

# **ST-GEORGES**

Platinum & Base Metals Ltd.

## **ST-GEORGES PLATINUM AND BASE METALS LTD.** (formerly ACFAW.COM Inc.)

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For the year ended December 31, 2010

#### **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 audited financial statements and accompanying notes for the year ended December 31, 2010. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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.

This MD&A is dated April 29, 2011.

#### **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**

At December 31, 2010, the Company had not yet achieved profitable operations, had no operating income and had working capital of \$1,673,210, which may not be sufficient to sustain operations over the next 12 months, and expects to incur further losses in the development of its business. The recoverability of the amounts shown for mining properties and related deferred exploration expenditures and the capacity of the Company to meet its commitments are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production of proceeds from the disposition thereof. There can be no assurance that the Company will be successful or that sufficient funds can be raised in a timely manner and, as a result, there is doubt about the Company's ability to continue as a going concern.

## COMPANY DESCRIPTION AND OVERVIEW OF 2010

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 101 platinum-group mineral claims over 47.49 km<sup>2</sup> 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, 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.

Also on May 4, 2010, St-Georges announced that it had signed a mining exploration agreement with the Innus of Pessamit in the province of Quebec. This agreement provides St-Georges with the consent of the Innus to carry out its mining exploration campaigns on the ancestral lands of the Innus of Pessamit. St-Georges and the Innus have agreed to put in place a definitive agreement detailing their collaboration in the development of the economic potential of the mining resources located on the ancestral lands, pursuant to which St-Georges will undertake to communicate its exploration plans and results to the Innus in a timely manner.

On July 15, 2010, the Company announced the signing of an acquisition agreement for a 100% interest in three claims adjacent to the Villebon property location about 21 km south of Louvicourt village and about 45 km southeast of Val-d’Or in the Abitibi region of Quebec. St-Georges acquired these properties from Fayz Yacoub (the “Vendor”). These properties cover a total of 78.2 hectares. As per the agreement, St-Georges agreed to pay the Vendor \$20,000 in cash and to issue to the Vendor 450,000 common shares of the Company upon regulatory approval and delivery of the staking certificates. A 1% Net Smelter Royalty (“NSR”) is payable on all production from these properties. The 1% NSR can be bought back by the Company for a payment of \$500,000 on or before July 13, 2011 and thereafter for a total amount of \$1,000,000.

As at December 31, 2010, the Villebon property, which includes the St-Georges-owned claims or in which it holds an interest, covered 26 claims and an area of 1,059.58 hectares.

It was also announced at that time that François H. de Beaulieu resigned as a director and as chairman of the board of directors.

On October 21, 2010, the Company granted an aggregate of 3,650,000 stock options to directors, officers and consultants of the Company. These options are exercisable into common shares of the Company at an exercise price of \$0.15 per share and have a five-year term to expiry.

On October 22, 2010, the Company announced the appointment of Linda Thorstad and David Grand to the board of directors of the Company, following the resignations of Peter H. Smith and Michael Curtis. As at December 31, 2010 and as at the date of this MD&A, the board of directors of St-Georges is comprised of François Dumas (CEO and President), Mark Billings (CFO), Anthony Garson, David Grand and Linda Thorstad.

The Company’s common shares are listed on CNSX under the symbol “SX”.

As at December 31, 2010, the Company had 93,687,111 common shares issued and outstanding. As at the date of this MD&A, the Company had 101,862,111 common shares issued and outstanding. Please refer to the section below on Share Capital for more information in this regard.

## **2010 Financings**

On March 22, 2010, the Company closed a non-brokered private placement, for gross aggregate proceeds of \$1,000,000, through the sale of 13,333,333 flow-through units at \$0.075 each to the MineralFields Group. Each flow-through unit was comprised of one common share, issued as a flow-through share, and one non-flow-through common share purchase warrant, exercisable at a price of \$0.25 per share for 36 months following the closing date. In connection with this private placement, Limited Market Dealer Inc. received a finder's fee of 533,333 non-flow-through common shares issued from treasury and an option to purchase 1,333,333 flow-through units, as described above. (Please note that these shares and prices are pre-consolidation.)

On May 14, 2010, the Company closed a non-brokered private placement for a total amount of \$352,000 through the sale of 3,520,000 units at a price of \$0.10 per unit. Each unit was comprised of one common share of St-Georges and one common share purchase warrant, exercisable at a price of \$0.50 per share for 36 months following the closing date. Canaccord Genuity Corp. received 72,000 non-transferable common share purchase warrants, exercisable at a price of \$0.50 until May 14, 2013. (Please note that these shares and prices are post-consolidation.)

