

ST-GEORGES

Platinum & Base Metals Ltd.

An exploration stage company

Audited Financial Statements

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St-Georges Platinum & Base Metals Ltd.

We have audited the accompanying financial statements of St-Georges Platinum & Base Metals Ltd. which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St-Georges Platinum & Base Metals Ltd. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about St-Georges Platinum & Base Metals Ltd.'s ability to continue as a going concern.

Other Matter

The financial statements of St-Georges Platinum & Base Metals Ltd. for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2015.

A handwritten signature in black ink, appearing to read 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 29, 2016

*An independent firm associated with
Moore Stephens International Limited*

MOORE STEPHENS

St-Georges Platinum & Base Metals Ltd. Statements of Financial Position

As at	December 31, 2015	December 31, 2014
Assets	\$	\$
Current assets		
Cash	-	3,754
Other receivable (Note 5)	29,522	9,806
Prepaid expenses	4,340	11,695
Total current assets	33,862	25,255
Non-current assets		
Exploration and evaluation assets (Note 6)	1,035,267	1,160,084
Advances	-	67,143
Total non-current assets	1,035,267	1,227,227
Total assets	1,069,129	1,252,482
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	262,111	639,304
Part XII.6 taxes payable (Note 13)	24,174	24,174
Due to related parties (Note 14)	32,602	136,583
Total current liabilities	318,887	800,061
Long-Term Liabilities		
Debt component of convertible debentures (Note 8)	106,294	89,242
Total liabilities	425,181	889,303
Shareholders' equity		
Common shares (Note 9)	10,993,345	10,692,308
Equity component reserve (Note 9)	162,616	162,616
Share-based payment reserve (Note 10)	1,563,172	1,571,172
Deficit	(12,075,185)	(12,062,917)
Total shareholders' equity	643,948	363,179
Total liabilities and shareholders' equity	1,069,129	1,252,482

(signed)

"Francois Dumas"

Francois Dumas
President and Chief Executive Officer

(signed)

"Richard Barnett"

Richard Barnett
Chief Financial Officer

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

St-Georges Platinum & Base Metals Ltd.

Statements of Comprehensive Loss

Years ended December 31

	2015	2014
	\$	\$
Operating expenses		
Professional fees (Note 14)	14,506	30,096
Subcontractors (Note 14)	43,400	95,142
Publicity and promotions	16,908	131,174
Office expenses	2,489	5,679
Mineral rights	-	8,219
Brokerage fees	19,278	45,892
Travel expenses	-	12,195
Financial fees and bank charges (Note 14)	23,626	35,977
Interest and accretion on convertible debentures (Note 8)	17,052	49,900
Stock-based compensation (Notes 10 and 14)	-	109,083
	137,259	523,357
Other items		
Impairment of exploration and evaluation assets (Note 6)	(118,692)	(173,547)
Impairment of advances	(67,143)	(52,857)
Write-off of accounts payable	7,788	-
Gain on settlement of debt (Note 9)	303,038	-
	124,991	(226,404)
Net loss and comprehensive loss	(12,268)	(749,761)
Loss per common share – basic and diluted	(\$ 0.01)	(\$ 0.02)
Weighted average number of common shares outstanding – basic and diluted	42,830,638	34,504,463

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

St-Georges Platinum & Base Metals Ltd.
Statements of Changes in Equity
For the years ended December 31, 2015 and 2014

