIONS

For the three-month period ended September 30, 2014, the Company recognized revenues of \$431,000 which was a increase of \$431,000 compared to the revenues of \$Nil recognized in the three-month period ended September 30, 2013. This increase was due to a gain on disposal of 9 claims in the Company's Villebon Property.

In the third quarter of 2014, the Company generated operating expenses of \$108,944 which was an increase of \$82,393 compared to the operating expenses of \$26,451 generated in the third quarter of 2013.

For the three-month period ended September 30, 2014, the Company incurred a net income and comprehensive income of \$864,381 (or \$0.03 per share), which was an increase of \$890,832 compared to the net loss and comprehensive loss of \$26,451 (or \$0.002 per share) for the three-month period ended September 30, 2013.

For the nine-month period ended September 30, 2014, the Company recognized revenues of \$431,000 which was a increase of \$431,000 compared to the adjustment to revenues of \$Nil recognized in the nine-month period ended September 30, 2013. This increase was due to a gain on disposal of 9 claims in the Company's Villebon Property.

In the first nine-months of 2014, the Company generated operating expenses of \$263,359 which was an increase of \$75,768 compared to the operating expenses of \$187,591 generated in the first nine months of 2013.

For the nine-month period ended September 30, 2014, the Company incurred a net income and comprehensive income of \$709,966 (or \$0.027 per share), which was an increase of \$895,457 compared to the net loss and comprehensive loss of \$185,491 (or \$0.012 per share) for the nine-month period ended September 30, 2013.

The increase in the Company's net income was due to a gain on disposal of 9 of its claims in the Villebon and due to the reversal in the amount of \$542,325 of an impairment loss taken in 2013. Please see the section on Exploration and Evaluation Assets for further detail.

The following tables outline the variation in operating expenses for the three- and nine-month periods ended September 30, 2014 and 2013.

### Operating Expenses

For the three-month periods ended September 30, 2013 and 2012 (unaudited)

Three-month periods ended September 30 (Unaudited)	2014 \$	2013 \$	Variation \$
Professional fees	6,060	28,273	(22,213)
Subcontractors	28,466	15,862	12,604
Publicity and promotion	53,151	(27,208)	80,359
Office expenses	318	1,470	(1,152)
Brokerage fees	7,547	10,117	(2,570)
Travel expenses	556	-	556
Financial fees and bank charges	3,999	187	3,812
Mineral rights	-	(2,250)	2,250
Interest on convertible debentures	8,847	-	8,847
	108,944	26,451	82,393

### Operating Expenses

For the nine-month periods ended September 30, 2014 and 2013 (unaudited)

Six-month periods ended June 30 (Unaudited)	2014 \$	2013 \$	Variation \$
Professional fees	23,723	41,482	(17,759)
Subcontractors	76,392	43,260	33,132
Publicity and promotion	82,700	40,003	42,697
Office expenses	421	5,365	(4,944)
Brokerage fees	28,707	37,635	(8,928)
Travel expenses	556	19,238	(18,682)
Financial fees and bank charges	4,438	2,858	1,580
Mineral rights	-	(2,250)	2,250
Interest on convertible debentures	46,422	-	46,422
	263,359	187,591	75,767

## 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 presented for all quarters have been prepared in accordance with IFRS.

Quarters ended	Sep. 30 2014	June 30 2014	Mar. 31 2014	Dec. 31 2013	Sep. 30 2013	June 30 2013	Mar. 31 2013	Dec. 31 2012
(\$)								
Net income (loss)	864,381	(89,424)	(64,991)	(7,057,589)	(24,496)	(102,167)	(66,964)	(253,129)
Net income (loss) per share— basic and diluted	0.03	(.004)	(0.003)	(0.443)	(0.002)	(0.006)	(0.004)	(0.016)
Basic and diluted weighted average number of shares	28,830,202	22,778,864	21,996,936	15,932,606	15,932,606	15,932,606	15,932,606	15,932,606

Please note that the share and per-share figures presented in the table above are shown taking into consideration the one-for-six point five (1:6.5) share consolidation that occurred on April 22,, 2013.

## LIQUIDITY AND CASH FLOW

At September 30, 2014, the Company had cash and cash equivalents of \$14,560, which was an increase of \$13,853 compared to cash and cash equivalents of \$707 at December 31, 2013. The increase in cash is attributable to the normal operations of the Company for the nine months of 2014.