On December 31, 2010, St-Georges closed a brokered private placement of \$2,387,000 through the issuance of A units, B units and C units. A total of 153 A units were issued in the context of this private placement for gross proceeds of \$153,000. Each A unit consists of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.50 per share for 36 months following the closing date. A total of 1,471 B units were issued in the context of this private placement for gross proceeds of \$1,471,000. Each B unit consists of 4,000 flow-through common shares at a price of \$0.25 per share and 4,000 common share purchase warrants. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.50 per share at any time on or before the date that is 12 months from the date of issuance of the warrant, and thereafter at a price of \$0.55 per share at any time on or before the date that is 24 months from the date of issuance of the warrants, and thereafter at an exercise price of \$0.60 per share at any time that on or before the date that is 36 months from the date of issuance of the warrants. A total of 763 C units were issued in the context of this private placement for gross proceeds of \$763,000. Each C unit consists of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.50 per share for 36 months following the closing date. In connection with this private placement, Jones, Gable and Company received 615,000 agent's options ("Agent's Options"), with each Agent's Option entitling its holder to purchase one agent's unit ("Agent's Unit") at a price of \$0.20 per Agent's Unit for a period of 24 months following the closing date. Each Agent's Unit consists of one common share and one non-transferable common share purchase warrant ("Agent's Unit Warrant"). Each Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at a price of \$0.50 per share during a period of 36 months following the closing date. Macquarie was issued 49,900 Agent's Options and Limited Market Dealer was issued 66,500 Agent's Options. In connection with the flow-through component of the financing mentioned above, Limited Market Dealer was issued 470,000 flow-through agent's options ("FT Agent's Option"), with each FT Agent's Option entitling its holder thereof to purchase one agent's unit ("FT Agent's Unit") at a price of \$0.25 per FT Agent's Unit for a period of 24 months following the closing date. Each FT Agent's Unit consists of one common share and one non-transferable common share purchase warrant ("FT Agent's Unit Warrant"). Each FT Agent's Unit Warrant entitles its holder thereof to acquire one additional common share at an exercise price of \$0.50 per common share at any time on or before the date that is 12 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.55 per share at any time on or before the date that is 24 months from the date of issuance of the warrant, and thereafter at an exercise price of \$0.60 per share, at any time on or before the date that is 36 months from the date of issuance of the warrant.

## SUBSEQUENT EVENTS

On January 24, 2011, the Company announced the start of its 2011 North Shore exploration campaign. St-Georges plans to conduct a significant amount of drilling in its Phases 1 and 2 campaigns on the Julie and Isukoustouc projects located, respectively, south of the Outarde IV hydroelectric reservoir and northeast of the Manic III electric dam. The properties are approximately 110 km north of Baie-Comeau, Quebec. The Phase 1a campaign will consist of up to 5,000 metres of exploration drilling on the Julie project and up to 5,000 metres of exploration drilling on the Isukoustouc group of properties for a total of up to 10,000 metres. Phase 1b, planned to follow Phase 1a, is conditional on the success of Phase 1a. Phase 1b will add up to 10,000 metres of drilling on the Julie project and potentially a similar amount of metres on the Isukoustouc property, conditional on the results obtained in Phase 1a.

On March 2, 2011, St-Georges announced the completion of a brokered private placement for gross proceeds of \$1,175,000. In this private placement, the Company issued a total of 700 B units for gross proceeds of \$700,000. Each B unit consists of 4,000 flow-through common shares at a price of \$0.25 per share and 4,000 common share purchase warrants. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.50 per share at any time on or before the date that is 12 months from the date of issuance of the warrant, and thereafter at a price of \$0.55 per share at any time on or before the date that is 24 months from the date of issuance of the warrants, and thereafter at an exercise price of \$0.60 per share at any time that on or before the date that is 36 months from the date of issuance of the warrants. Concurrently, St-Georges issued a total of 475 C units for gross proceeds of \$475,000. Each C unit consists of 5,000 common shares at a price of \$0.20 per share and 5,000 common share purchase warrants. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.50 per share for 36 months following the closing date. In connection with this private placement, the Company issued 100,000 Agent's Options (as described above) to Jones, Gable and Company and 180,000 FT Agent's Options (as described above) to Limited Market Dealer.

In addition, St-Georges announced the signing of an acquisition agreement for a 100% interest in the Cooper Lake property, consisting of 19 contiguous mineral claims adjacent to the Villebon property, covering 7,231 hectares. St-Georges paid the vendor \$25,000 in cash and agreed to issue to the vendor 500,000 treasury shares upon regulatory approval and the delivery of the staking certificates. The Company also announced that it expanded its Isukoustouc and Julie properties by staking 238 claims for 13,185 hectares.