	Number of Common Shares (Note 9)	Common Shares	Equity component reserve	Share-based payment reserve	Deficit	Total Equity
		\$	\$	\$	\$	\$
Balance at January 1, 2014	15,932,606	8,804,832	1,359,552	1,419,447	(11,313,156)	270,675
Shares issued on conversion of debentures	17,583,056	1,773,387	(1,196,936)	-	-	576,451
Stock based compensation	-	-	-	119,725	-	119,725
Shares issued as settlement of accounts payable	988,801	114,089	-	-	-	114,089
Common shares to issue	-	-	-	32,000	-	32,000
Net loss and comprehensive for the year	-	-	-	-	(749,761)	(749,761)
Balance at December 31, 2014	34,504,463	10,692,308	162,616	1,571,172	(12,062,917)	363,179
Shares issued as settlement of debt	9,934,582	293,037	-	-	-	293,037
Shares issued for exploration and evaluation asset	200,000	8,000	-	(8,000)	-	-
Net loss and comprehensive for the year	-	-	-	-	(12,268)	(12,268)
Balance as at December 31, 2015	44,639,045	10,993,345	162,616	1,563,172	(12,075,185)	643,948

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

St-Georges Platinum & Base Metals Ltd. Statements of Cash Flows

For the years ended December 31	2015	2014
	\$	\$
Operating activities		
Net loss	(12,268)	(749,761)
Non-cash items		
Impairment of exploration and evaluation assets	118,692	173,547
Write-off of accounts payable	(7,788)	-
Impairment of advances	67,143	52,857
Interest on convertible debentures	17,052	49,900
Accrued interest and loan bonus	9,102	-
Stock-based compensation	-	109,083
Gain on settlement of debt	(303,038)	-
Financial fees amortization	-	833
	<u>(111,105)</u>	<u>(363,541)</u>
Net changes in working capital items		
Other receivable	(19,716)	31,756
Prepaid expenses	7,355	(5,160)
Accounts payable and accrued liabilities	90,087	267,730
Advances	-	(40,000)
Due to related parties	-	(32,500)
	<u>77,726</u>	<u>221,826</u>
Net cash used in operating activities	<u>(33,379)</u>	<u>(141,715)</u>
Investing activities		
Exploration (cost) recovery	6,125	(35,503)
Tax credit received	-	43,636
Disposal of claims	-	879
Net cash provided by investing activities	<u>6,125</u>	<u>9,012</u>
Financing activities		
Due to related parties	23,500	135,750
Net cash provided by financing activities	<u>23,500</u>	<u>135,750</u>
Change in cash	(3,754)	3,047
Cash, beginning of year	<u>3,754</u>	<u>707</u>
Cash, end of year	-	3,754

Additional cash flow information – Note 15

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

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

1. Corporate Information and Going Concern of Operations

St-Georges Platinum & Base Metals Ltd. (the "Company") was incorporated under the Canada Business Corporations Act on June 21, 2002. The Company is listed on the Canadian Securities Exchange ("CSE"), having the symbol SX, on the OTC PINK, having the symbol SXOOF, and on the Deutsche Börse in Frankfurt (FSE) under the symbol 85G1. The address of the Company's corporate office and principal place of business is 999 De Maisonneuve West, Suite 725, Montreal, Québec H3A 3L4 Canada. The principal activities of the Company are the exploration and evaluation of mineral properties in Canada. The Company, which is in the process of exploring its mineral properties, has one reportable segment in Canada and all of the assets are located in Canada.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At December 31, 2015, the Company has not yet achieved profitable operations, had no operating income and had a working capital deficiency of \$285,025. 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.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying resource claims, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production or proceeds from the disposition thereof. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. Basis of Presentation

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these financial statements.

The policies applied in these financial statements are disclosed in Notes 2, 3 and 4 and are based on IFRS effective as at December 31, 2015.

The financial statements of the Company were authorized for issue by the Board of Directors on April 29, 2016.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

2. Basis of Presentation (continued)

b) Basis of Measurement

The financial statements have been prepared on an historical cost basis except for certain financial instruments measured at fair value as required under specific IFRS pronouncements.

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

c) Functional and Presentation Currency

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

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Please refer to section (n) which addresses standards issued but not yet effective.

a) Mining Properties and Deferred Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. Tax credits and mining duties are applied to reduce related E&E in the period recognized.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

3. Summary of Significant Accounting Policies (continued)

a) Mining Properties and Deferred Exploration and Evaluation Expenditures (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

b) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

c) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVPTL are measured at fair value, and changes, are recognized in profit or loss. There are no financial assets classified in this category.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements
For the years ended December 31, 2015 and 2014

3. Summary of Significant Accounting Policies (continued)

c) Financial Instruments (continued)

Held to Maturity ("HTM")

Securities that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held to maturity financial instruments are included in the underlying balance. There are no financial assets classified in this category.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company has classified cash and other receivables as loans and receivable.

