



**Platinum Group Metals Ltd.**  
*(Exploration and Development Stage Company)*

Consolidated Financial Statements  
For the year ended August 31, 2009

Filed: November 30, 2009

*A copy of this report will be provided to any shareholder who requests it.*

## **To the Shareholders of Platinum Group Metals Ltd.**

We have completed an integrated audit of Platinum Group Metals Ltd.'s 2009, 2008 and 2007 consolidated financial statements and of its internal controls over financial reporting as of August 31, 2009. Our opinions, based on our audits, are presented below.

### **Consolidated financial statements**

We have audited the accompanying consolidated balance sheets of Platinum Group Metals Ltd. as of August 31, 2009 and 2008, and the related consolidated statements of operations and comprehensive income, shareholder's equity, and cash flows for each of the three years ended August 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit of the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for each of the three years in the three year period ended August 31, 2009 in accordance with Canadian generally accepted accounting principles.

### **Internal control over financial reporting**

We have also audited Platinum Group Metals Ltd.' internal controls over financial reporting as at August 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance

of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2009 based on criteria established in *Internal Control – Integrated Framework* issues by the COSO.

"Pricewaterhouse Coopers LLP"

Chartered Accountants  
Vancouver, BC  
November 23, 2009

#### **Comments by Auditors for U.S. readers on Canada – U.S. Reporting Difference**

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the change in accounting policy as described in note 4 to the consolidated financial statements. Our report to the shareholders dated November 23, 2009, is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting policy in the auditors' report when it is properly accounted for and adequately disclosed in the financial statements.

"Pricewaterhouse Coopers LLP"

Chartered Accountants  
Vancouver, BC  
November 23, 2009

## Management's responsibility for the Financial Statements

The preparation and presentation of the accompanying consolidated financial statements, Management's Discussion and Analysis ("MD&A") and all financial information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements, by nature are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management, under the supervision of and the participation of the Chief Executive Officer and the Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and U.S. securities regulations. We, as Chief Executive Officer and Chief Financial Officer, will certify our annual filings with the CSA and SEC as required in Canada by Multilateral Instrument 52-109 and in the United States as required by the Securities Exchange Act of 1934.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A; considers the report of the external auditors; assesses the adequacy of our internal controls, including management's assessment described below; examines and approves the fees and expenses for the audit services; and recommends the independent auditors to the Board for the appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders and management's assessment of the internal control over financial reporting.

## Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Management has assessed the effectiveness of our internal control over financial reporting as of August 31, 2009 using criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of August 31, 2009.

  
\_\_\_\_\_  
R. Michael Jones  
Chief Executive Officer

  
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Frank Hallam  
Chief Financial Officer

November 23, 2009

**PLATINUM GROUP METALS LTD.****(An exploration and development stage company)****Consolidated Balance Sheets**

(expressed in Canadian dollars)

	<u>Aug. 31, 2009</u>	<u>Aug. 31, 2008</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 32,965,685	\$ 1,779,871
Available-for-sale securities (Note 4)	2,135,002	1,118,000
Amounts receivable (Note 3)	344,538	315,176
Due from WBJV partners (Note 5)	988,880	720,958
Due from JOGMEC partner (Note 6(a)(i))	224,482	-
Prepaid expenses and other assets	50,812	92,075
<b>Total current assets</b>	<b>36,709,399</b>	<b>4,026,080</b>
<b>PERFORMANCE BONDS</b>	<b>137,849</b>	<b>126,376</b>
<b>INVESTMENT IN WBJV (Note 5)</b>	<b>20,561,154</b>	<b>18,894,625</b>
<b>MINERAL PROPERTIES (Note 6)</b>	<b>6,057,034</b>	<b>5,806,510</b>
<b>SURFACE RIGHTS (Note 7(b))</b>	<b>3,240,282</b>	<b>3,159,102</b>
<b>FIXED ASSETS (Note 7(a))</b>	<b>365,079</b>	<b>479,890</b>
<b>Total assets</b>	<b>\$ 67,070,797</b>	<b>\$ 32,492,583</b>

**LIABILITIES****CURRENT**

Accounts payable and accrued liabilities (Note 11(a))	\$ 861,041	\$ 2,875,761
<b>Total liabilities</b>	<b>861,041</b>	<b>2,875,761</b>

**SHAREHOLDERS' EQUITY**

Share capital (Note 8)	89,945,316	55,359,342
Contributed surplus	11,458,915	3,781,843
Accumulated other comprehensive income	(975,575)	(2,268,847)
Deficit accumulated during the exploration and development stage	(34,218,900)	(27,255,516)
<b>Total shareholders' equity</b>	<b>66,209,756</b>	<b>29,616,822</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 67,070,797</b>	<b>\$ 32,492,583</b>

CONTINGENCIES AND COMMITMENTS (NOTE 12)

SUBSEQUENT EVENTS (NOTE 17)

APPROVED BY THE DIRECTORS:

***"Iain McLean"***

Iain McLean, Director

***"Eric Carlson"***

Eric Carlson, Director

**For the year ended August 31, 2009**

**PLATINUM GROUP METALS LTD.**

(An exploration stage company)

**Consolidated Statements of Operations and Comprehensive Income**

**August 31, 2007 to August 31, 2009**

(expressed in Canadian dollars)