## PROPERTY DESCRIPTIONS

St-Georges is a junior platinum, palladium, rhodium, copper, cobalt and nickel explorer with projects in Quebec, Canada. It owns a 50% interest in the Villebon property and a 100% interest in the adjacent Cooper Lake property located in Abitibi, Quebec. The Company also has a 100% interest in eight North Shore properties that constitute the Manicouagan constellation and a 100% interest in the Isukoustouc group of properties on Quebec's North Shore near Baie-Comeau. The properties acquired are outlined as follows:

| PROPERTY NAME                   | CLAIMS | HECTARES | KM <sup>2</sup> |
|---------------------------------|--------|----------|-----------------|
| VILLEBON                        | 26     | 1,059.58 | 10.60           |
| LAC JULIE - ISUKOUSTOUC COMPLEX | 49     | 2,115.55 | 21.15           |
| MANICOUAGAN CONSTELLATION       | 29     | 1,573.77 | 15.74           |
| TOTAL                           | 104    | 4,748.90 | 47.49           |

### Villebon Property

The Villebon property is located less than 2 km east of the Provincial Highway 117, about 21 km south of Louvicourt village and about 45 km south-east of Val-d'Or town. The property is located more precisely close the north boundary of LaVerendry Provincial Park. The Provincial Highway 117 links Val-d'Or to Montreal.

The Property hosts kilometric long mafic-ultramafic intrusives in the Val-d'Or greenstone sequence, of which a portion hosts the Villebon Zone with a historical mineral resource of 421,820 tons grading 0.72% Nickel, 0.52% Copper and 1.09 g/t Platinum (Scott, 1987), based on eight historical drill holes (non-NI43-101 compliant).

The property was acquired from Fancamp Exploration and Sheridan Platinum in February 2009. St-Georges issued 2,225,000 shares to the vendors.

### **Isukoustouc Complex and Lac Julie Properties**

The Isukoustouc complex of properties (Manic III, Mathilda and B-40) are located less than 10 km west of the Manic-3 hydro generating station within the Manicouagan Reservoir. The Lac Julie Property is located approximately 65 km further to the east, close to Lac La Blache.

The Manicouagan region is situated at the intersection of Provincial Highways 138 and 389. Provincial Highway 138 links Montreal and Natashquan and follows the North Shore of the St. Lawrence River. Provincial Highway 389 provides access to the mining towns of the northeast and links Baie-Comeau to the Labrador border.

In 1998, Outokumpu Mines Inc. performed helicopter-borne magnetic and electromagnetic surveys (2,519 line-kilometres), as well as geological mapping and ground geophysical surveys on the Lac La Blache area that included the Lac Julie Property. Over time, the Lac Julie Ni-Cu occurrence was discovered to be linked to a dyke or sill, containing up to 1.51 % Ni and 0.31% Cu. The Manic III occurrence was discovered by Phil Boudrias in 1986. In 2001, Fancamp Exploration Ltd. undertook trenching of two nickel-copper-cobalt showings on Manic III, with the significant assay results of 2.4% nickel, 0.55% copper and 0.12% cobalt.

Mineralization at Mathilda consists of disseminated and massive vein pyrrhotite, chalcopyrite, pyrite, pentlandite and trace molybdenite in sulphides hosted in a pyroxenite dyke. Assays grade up to 1.5% nickel, 0.67% copper and 0.31% cobalt in different samples. Assay results on B-40 (Isukoustouc Property) yielded 3.84% Ni, 17% Cu, 0.2 % Co and 1,400 ppm PGE.

### **Manicouagan Constellation of Properties**

Located north and west of the town of Baie-Comeau, Quebec, the Manicouagan Constellation is comprised of 8 distinct mineral exploration properties. These properties are held by St-Georges and planned to be developed through a 50-50 Joint-Venture agreement with LiteWave Corp. ("LiteWave"), a US (Nevada) public corporation (OTC: LTWV). St-Georges plans to work in collaboration with LiteWave to evaluate the full potential of these properties.

The properties are located in the general area of the Manicouagan River along the North Shore of the St-Lawrence River, and will be explored not only for platinum and palladium, but also gold, cobalt, copper and nickel. The properties were part of a regional lake-bottom sediment survey completed by the *Ministère des ressources naturelles et de la Faune* (the "MRNFQ") in the early 2000's and showed significant nickel, PGE's, precious and base metals anomalies, which were further prospected in subsequent years by local North Shore prospectors. The properties are summarized as follows:

| <b>PROPERTY NAME</b> | <b>NUMBER OF CLAIMS / KM<sup>2</sup></b> | <b>COMMODITIES</b>   | <b>RESULTS</b>  | <b>PLANNED 2010-2011 EXPLORATION PROGRAM</b>   |
|----------------------|--|--|---|--|
| Lac en Dentelle      | 6 / 3.30                                 | Gold   | Mafic-ultramafic rocks; sulphides, Gold and Arsenic in ppm concentration  | Compilation-synthesis; airborne, ground geophysics; field prospecting; validation drilling |
| Franquelin           | 2 / 1.12                                 | Platinum, Palladium, Gold, Nickel, Copper, Cobalt, Rhodium           | Mafic-ultramafic rocks; 4 grab samples (#10563, 10578, 10588, 558932): 3.4 to 4.4% Ni, 0.8 to 1.5% Cu, 153 to 513 ppb Au, 2.64 to 10.23 g/t Pt, 2.86 to 4.97 g/t Pd | Compilation-synthesis; airborne, ground geophysics; field prospecting; validation drilling |
| Lac Ste-Anne         | 3 / 1.65                                 | Gold, Copper, Molybdenum, Rare Earth Elements, Uranium               | Down Stream Sediment with higher ppm grades of Gold and Copper  | Compilation-synthesis; airborne, ground geophysics; field prospecting                      |
| Manic 5              | 2 / 1.08                                 | Nickel, Copper, Gold, Chromium, Cobalt, Platinum, Palladium, Rhodium | Sulphides (Cu); upside for Nickel, Gold   | Compilation-synthesis; airborne, ground geophysics; field prospecting; validation drilling |
| Bois-Long            | 2 / 1.08                                 | Gold, Nickel, Copper, Platinum, Palladium, Rhodium                   | 617 ppb Gold in lake-bottom sediments – source not found; limited field work  | Compilation-synthesis; airborne, ground geophysics; field prospecting                      |
| Tetepisca            | 4 / 2.16                                 | Nickel, Copper, Cobalt, Chrome, Platinum, Palladium, Rhodium         | 892 ppm Nickel, 167 ppm Copper in lake-bottom sediments – source not found; limited field work in 2004-2005   | Compilation-synthesis; airborne, ground geophysics; field prospecting                      |
| Indian Summer        | 4 / 2.12                                 | Nickel, Copper, cobalt, Gold, Platinum, Palladium, Rhodium           | Limited field work in 2004; part of the Manic 5 West group of 3 properties  | Compilation-synthesis; airborne, ground geophysics; field prospecting                      |
| Katshi               | 6 / 3.23                                 | Nickel, Copper, Cobalt, Gold, PGE's, Rhodium                         | Previous vendor completed ground VLF-EM and BeepMat surveys in 2004; discovered mafic-ultramafic intrusion with anomalous Gold-PGE's                                | Compilation-synthesis; airborne, ground geophysics with gravity; field prospecting         |
|                      | <b>29 / 15.74</b>                        |  |   |  |

## SELECTED FINANCIAL INFORMATION

### Statements of Operations and Comprehensive Loss and Deficit

For the years ended December 31, 2010 and 2009 (audited)

|                                  | 2010        | 2009        |
|----------------------------------|-------------|-------------|
|                                  | \$          | \$          |
| Revenues – Interest income       | 7,500       | 162         |
| Operating expenses               | (1,340,095) | (1,218,188) |
| Net loss for the year            | (733,353)   | (1,218,026) |
| Basic and diluted loss per share | (0.01)      | (0.15)      |

### Balance Sheets

As at December 31, 2010 and 2009 (audited)

|  | December 31,<br>2010 | December 31,<br>2009 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Cash and cash equivalents                | 49,144               | 648                  |
| Cash in trust                            | 1,218,418            | 903,251              |
| Working capital                          | 1,673,210            | 790,624              |
| Mining properties costs and fixed assets | 3,012,510            | 2,948,275            |
| Deferred exploration expenditures        | 1,533,458            | -                    |
| Total assets                             | 6,805,611            | 4,009,681            |
| Shareholders' equity                     | 6,319,714            | 3,888,899            |

## RESULTS OF OPERATIONS

For the year ended December 31, 2010, the Company recognized revenues of \$7,500, which was an increase of \$7,338 compared to revenues of \$162 earned for the year ended December 31, 2009. The increase in revenues is attributable to interest receivable respect to the secured debenture issued to LiteWave (please see Related Parties below).

The Company incurred a net loss of \$733,353 (or \$0.01 per share) for the year ended December 31, 2010, which was a decrease of \$484,673 compared to the net loss of \$1,218,026 (or \$0.15 per share) for the year ended December 31, 2009.

For the year ended December 31, 2010, the Company generated operating expenses of \$1,340,095, which was an increase of \$121,907 compared to the operating expenses of \$1,218,188 for the year ended December 31, 2009. The following table outlines the variation in operating expenses for the years ended December 31, 2010 and 2009.