Available-For-Sale Investments

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. There are no financial assets in this category.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of loss and comprehensive loss.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

3. Summary of Significant Accounting Policies (continued)

c) Financial Instruments (continued)

Financial Liabilities

Financial Liabilities are classified into one of following categories:

Fair Value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statement of loss and comprehensive loss. There are no financial liabilities in this category.

Other financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and debentures. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. This category includes accounts payable and accrued liabilities, due to a company controlled by a director and convertible debentures.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

d) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares include both a financial liability and an equity component, such as the option to convert debentures in shares. The components of the instrument are classified separately as liabilities and equity. The Company first determines the carrying amount of financial liability by discounting future cash flows representing principal payments and interest payments generally at market rate for a similar liability which no equity component is associated to. The carrying value of the equity instrument that represents the convertible in share option is then determined by deducting the carrying amount of financial liability in the amount of the hybrid instrument as a whole.

e) Tax Credits and Mining Duties

The Government of Quebec provides a 16% non-taxable refundable credit for losses to help operators meet exploration, mineral deposit evaluation and mine development costs by refunding part of eligible expenditures incurred. This credit is based on the lesser of:

- The amount of the annual loss; and
- 50% of eligible exploration expenditures, mineral deposit evaluation and mine development expenses, reduced by tax credits related to resources.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

3. Summary of Significant Accounting Policies (continued)

e) Tax Credits and Mining Duties (continued)

The Government of Quebec also offers businesses having establishments and that carry on activities in Quebec a refundable tax credit of 28% on eligible exploration expenses.

Tax credits and mining duties, which are earned as a result of qualifying mineral exploration expenses, are recognized when the exploration expenses are incurred and collection is reasonably assured. They are applied to reduce related mineral exploration expense in the period recognized.

f) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

g) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Shares

The Company may from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

3. Summary of Significant Accounting Policies (continued)

g) Share Capital (continued)

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

h) Warrants

The Company accounts for warrants using the fair value method. Under this method, the value of warrants is measured at fair value at the grant date using the Black-Scholes option pricing model, using management's assumptions disclosed in Note 9, and recorded as share capital when the warrants are exercised.

i) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve is credited to share capital, adjusted for any consideration paid.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements
For the years ended December 31, 2015 and 2014

3. Summary of Significant Accounting Policies (continued)

i) Share-based Payments (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j) Loss per Share

The basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

The diluted loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

k) Rehabilitation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbance caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the explorations sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes: restoration, reclamation, and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. As of December 31, 2015, no rehabilitation provision has been recorded.

l) Net Smelters Return (NSR) Royalties

The NSR royalties are generally not be accounted for when acquiring the mining property since they are deemed to be a contingent liability. NSRs are only accounted for when probable and can be measured with sufficient reliability.

m) Segment Disclosures

The Company currently operates in a single segment: the acquisition and exploration of mining properties. All of the Company's activities are conducted in Canada.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

3. Summary of Significant Accounting Policies (continued)

n) Application of New and Revised IFRS

New and revised IFRSs in issue but not yet effective

IFRS 9 –Financial Instruments - In November 2009, the IASB issued IFRS 9, which will replace IAS 39, “Financial instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

4. Critical Accounting Judgments and Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Judgments

i) Exploration and Evaluation Expenditures

The application of the Company’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements
For the years ended December 31, 2015 and 2014

4. Critical Accounting Judgments and Estimates (continued)

a) Judgments (continued)

ii) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

b) Estimates

i) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

iv) Provisions and Contingencies

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

4. Critical Accounting Judgments and Estimates (continued)

b) Estimates (continued)

v) *Impairment of exploration and evaluation assets*

Exploration and evaluation assets shall be assessed for an impairment test when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of exploration and evaluation assets require significant judgment. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals.

vi) *Valuation of tax credits related to resources and mining tax credits*

Tax credit related to resources and mining tax credit for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection.