At September 30, 2014, the Company had negative working capital of \$767,556 which was an increase of \$274,023 compared to the negative working capital position of December 31, 2013 of \$493,533. Management expects to finance future operations and growth as required, by the issuance of equity and debt securities.

## CONVERTIBLE DEBENTURE

During 2013 the Company issued Unsecured Convertible Debentures including a debt component (refer to Note 8 to the Audited Financial Statements for the year ended December 31, 2013) and an equity component.

As at September 30, 2014 the balance outstanding on the debt component of the Convertible Debenture was \$229,288 (December 31, 2013 - \$615,792). The following is a summary of the changes in the debt component from December 31, 2013 to September 30, 2014.

	<b>Convertible Debenture</b>
(\$)	
<b>Balance at December 31, 2013</b>	<b>615,792</b>
Interest	46,422
Equity portion on conversion of debentures	(432,926)
<b>Balance at September 30, 2014</b>	<b>229,288</b>

At the date of this MD&A a further \$295,000 of the capital value of the Convertible Debentures had been converted to common shares resulting in a total of \$230,000 Convertible Debentures outstanding at November 2, 2014.

## 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.

As at September 30, 2014 the Company had 30,344,532 common shares issued and outstanding. The following is a summary of the change in the common share capital from December 31, 2013 to September 30, 2014:

	<b>Number of Common Shares</b>
<b>Balance at December 31, 2013</b>	<u>15,932,606</u>
Issued on conversion of debentures	14,411,926
<b>Balance at September 30, 2014</b>	<u>30,344,532</u>

During the period ended September 30, 2014, a total \$1,397,916 of the capital value of the debentures was converted into common shares. Including accumulated interest this represented a value of \$1,456,274 for which the Company issued 14,411,926 common shares on conversion.

At the date of this MD&A a further 3,171,130 common shares had been issued since September 30, 2014 on conversion of debentures resulting in a total of 33,515,662 common shares outstanding at November 2, 2014.

### Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value. As at September 30, 2014, the share capital of the Company does not include any preferred shares.

### Equity component of Convertible Debentures

During 2013 the Company issued convertible debentures including a debt component and an equity component (refer to Note 8 to the Audited Financial Statements for the year ended December 31, 2013). The following is a summary of the changes in the equity component from December 31, 2013 to September 30, 2014.

	<b>Amount (\$)</b>
<b>Balance at December 31, 2013</b>	<u>1,359,552</u>
Conversion of equity component to common shares	1,023,348
<b>Balance at September 30, 2014</b>	<u>336,204</u>

## Warrants

The following is a summary of changes in warrants from December 31, 2013 to September 30 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 September 30, 2014</b>	<b>156,923</b>	<b>\$0.92</b>
<b>Warrants exercisable, September 30, 2014</b>	<b>156,923</b>	<b>\$0.92</b>

As at September 30, 2014, the Company had outstanding warrants 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>	

## 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 CSE requirements, grant to directors, officers and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five (5) years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding Common Shares.

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

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

The following options were outstanding as at September 30, 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	-	-	
20-Oct-10	20-Oct-15	\$0.98	346,154	-	-	38,462	307,692	307,692	
3-April-14	3-April-14	\$0.20	-	1,125,000	-	250,000	875,000	875,000	
			407,692	1,125,000	-	350,000	1,182,692	1,182,692	
		Weighted Average Exercise Price	\$1.03	\$0.20	-	\$1.18	\$0.27	\$0.27	

## EXPLORATION AND EVALUATION ASSETS

(\$)

	Julie & Isoukustouc				Total
	Villebon	Projects	St-Jean Property	Franquelin Property	
<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	103	15,550	-	-	15,653
Property acquisitions	1,315	62	450,000	56	451,433
Property dispositions	(19,000)	-	-	-	(19,000)
	<b>67,418</b>	<b>1,215,612</b>	<b>450,000</b>	<b>15,056</b>	<b>1,748,086</b>
Reversal of impairment charge	-	542,325	-	-	542,325
<b>Balance as at Sept. 30, 2014</b>	<b>67,418</b>	<b>1,757,937</b>	<b>450,000</b>	<b>15,056</b>	<b>2,290,411</b>

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

### Villebon

The Villebon copper-nickel-PGE property lies within the Abitibi Greenstone Belt of northwestern Quebec, close to the north boundary of the La Vérendrye Provincial Park and the Reserve in Villebon Township, close to Val-d'Or. This property is located less than 2 kilometres east of Highway 117, about 21 kilometres south of the community of Louvicourt and about 45 kilometres southeast of Val-d'Or.