## Operating Expenses

For the years ended December 31, 2010 and 2009 (audited)

|                                 | 2010      | 2009      | Variation |
|---------------------------------|-----------|-----------|-----------|
|                                 | \$        | \$        | \$        |
| Subcontractors                  | -         | 22,919    | (22,919)  |
| Administrative expenses         | 374,466   | 70,542    | 303,924   |
| Mineral rights                  | 16,000    | -         | 16,000    |
| Brokerage fees                  | 43,613    | 105,930   | (62,317)  |
| Internet platform               | -         | 52,623    | (52,623)  |
| Travel expenses                 | 40,050    | 63,608    | (23,558)  |
| Professional fees               | 392,217   | 153,025   | 239,192   |
| Bank charges                    | 2,970     | 306       | 2,664     |
| Depreciation – fixed assets     | 229       | 135       | 94        |
| Depreciation – intangible asset | -         | 137,392   | (137,392) |
| Stock-based compensation        | 320,550   | 59,100    | 261,450   |
| Write-down of intangible asset  | 150,000   | 552,608   | (402,608) |
|                                 | 1,340,095 | 1,218,188 | 121,907   |

The increase in operating expenses is due primarily to the change in business that occurred in December 2009, at which time the Company decided to focus on junior mining exploration in Quebec. This resulted in an increase of administrative fees and professional fees.

## SUMMARY OF QUARTERLY RESULTS

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

| Quarters ended  | Dec. 31    | Sep. 30    | June 30    | Mar. 31    | Dec. 31   | Sep. 30   | June 30   | Mar. 31   |
|---|------------|------------|------------|------------|-----------|-----------|-----------|-----------|
| (\$)  | 2010       | 2010       | 2010       | 2010       | 2009      | 2009      | 2009      | 2009      |
| Net loss  | (69,540)   | (88,245)   | (229,129)  | (471,519)  | (890,043) | (202,160) | (83,799)  | (42,024)  |
| Net loss per share –<br>basic and diluted                 | (0.00)     | (0.01)     | (0.02)     | (0.04)     | (0.17)    | (0.05)    | (0.02)    | (0.01)    |
| Basic and diluted<br>weighted average<br>number of shares | 79,296,263 | 12,201,539 | 11,992,830 | 10,616,286 | 5,230,182 | 4,114,766 | 3,487,272 | 3,172,516 |

Please note that the share figures presented in the table above are presented above, taking into consideration the one-for-two share consolidation that occurred on May 7, 2010.

## LIQUIDITY AND CASH FLOW

At December 31, 2010, the Company had cash and cash equivalents of \$1,267,562, which was an increase of \$363,663 compared to cash and cash equivalents of \$903,899 at December 31, 2009. At December 31, 2010, the Company also had \$1,248,418 in a lawyer's trust account, which was an increase of \$345,167 compared to funds in a lawyer's trust account of \$903,251 at December 31, 2009. The cash in trust at December 31, 2010 included \$30,000 of restricted cash; this balance is restricted to pay legal fees associated with the Company's financings in 2011. In addition, the Company had \$785,000 in subscriptions receivable at December 31, 2010 (2009 – \$nil). These subscriptions receivable, which were in connection with the private placement that closed on the same date, were received by the Company in early January 2011.

At December 31, 2010, the Company had working capital of \$1,673,210, which was an increase of \$882,586 compared to the working capital position of December 31, 2009 of \$790,624. Management expects to finance future operations and growth as required, by the issuance of debt and equity securities.

## SHARE CAPITAL

### Common Shares

As at December 31, 2010, the Company had 93,687,111 common shares issued and outstanding. On December 31, 2009, the Company had 72,319,778 common shares (144,639,556 pre-consolidation shares) issued and outstanding. The following table shows the changes in share capital during 2010:

|  | Number of<br>Common Shares |
|--|----------------------------|
| Balance, December 31, 2009 (Pre-consolidation)                             | 144,639,556                |
| Shares issued in private placement (net of issuance costs) (Mar. 22, 2010) | 13,866,666                 |
| Shares issued (pre-consolidation)  | 158,506,222                |
| Share consolidation (May 4, 2010): One-for-two                             | 79,253,111                 |
| Shares issued in private placement (May 14, 2010)                          | 3,520,000                  |
| Shares issued to acquire Villebon properties (July 14, 2010)               | 450,000                    |
| Shares issued in private placement (Dec. 31, 2010)                         | 10,464,000                 |
| Balance, December 31, 2010   | 93,687,111                 |

As at the date of this MD&A, the Company had 101,862,111 common shares issued and outstanding, an increase of 8,175,000 common shares from December 31, 2010. As described above under Subsequent Events, the Company closed a private placement in March 2011 and issued a total of 5,175,000 common shares. In connection with its acquisition of the Cooper Lake Property, on March 1, 2011, St-Georges issued to the vendors 500,000 common shares. In addition, on March 23, 2011, the Company issued a total of 2,500,000 common shares as a finder's fee.