The calculation of the Company's credits necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to tax credit related to resources and to mining tax credit, exploration and evaluation assets and income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and management's judgment as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore have an impact on the Company's financial position and its cash flows.

5. Other receivable

As of December 31, 2015 and 2014, the Company had receivables as described below:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	\$	\$
Sales taxes recoverable	<u>29,522</u>	<u>9,806</u>

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

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6. Exploration and Evaluation Assets

	Villebon Property	Julie- Isoukustouc Projects	St-Jean Property	Franquelin Property	Total
	\$	\$	\$	\$	\$
Balance as at January 1, 2014	85,000	1,200,000	-	15,000	1,300,000
Exploration costs	1,143	45,003	-	-	46,146
Property acquisitions	-	-	51,000	-	51,000
Property dispositions	(19,000)	-	-	(879)	(19,879)
Tax credits and mining duties	-	(43,636)	-	-	(43,636)
Less: Impairment	-	(159,976)	-	(13,571)	(173,547)
Balance as at December 31, 2014	67,143	1,041,391	51,000	550	1,160,084
Exploration costs (recovery)	-	(6,125)	-	-	(6,125)
Less: Impairment	(67,142)	-	(51,000)	(550)	(118,692)
Balance as at December 31, 2015	1	1,035,266	-	-	1,035,267

All of the exploration and evaluation assets are 100% owned by the Company and are described in more detail below.

Villebon Property

The Villebon Property is located within the Abitibi Greenstone Belt of northwestern Quebec.

As per the agreement entered into by the Company with Fancamp Resources Inc. and Sheridan Platinum Group Ltd. (collectively the "Vendors") on February 15, 2009 concerning the purchase of the Villebon Property, the Company agreed to pay an advance royalty payment of \$40,000 per year, beginning in 2012. These advances will be applied against future royalty payments. To December 31, 2014, the Company had accrued \$120,000 in advance royalty payments, which was recorded in accounts payable.

On February 14, 2015, the Company and the Vendors entered into an Amendment to Purchase Agreement, whereby the Company agreed to issue 2,000,000 common shares in settlement of the \$120,000 advance royalty payments payable (issued, with a fair value of \$55,000 (Note 9)), transfer a 5% interest in the Villebon Property to the Vendors and is obligated to publish a NI 43-101 report on the Villebon Property before the end of 2017. In consideration, the Company is released from its obligation to make any further advance royalty payments.

Upon commencement of full scale production on these properties, the Royalty Holder becomes eligible to receive up to 3% of the NSRs from the Company. The Company shall have the right to purchase 50% of these NSRs from the Royalty Holder at any time for a total cash sum of \$2,000,000.

On September 25, 2014, the Company signed an agreement to transfer all its rights, obligations and titles in certain of the mining claims comprising the Villebon Property to Exploration Khalkos Inc. ("Exploration Khalkos") in consideration of the transfer of certain mining claims constituting the St-Jean Property.

A 1% NSR 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 the current year, the Company concluded there were indications that certain of the remaining claims comprising the asset may be impaired and as a result, the Company recorded an impairment charge in the amount of \$67,142.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements
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6. Exploration and Evaluation Assets (continued)

Julie and Isoukustouc Projects

The Julie Project is located south of Lac La Blache, Quebec.

The Isoukustouc Project is located within the Manicouagan River – Manic Complex, Quebec.

Upon the Company exercising the Option of its 100% interest in the property and upon commencement of full scale production, the optionor becomes eligible to receive 3% of the NSRs from the Company. The Company has the right to purchase 1.5% of the NSR from the Optionor at any time, but not later than 12 months from the commencement of industrial exploitation of the properties for a total cash sum of \$3,000,000.