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

As part of the acquisition, St-Georges agreed to issue 800,000 common shares over a period of four years starting in Fall 2015. The transaction was valued by the parties at \$450,000 and a 1% Net Smelter Royalty was in favour of each party was assigned to the respective properties. The NSRs are exercisable at any time and half of either of the royalties can be purchased for \$500,000.

The Villebon property consists of 32 claims.

### Julie & Isoukustouc Projects

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

During 2013 the Company recognized an Impairment loss on its exploration and evaluation assets of which \$1,906,273 related to the Julie and Isoukoustouc Projects. Prior to recognizing this impairment the data and information available on the Julie Project was limited to three sections separated by hundreds of metres with no guarantee of a direct relationship between these showings and no knowledge of any continuity between them. The information about the surface and near surface of the historical Julie “showing” was known but the Company had limited information on the two other sections.

The two exploration campaigns executed in the Fall of 2013 and analysed through the second and third quarter of 2014 enabled the Company to confirm the presence of nickel at surface along the whole 1.8 km corridor and to establish the presence of additional nickel mineralisation in historical trenches that were ignored by previous exploration efforts. This new data indicates that the impairment of the Julie asset no longer exists to the extent previously estimated and the Company has reversed its impairment loss on this asset in the amount of \$542,325.

These Projects are accessible from the deep sea port town of Baie-Comeau by paved and gravel road (Isoukoustouc 74km, Julie 146km). Collectively they consist of 340 claims.

### **The St-Jean Property**

On September 25, 2014 St-George announced that it had signed an Agreement to acquire 93 mining claims constituting the St-Jean Property (previously the “Poissons Blancs” property) in consideration of St-Georges transferring all of its rights and titles in 9 claims in Villebon. The transaction was valued by the parties at \$450,000.

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

The St-Jean Property is located in the Saguenay Lac St-Jean region and comprises 93 contiguous claims.

### **Franquelin Property**

The Franquelin property is located about 21 kilometres east of Baie-Comeau and is accessible by national route 138 and is bordered to the south by the St-Lawrence River. The property hosts Gold, Copper, Nickel, Zinc and PGE showings. It consists of 54 claims.

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

In February 2012, the Company announced that it had partnered with Amseco Exploration Ltd. (“Amseco”) to acquire and explore properties known to host multiple graphite occurrences in two areas. The Tétépisca West, Canadian Goose and Wooden Lake properties (collectively, the “Tétépisca West properties”) are all located to the southwest of the Manicouagan Reservoir, close to the Company’s Tétépisca property; St-Georges and Amseco jointly have 118 claims on the Tétépisca West properties. In addition, the Pike River, Lake 222 and the Polynesian Lake Graphite properties (collectively, the “Southern properties”) are located approximately 120 km northwest of Baie-Comeau, Quebec, close to the Company’s Julie property.

These claims have expired and, as at September 30, 2014 St-Georges and Amseco jointly have Nil claims (December 31, 2013 – 185).

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

## **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, 2013. The accompanying condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2013.

### **CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2014, the Company's shareholders' equity was \$1,413,567 (December 31, 2013 – \$270,675) and it had amounts due to related parties of \$216,405 (December 31, 2013 - \$106,730) The Company had no outstanding debt other than the debt component of the Unsecured Convertible Debentures of \$229,288 (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 September 30, 2014.

### **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.

### **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.

## **RELATED PARTY TRANSACTIONS**

### **Management Contracts**

During the period, the Company incurred professional fees amounting to \$43,730 (September 30, 2013 - \$35,475) with a company controlled by its Chief Financial Officer. In relation to these transactions, \$50,879 was payable as at September 30, 2014. This amount is included in accounts payable and accrued liabilities.

During the period, the Company has incurred professional fees amounting to \$18,000 (September 30, 2013 - \$Nil) with the Secretary of the company. In relation to these transactions, \$18,000 was payable as at September 30, 2014. This amount is included in accounts payable and accrued liabilities.

During the period, the Company has incurred professional fees amounting to \$8,162 (September 30, 2013 - \$8,838) with a Director of the company. In relation to these transactions, \$43,803 was payable as at September 30, 2014. This amount is included in accounts payable and accrued liabilities.

### **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 agreed 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.

### **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.

## **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.

## **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: November 2, 2014**

*signed "Francois Dumas"*

*signed "Vivian Doyle-Kelly"*

**Francois Dumas**

President and Chief Executive Officer

**Vivian Doyle-Kelly**

Chief Financial Officer