### Stock Options

The following table outlines the stock options issued and outstanding as at December 31, 2010 (all figures are presented on a post-consolidation basis):

|  | Number of<br>Options | Weighted<br>Average<br>Exercise Price | Expiry<br>Date |
|--|----------------------|---------------------------------------|----------------|
| Balance outstanding, December 31, 2009                       | 475,000              | \$0.26                                | See below      |
| Options cancelled  | (475,000)            | \$0.26                                |                |
| Options granted for investor relations – Jan. 6, 2010        | 400,000              | \$0.20                                | Jan. 6, 2015   |
| Options granted to directors and consultants – Oct. 21, 2010 | 3,650,000            | \$0.15                                | Oct. 20, 2015  |
| Balance outstanding, December 31, 2010                       | 4,050,000            | \$0.16                                |                |
| Options exercisable, December 31, 2010                       | 4,050,000            | \$0.16                                |                |

Of the 475,000 options (950,000 pre-consolidation options) outstanding on December 31, 2009, 400,000 were scheduled to expire on August 6, 2011 and 75,000 were scheduled to expire on September 30, 2011. These options were cancelled in January 2010.

## Warrants

The following table summarizes information about warrants outstanding at December 31, 2010 (all figures are presented on a post-consolidation basis):

| Warrant Expiry Dates                    | Number of Warrants | Weighted Average Strike Price | Remaining Contractual Life (years) |
|---|--------------------|-------------------------------|------------------------------------|
| December 29, 2011                       | 664,981            | \$0.16                        | 1.00                               |
| December 29, 2011                       | 6,649,819          | \$0.50                        | 1.00                               |
| March 22, 2012                          | 666,667            | \$0.15                        | 1.23                               |
| December 31, 2012                       | 731,400            | \$0.20                        | 2.01                               |
| December 31, 2012                       | 470,000            | \$0.25                        | 2.01                               |
| March 22, 2013                          | 6,666,667          | \$0.50                        | 2.23                               |
| May 14, 2013                            | 3,592,000          | \$0.50                        | 2.38                               |
| December 31, 2013                       | 10,464,000         | \$0.50                        | 3.00                               |
| Balance outstanding, December 31, 2010  | 29,905,534         | \$0.47                        | 2.19                               |
| Warrants exercisable, December 31, 2010 | 29,905,534         | \$0.47                        | 2.19                               |

## MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

|                           | December 31, 2010        |                                     | December 31, 2009        |                                     |
|---------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
|                           | Mineral Properties<br>\$ | Deferred Exploration Expenses<br>\$ | Mineral Properties<br>\$ | Deferred Exploration Expenses<br>\$ |
| Villebon                  | 1,882,631                | 1,072,617                           | 1,817,631                | -                                   |
| Lac Julie – Isukoustouc   | 786,003                  | 305,378                             | 786,003                  | -                                   |
| Manicouagan Constellation | 343,876                  | 155,463                             | 343,876                  | -                                   |
|                           | 3,012,510                | 1,533,458                           | 2,947,510                | -                                   |

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

|  | <b>December 31<br/>2010</b> | December 31<br>2009 |
|--|-----------------------------|---------------------|
|  | \$                          | \$                  |
| <b>Financial Assets</b>                    |                             |                     |
| <b>Held for trading</b>                    |                             |                     |
| Cash and cash equivalents                  | <b>1,267,562</b>            | 903,899             |
| Restricted cash                            | <b>30,000</b>               | -                   |
| <b>Loans and receivable</b>                |                             |                     |
| Accounts receivable                        | <b>843,556</b>              | 7,507               |
| Advance to a company with common directors | <b>17,989</b>               | -                   |
| Secured debentures                         | <b>100,000</b>              | -                   |
| <b>Financial liabilities</b>               |                             |                     |
| <b>Loans and receivable</b>                |                             |                     |
| Accounts payable and accrued liabilities   | <b>485,897</b>              | 104,282             |
| Due to a director                          | -                           | 16,500              |

Cash and cash equivalents are recognized at their fair value and the fair value of all other financial instruments approximates their carrying values, either due to their short-term maturity or capacity of prompt liquidation.

## SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed by the Company are summarized as follows:

### Accounting estimates

The preparation of financial statements, in conformity with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of expenses and other income during the year. Significant estimates and assumptions include those related to the recoverability of mining and exploration properties, determination of income tax assets and liabilities, the equity component of the stock-based compensation expense. Certain estimates relating to tax credits on exploration activities have been revised during the year, however, determination of the estimated impact on future periods is not practicable. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The carrying value of the Company's principal assets could be subject to material adjustment in the event that the Company is not successful in generating operating cash flow and financing for its development and exploration activities.

### Mineral Property Costs and Deferred Exploration Costs

The amounts recorded as mining properties and deferred exploration costs represent exploration, development and associated operating costs incurred to date and are not intended to reflect present or future values. These costs are deferred until the discovery of economically exploitable reserves and the start-up of the production phase on a property-by-property basis or until the property is abandoned. Mining properties are abandoned when management allows property interest to lapse or when they determine that properties are not economically viable. Costs accumulated relating to projects that are abandoned are written-off the year in which a decision to discontinue the project is made.