In the prior year, the Company assessed its future plans for the Julie-Isoukustouc Projects and concluded there were indications that the asset may be impaired. The impairment relates to the Isoukustouc Project while the Company intends to pursue exploration activities in the Julie area. As a result, in 2014, the Company recorded an impairment charge for its Julie-Isoukustouc Projects in the amount of \$159,976. The impairment charge was based on management's best estimate of fair value less costs to sell and on the determination that insufficient work was being completed on the Julie-Isoukustouc Projects to maintain all of the mining claims.

St-Jean Property

The St-Jean Property is located in the Saguenay Lac St-Jean region, Quebec.

On September 25, 2014, the Company signed an agreement to acquire certain mining claims constituting the St-Jean Property in consideration of the Company transferring all of its rights and titles in certain mining claims in Villebon. As consideration, the Company is required to issue 200,000 common shares on each of November 19, 2015, 2016, 2017 and 2018.

Management could not reliably estimate the fair value of all the mining claims constituting the St-Jean Property acquired, hence it based the fair value and the corresponding increase in equity, by evaluating the asset given up in the fair value of the claims in Villebon and the value of equity instruments granted as future considerations. The fair value of equity instruments to be granted was determined using the closing share price of the Company's common shares on September 25, 2014 of \$0.04 per common share, totaling \$32,000, which was recorded in the share-based payment reserve. The transaction was valued at \$51,000.

A total of 200,000 common shares were issued to Exploration Khalkos during the year ended December 31, 2015.

A 1% NSR 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.

In the prior year, certain claims expired as they were not renewed by the Company. These removals had no monetary impact since no value was granted for these claims on acquisition since management was already planning their abandonment.

In the current year, the Company concluded there were indications the remaining claims comprising the asset may be impaired and as a result, the Company recorded an impairment charge in the amount of \$51,000.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

6. Exploration and Evaluation Assets (continued)

Franquelin Property

The Franquelin property is located east of Baie-Comeau, Quebec.

Upon commencement of full scale production, the vendors of the Franquelin Property become eligible to receive 1.0% of the NSRs from the Company. The Company has the right to purchase 0.5% of these NSR from the vendors at any time for a total cash sum of \$500,000.

In the prior year, the Company concluded there were indications the asset may be impaired and as a result, the Company recorded an impairment charge in the amount of \$13,571. In the current year, the Company recorded a further impairment charge of \$550.

7. Accounts payable and accrued liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	\$	\$
Accounts payable (Note 14)	244,611	622,804
Accrued liabilities	17,500	16,500
	<u>262,111</u>	<u>639,304</u>

8. Convertible Debentures

On July 3, 2013, the Company issued Convertible Unsecured Debentures (the "Debentures") in the aggregate amount of \$1,829,000.

The Debentures bear interest at the annual rate of 6% calculated quarterly in arrears and payable on a pro-rata basis on conversion or at maturity. The Debentures mature on July 2, 2023. At any time before the maturity date the Debentures are convertible at the option of either the holder or the Company into fully paid and non-assessable common shares of the Company subject to certain conditions.

At the date of issuance, the debt component of the Debentures amounted to \$535,850, representing the present value of interest and principal repayment until July 2, 2023. The difference between the nominal value and the debt component amounted to \$1,293,150 and represents the conversion option, which was recorded in the equity of the Company. Over the term of the Debenture, the debt component will be increased to its nominal value of \$1,829,000 to provide, for accounting purposes, an actual interest expense equal to 20%, representing the estimated interest rate of similar debt instruments which do not have such an equity component. The debt component amounted to \$106,294 on December 31, 2015 (2014 - \$89,242).

Convertible Debentures

	<u>Total</u>
	\$
Balance as at January 1, 2014	586,994
Accrued interest	48,684
Conversion	(546,436)
Balance as at December 31, 2014	89,242
Accrued interest and accretion	17,052
Balance as at December 31, 2015	106,294

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

9. Share Capital

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value. The share capital of the Company consists only of fully paid common shares.

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.

2014

During the year ended December 31, 2014, a total \$1,692,916 of the capital value of Debentures were converted into common shares. Including accumulated interest this represented a value of \$1,773,387 for which the Company issued 17,583,056 common shares on conversion.

During the year ended December 31, 2014, the Company settled accounts payable through the issuance of 988,801 common shares with a fair value of \$114,089.

2015

On February 14, 2015, the Company issued 2,000,000 common shares, with a fair value of \$55,000, to the Vendors of the Villebon Property (Note 6). The Company recorded a gain on settlement of accounts payable of \$65,000.

On November 19, 2015, the Company issued 200,000 common shares to Exploration Khalkos (Note 6). Accordingly, the Company reallocated \$8,000 from reserve to share capital.

During the year ended December 31, 2015, the Company settled accounts payable and balances due to related parties through the issuance of 7,934,582 units with a fair value of \$238,037. The total debt was \$476,075 and, accordingly, the Company recorded a gain on settlement of \$238,038. Each unit consists of one common share and one warrant. Each warrant is exercisable at a price of \$0.075 for a period of 9 months, \$0.15 for the following 9 months and \$0.30 for the last 18 months until February 23, 2018.

b) Preferred shares

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value. As at December 31, 2015 and 2014, the share capital of the Company does not include any preferred shares.

c) Equity component reserve

During the prior year, the Company issued convertible debentures and the debt component was recorded as described in Note 8.

St-Georges Platinum & Base Metals Ltd.
Notes to Financial Statements
For the years ended December 31, 2015 and 2014

9. Share Capital (continued)

d) Share-based payment reserve

The share-based payment reserve account is used to record the accumulated fair value of stock options recognized as share-based payments and warrants issued. The reserve is increased by the fair value of these items on vesting and is reduced by the corresponding amounts when options and warrants are exercised.

e) Warrants

The following is a summary of changes in warrants from January 1, 2014 to December 31, 2015:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance as at January 1, 2014	953,077	3,16
Expired	(953,077)	3,16
Balance as at December 31, 2014	-	-
Issued	7,934,582	0.075 ⁽¹⁾
Balance as at December 31, 2015	7,934,582	0.075

(1) At its discretion, the Company will be able to force the exercise of the warrants if the price of the common shares on the CSE is at or above 150% of the warrants' exercise price for 10 consecutive days.

At December 31, 2015, the warrants have a remaining life of 2.15 years.

10. Share-based Payments

Stock Option Plan

On June 1, 2009, the Company established a stock-based compensation plan. Under the stock-based compensation plan, the board of directors of the Company may, from time to time, at its discretion, and in accordance with 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 sold on the CSE on the trading day immediately preceding the date of grant and not less than \$0.10 per share. 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.

On April 3, 2014, the Company granted 1,125,000 stock options exercisable at a price of \$0.20 per share before April 3, 2019. Officers of the Company were granted an aggregate total of 775,000 stock options and members of the Board of Directors were granted an aggregate total of 350,000 stock options.

St-Georges Platinum & Base Metals Ltd.
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10. Share-based Payments (continued)

The fair value of stock options issued on grant date was \$119,725 and the Company capitalized \$10,615 of the fair value as exploration costs during the year ended December 31, 2014.

This fair value was estimated at the grant date based on the Black-Scholes options pricing model using the following assumptions:

	<u>2015</u>	<u>2014</u>
Share price at grant date	-	\$0.11
Exercise price	-	\$0.20
Risk-free interest rate	-	1.789%
Expected life (years)	-	5
Expected volatility	-	200%
Expected dividend yield	-	Nil

The following options were outstanding as at December 31, 2015:

Grant Date	Expiry Date	Exercise Price	Opening balance – December 31, 2014	Expired	Closing balance – December 31, 2015	Vested
		\$				
October 20, 2010	October 20, 2015	0.98	307,692	(307,692)	-	-
April 3, 2014	April 3, 2019	0.20	875,000	-	875,000	875,000
			1,182,692	(307,692)	875,000	875,000

At December 31, 2015, the stock options have a weighted average exercise price of \$0.98 and weighted average remaining life of 3.26 years.