When it has been determined that a mining property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are amortized using the units-of-production method over the estimated life.

The Company is in the development stage and definitive commercial production has not yet commenced. Commercial production occurs when an asset or property is substantially complete, is fully permitted and ready for its intended use. No amortization of mining properties has been charged in these financial statements.

Where there is an indication that impairment may exist, senior management reviews the carrying values of mining properties and deferred exploration expenditures with a view to assessing whether there has been any impairment in value. In the event that it is determined there is an impairment in the carrying value of any property, the carrying value will be written down or written off, as appropriate. There was no impairment write-down required at December 31, 2010.

### **Intangible asset**

Web technology is accounted for at cost. Amortization is based on its useful life using the diminishing balance method. The recorded cost of Web Technology is based on shares issued in consideration of the web technology. The cost recorded is not an indication of fair market value or recoverable amounts.

The carrying value of web technology is reviewed by management at least annually to determine if it has become impaired. Impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount for the assets.

Web technology is amortized at a rate of 30%.

### **Financial instruments**

All financial assets and financial liabilities are classified as either: held-for-trading, available-for-sale, held-to-maturity, loans-and-receivable or other liabilities. Financial assets classified as held-for-trading or available-for-sale, are measured at fair value. Held-to-maturity and loans-and-receivables are measured initially at fair value then at amortized cost over their term. Financial liabilities are measured at their fair value when they are classified as held-for-trading otherwise they are measured at amortized cost over their term. Initial differences between fair value and maturity value are amortized using the effective interest method.

Holding gains and losses from available-for-sale assets are included in other comprehensive income until realized at which time they are transferred to net income (loss).

Transaction costs such as arrangement and advance fees charged by the Company's principal lender in connection with long term debt are expensed at the time they are incurred.

### **Loss per Share**

The basic loss per share is calculated using the weighted average number of shares outstanding during the period. We follow the treasury stock method in calculating diluted earnings per share. Under this method, the weighted average number of shares includes the potentially dilutive effects of the conversion of in-the-money stock options and warrants into common shares. The effect of potential issuances of shares under options and warrants would be anti-dilutive when a loss is reported, and therefore basic and diluted losses per share are the same.

### **Stock-based compensation**

Stock options granted to employees and non-employees have been accounted for using the fair value method. Under this method, the compensation cost is measured as at the date of the grant by applying the

Black-Scholes option pricing model. The determined fair value is recognized as a cost over the vesting period with a corresponding increase to contributed surplus. On the exercise of stock options, consideration paid and the associated contributed surplus is credited to common shares.

### **Cash and cash equivalents**

The entity's policy is to disclose bank balances under cash and cash equivalents, including temporary investments with a maturity period of three months or less from the date of acquisition.

### **Income and Mining Taxes**

The Company uses the liability method to account for income taxes. Under this method of Section 3465, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured by using enacted or substantively enacted tax rates expected to apply to taxable income in the years during which those temporary differences are expected to be recovered or settled. Under Section 3465, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### **Flow-Through Shares**

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the tax benefits foregone by the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The liability relating to the foregone tax benefit is recognized at the time of the renunciation provided there is reasonable assurance that the expenditures will be incurred.

### **Adoption of International Financial Reporting Standards**

The Canadian Institute of Chartered Accountants has announced that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") effective January 1, 2011. At the effective date, the balance sheet as at January 1, 2010 will require conversion to IFRS to establish opening balances which will form the basis for comparative information to be reported in 2011. Accordingly, this is the last set of financial statements for the Company using pre-IFRS.

### **HARMONIZATION OF CANADIAN AND INTERNATIONAL STANDARDS**

In February 2008, the AcSB confirmed that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. Accordingly, the Company expects that its first interim financial statements presented in accordance with IFRS will be for the three-month period ended March 31, 2011, and its first annual financial statements presented in accordance with IFRS will be for the year ended December 31, 2011, with restated comparatives for the year ended December 31, 2010. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements.

The Company is proceeding with the transition from current Canadian GAAP to IFRS. The transition process consists of three primary phases: 1) diagnostic phase; 2) design and planning phase; and 3) implementation phase.

1. Diagnostic phase: A preliminary diagnostic review was completed at a high level that determined the financial reporting differences under IFRS and the key areas that may be impacted. The areas of the highest potential impact were identified to include the basis of consolidation, impairment of assets,

- financial instruments and initial adoption of IFRS under the provisions of IFRS 1.
2. **Design and planning phase:** In this phase, each area identified from the diagnostic phase is being addressed in order to descending priority. This phase involves specification of changes required to existing accounting policies, information systems and businesses processes, together with an analysis of policy alternatives allowed under IFRS and the development of draft IFRS financial statement content. The Company anticipates that there will be changes in accounting policies and that these changes may impact the financial statements. The full impact on future financial reporting has not been determined or estimated as at the date of this MD&A.
  3. **Implementation phase:** This phase includes execution of any changes to information systems and business processes and completing formal authorization processed to approve recommended accounting policy changes. It will also include the collection of financial information necessary to compile IFRS compliant financial statements and audit committee approval of IFRS financial statements.