St-Georges Platinum & Base Metals Ltd.

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11. Financial Risk Management and Financial Instruments

Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk. There has been no change in the financial risk of the Company during the year.

Market Risk

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private investments.

As at December 31, 2015, the Company has accounts payable and accrued liabilities of \$262,111 due within 12 months and has no cash to meet its current obligations. As a result, the Company does face liquidity risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company's credit risk is due mainly to its other receivable.

This amount best represents the Company's maximum exposure to any potential credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-interest rates. The Company's convertible debentures fixes interest at 6% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk to be minimal.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

11. Financial Risk Management and Financial Instruments (continued)

Fair Value Measurement

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments are considered to be a reasonable approximation of fair value because of their short-term maturities.

12. Capital Management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2015, the Company's shareholders' equity was \$643,948 (2014 - \$363,179) and it had an amount due to related parties of \$32,602 (2014 - \$136,583). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of exploration and development work on its properties, and for working capital purposes. Additional funds will be required to finance the Company's corporate objectives. There was no change in the Company's capital management policy for the year ended December 31, 2015. The Company is not currently exposed to any externally imposed capital requirements.

13. Contingencies

a) Flow-through

In prior years, the Company has been 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 last flow through shares issuance dates back to December 29, 2011.

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.

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

13. Contingencies (continued)

a) Flow-through (continued)

The Company is unable to estimate the amount, if any, of liability to be recorded representing the estimated amount payable to indemnify the subscribers for the reduced renunciations.

To December 31, 2015, the Company has recorded \$24,174 (2014 - \$24,174) in Part XII.6 taxes payable.

b) Claims

From time to time, the Company may be subject to claims from related and third parties. To December 31, 2015, the Company's legal counsel has estimated \$60,767 (2014 - \$Nil) in claims from the former Chief Financial Officer of the Company, which has been recorded in accounts payable. To December 31, 2014, \$48,028 had previously been recorded in accounts payable for amounts due to the former Chief Financial Officer of the Company. At December 31, 2015, the former Chief Financial Officer of the Company has pursued a claim against the Company, however, the outcome of this matter has not been determined with certainty.

14. Related Party Transactions

a) Related party transactions

During the year, the Company incurred the following transactions with related parties:

- Professional fees of \$Nil (2014 - \$59,480) with a company controlled by its former Chief Financial Officer and \$Nil (2014 - \$8,162) with a director of the Company;
- Sub-contractor fees of \$13,950 (2014 - \$Nil) with its former Chief Financial Officer and with a company controlled by its former Chief Financial Officer and \$20,000 (2014 - \$Nil) with a company controlled by its Chief Financial Officer.

During the year ended December 31, 2015, the Company recorded stock-based compensation of \$Nil (2014 - \$119,725) for options granted to member of the board and officers of the Company.

At December 31, 2015, included in accounts payable and accrued liabilities is \$32,450 (2014 - \$43,803) owing to related parties.

These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

b) Due to Related Parties

On February 21, 2014 the Company issued a promissory note in the amount of \$200,000 maturing on February 21, 2019 in favour of a Director of the Company. 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. Interest on the promissory note for the first year, totaling \$36,000, was withheld by the Director of the Company. The note was secured by a general security interest in all the tangible and intangible assets of the Company. A \$5,000 signing fee was payable to the Director of the Company, which was recorded in financial fees and bank charges. On February 23, 2015, the promissory note and accrued interest totaling \$215,500 was settled by the issuance of common shares (Note 9).