The Company has identified the following areas, *inter alia*, that will be affected by the transition to IFRS.

### **First Time Adoption (IFRS 1)**

IFRS 1 provided guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet and mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

### **Impairment (IAS 36)**

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. IFRS also requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP impairment testing, which should be performed at the asset level for long-lived assets and intangible assets. The Company has determined that there will not be a material impact to its financial statements of accounting for impairment under IFRS.

### **Share-Based Payments (IFRS 2)**

According to IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant because each instalment has a different vesting period and hence the fair value of each instalment will differ. The Company is in the process of analyzing the impact of IFRS 2 on the financial statements.

### **Mineral Property Interest, Exploration and Evaluation Costs (IFRS 6)**

IFRS 6 applies to expenditures incurred on properties in the exploration and evaluation ("E&E") phase, which begins when an entity obtains the legal rights to explore a specific area and ends when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. IFRS 6 requires

entities to select and consistently apply an accounting policy specifying which E&E expenditures are capitalized and which are expensed. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. E&E assets shall be classified as either tangible or intangible according to the nature of the assets acquired. Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized. The Company is currently in the process of determining the impact on its financial statements of a change to its accounting policies.

### **Income Taxes (IAS 12)**

Both Canadian GAAP and IFRS follow the liability method of accounting for income taxes, where tax liabilities and assets are recognized on temporary differences. The Company is in the process of analyzing the impact of IAS 12 on its financial statements.

### **Subsequent Disclosures of the IFRS Transition**

The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ended March 31, 2011, which will include notes and disclosing transitional information and disclosure of new accounting policies under IFRS. These financial statements will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS and the Company's transition date IFRS statement of financial position.

### **Team**

Due to the size of the Company and its stage of development, the Chief Financial Officer of the Company will be performing the IFRS convergence and will keep the President and the Audit Committee apprised of the progress accomplished.

### **Training and Communication**

The CFO of the Company and key accounting consultants to the Company have attended and will continue to attend various IFRS update and training sessions on IFRS. The Company will also be supported by experts contracted to help the Company with this transition to IFRS.

### **Information Systems**

The accounting processes of the Company are simple as it is a junior mining exploration company. The information technology implications were assessed with respect to additional information required under IFRS. No significant changes are expected with respect to the accounting system under IFRS.

### **Impact on Operations**

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no defined benefit pension plan, no hedging activities and no debt or capital covenants. The Company's stock option plan is not affected by ratios or financial targets.

### **FINANCIAL RISKS**

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 exchange 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.

#### *Interest Rate Risk*

Fluctuations in interest rates have only an impact on the return that the cash generates as interest income. Unfavourable changes in the applicable interest rate may result in a decrease of interest income. Based on the Company's balance in cash at December 31, 2010, a 1% change in the effective interest rate on these investments would not have had a material impact on the earnings of the Company.

#### *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.

As at December 31, 2010, the Company has current liabilities of \$485,897 due within 12 months and has current assets of \$2,159,107 to meet its current obligations. As a result, the Company faces minimal liquidity risk. The Company is required to spend by December 31, 2010 the entire flow-through funds of \$997,473 it raised in 2009 on exploration and development. As at December 31, 2010, the Company had spent \$1,533,458 on exploration and development.

At December 31, 2010, the Company had not yet achieved profitable operations, had no operating income and had working capital of \$1,673,210, which may not be sufficient to sustain operations over the next 12 months, and expects to incur further losses in the development of its business. The recoverability of the amounts shown for mining properties and related deferred exploration expenditures and the capacity of the Company to meet all of its commitments are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof. There can be no assurance that the Company will be successful or that sufficient funds can be raised in a timely manner and, as a result, there is doubt about the Company's ability to continue as a going concern.

#### *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. Substantially all of the cash and short-term investments are held with one financial institution. Consequently the Company is exposed to the risks of that institution. The carrying amount of cash and short-term investments represents the maximum credit exposure.

### **CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2010, the Company's shareholders' equity was \$6,319,714 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 and special warrants. 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 year ended December 31, 2010.

## **RELATED PARTY TRANSACTIONS**

St-Georges issued a 15% secured debenture of \$100,000 to LiteWave, a company with which it has common directors, on May 27, 2010. Under the terms of the debenture, interest is receivable by the Company semi-annually, i.e. on November 27, 2010 and May 27, 2011.

## **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 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: April 29, 2011**

*signed "François Dumas"*

*signed "Mark Billings"*

**François Dumas**  
President, CEO & Director

**Mark Billings**  
CFO & Director