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

14. Related Party Transactions (continued)

b) Due to Related Parties (continued)

On April 25, 2015, the Company issued a promissory note in the amount of \$25,000 maturing on April 25, 2016 in favour of a Director of the Company. Interest on the promissory note is calculated at 24% per annum, totaling \$4,102 for the year. A \$5,000 signing fee was payable to the Director of the Company, which has been recorded in financial fees and bank charges. The note is secured by a general security interest in all the tangible and intangible assets of the Company. To December 31, 2015, the Company has repaid \$1,500 of the promissory note. Subsequent to December 31, 2015, the loan has matured and the Company is in the process of renegotiating the terms of the agreement.

c) St-Georges Family Trust

On October 5, 2013, following the final payment related to the 2007 initial acquisition of Julie-Isoukustouc Projects, the St-Georges Family Trust (of which Francois Dumas, a Director of the Company, is one of the Trustees) became eligible to receive a perpetual production royalty of 1.5% of the NSR 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.

15. Additional information on cash flow

	<u>2015</u>	<u>2014</u>
	\$	\$
Exploration costs paid by stock-based compensation	-	10,642
Property acquisition	-	32,000
Accounts payable settled with common shares	459,492	114,089
Due to related parties settled with common shares	136,583	1,773,387

16. Commitments

a) Villebon Property

The Company is obligated to publish a NI 43-101 report on the Villebon Property before the end of 2017. Note 6.

b) St. Jean Property

The Company is required to issue 200,000 common shares on each of November 19, 2016, 2017 and 2018. Note 6.

St-Georges Platinum & Base Metals Ltd.

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17. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2015	2014
	\$	\$
Net loss before income taxes	(12,268)	(749,761)
Statutory rate	26.9%	26.9%
Income taxes at statutory rates	(3,300)	(201,686)
Non-deductible expenses	(43,003)	60,624
Changes in temporary differences for which no deferred tax assets are recognized	46,303	141,062
Income tax recovery	-	-

The Company has the following deferred tax assets and liabilities for which no deferred tax asset has been recognized:

	2015	2014
	\$	\$
Non-capital losses	1,075,901	1,066,113
Resource tax pools	632,852	600,924
Convertible debentures	(33,277)	(37,864)
	1,675,476	1,629,173

The tax pools relating to these deductible temporary differences expire as follows:

	Non-capital losses	Resource tax pools
	\$	\$
2016	99,000	-
2027	139,000	-
2028	161,000	-
2029	470,000	-
2030	946,000	-
2031	795,000	-
2032	351,000	-
2033	441,000	-
2034	418,000	-
2035	180,000	-
No expiry	-	3,387,000
	4,000,000	3,387,000

St-Georges Platinum & Base Metals Ltd.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

17. Subsequent Events

Subsequent to December 31, 2015, the Company has entered into the following transactions:

a) Option and Joint Venture Agreement

On April 28, 2016, the Company entered into an Option and Joint Venture Agreement, with directors of the Company and Active Growth Capital Inc. ("Active Growth"), a Company listed on the TSX Venture Exchange ("TSX-V"). Pursuant to the Joint Venture Agreement, the directors granted the Company a 50% interest, for no consideration, in certain claims comprising the Muscovite Mines Property.

The directors have granted Active Growth an option to acquire a 50% interest in the Muscovite Mines Property for consideration which includes issuing the Company 600,000 common shares of Active Growth.

The Company has granted Active Growth the option to acquire 50% of their interest, thereby bringing Active Growth's total interest to 75% of the Muscovite Mines Property. In consideration, Active Growth must incur an aggregate of \$200,000 in exploration work on or before the second anniversary of the date of execution of the Option and Joint Venture Agreement.

Upon earning the initial 50% interest in the Muscovite Mines Property, the Company and Active Growth will form a joint venture. The participating interest of the joint venture will be determined based on whether Active Growth pursues the additional 25% interest.

The Joint Venture Agreement is subject to Active Growth completing a minimum financing within 45 days of execution of the Joint Venture Agreement and approval by the TSX-V.

b) Additional claims

The Company and Active Growth jointly acquired certain claims located in northern Quebec.