	Year ended August 31, 2009	Year ended August 31, 2008	Year ended August 31, 2007	Cumulative amount from March 16, 2000 to August 31, 2009 (unaudited)
<b>EXPENSES</b>				
Amortization	\$ 117,221	\$ 132,172	\$ 125,046	\$ 610,924
Annual general meeting	67,530	65,663	82,697	362,554
Filing and transfer agent fees	122,976	152,853	129,803	691,108
Foreign exchange (gain) loss	(322,833)	37,340	83,292	(104,301)
Insurance	119,160	105,844	62,469	381,874
Mineral property costs written off	-	-	1,323,222	6,430,293
Management and consulting fees	1,112,706	843,758	690,504	4,267,713
News releases, print and mailout	42,974	75,688	83,999	746,923
Office and miscellaneous	201,680	227,497	230,829	1,248,926
Professional fees	1,082,643	973,425	416,945	3,543,432
Promotion	195,604	214,524	193,296	1,032,881
Property investigations	-	170	950	129,374
Rent	216,545	184,094	133,822	874,031
Salaries and benefits	1,615,361	1,345,722	1,400,258	6,529,822
Shareholder relations	299,397	128,340	216,597	1,348,089
Stock compensation expense	2,100,736	580,128	1,487,661	5,696,922
Telephone	87,141	73,415	78,605	413,806
Travel	568,413	859,139	656,965	2,978,373
Recoveries	(199,015)	(243,895)	(205,410)	(1,539,864)
	<b>(7,428,239)</b>	<b>(5,755,877)</b>	<b>(7,191,550)</b>	<b>(35,642,880)</b>
Less interest earned	139,548	243,339	434,949	1,072,247
Loss before other items	<b>(7,288,691)</b>	<b>(5,512,538)</b>	<b>(6,756,601)</b>	<b>(34,570,633)</b>
Other items:				
Write-down of and equity loss in investment	-	-	-	429,275
Gain on sale of marketable securities	-	-	-	(47,682)
(Gain) Loss on sale of fixed assets	(7,297)	-	1,522	1,633
	<b>(7,297)</b>	<b>-</b>	<b>1,522</b>	<b>383,226</b>
Loss for the year before income taxes	<b>(7,281,394)</b>	<b>(5,512,538)</b>	<b>(6,758,123)</b>	<b>(34,953,859)</b>
Future income tax recovery	318,010	425,949	-	2,480,959
Loss for the period	<b>\$ (6,963,384)</b>	<b>\$ (5,086,589)</b>	<b>\$ (6,758,123)</b>	<b>\$ (32,472,900)</b>
Other comprehensive income				
Currency translation adjustment (Note 5)	428,820	(674,771)	(1,707,495)	(2,611,827)
Unrealized gain (loss) on marketable securities (Note 4)	864,452	(821,101)	-	43,351
Comprehensive loss for the period	<b>\$ (5,670,112)</b>	<b>\$ (6,582,461)</b>	<b>\$ (8,465,618)</b>	<b>\$ (35,041,376)</b>
Basic and diluted loss per common share	<b>\$ (0.10)</b>	<b>\$ (0.08)</b>	<b>\$ (0.12)</b>	
Weighted-average number of common shares outstanding	<b>72,466,079</b>	<b>61,978,849</b>	<b>58,042,450</b>	

See accompanying notes to the consolidated financial statements.

**PLATINUM GROUP METALS LTD.**

(An exploration and development stage company)

**Consolidated Statements of Shareholders' Equity****August 31, 2006, to August 31, 2009**

(expressed in Canadian dollars)

	Common shares without par value		Contributed surplus	Accumulated other comprehensive income	Deficit accumulated during exploration & development stage	Total shareholders' equity
	Shares	Amount				
Balance, August 31, 2006	53,691,178	39,798,768	1,785,705	(658,381)	(15,410,804)	25,515,288
Issued on exercise of warrants	6,333,194	11,454,791	-	-	-	11,454,791
Issued on exercise of stock options	914,375	892,557	(266,982)	-	-	625,575
Issued for mineral properties net of costs	50,000	227,742	-	-	-	227,742
Stock options granted	-	-	1,487,661	-	-	1,487,661
Translation adjustment	-	-	-	(1,707,495)	-	(1,707,495)
Net loss	-	-	-	-	(6,758,123)	(6,758,123)
Balance, August 31, 2007	60,988,747	52,373,858	3,006,384	(2,365,876)	(22,168,927)	30,845,439
Transition adjustment (Note 4)	-	-	-	1,592,901	-	1,592,901
Issued on exercise of warrants	850,000	1,487,500	-	-	-	1,487,500
Issued on exercise of stock options	760,500	1,334,748	(512,924)	-	-	821,824
Issued for mineral properties net of costs	50,000	163,236	-	-	-	163,236
Stock options granted	-	-	1,288,383	-	-	1,288,383
Translation adjustment	-	-	-	(674,771)	-	(674,771)
Unrealized loss on AFS securities	-	-	-	(821,101)	-	(821,101)
Net loss	-	-	-	-	(5,086,589)	(5,086,589)
Balance, August 31, 2008	62,649,247	55,359,342	3,781,843	(2,268,847)	(27,255,516)	29,616,822
Issuance of common shares and warrants for cash	29,969,770	34,174,382	5,288,917	-	-	39,463,299
Issued on exercise of stock options	196,650	411,592	(129,952)	-	-	281,640
Stock options granted	-	-	2,518,107	-	-	2,518,107
Translation adjustment	-	-	-	428,820	-	428,820
Unrealized gain on AFS securities	-	-	-	864,452	-	864,452
Net loss	-	-	-	-	(6,963,384)	(6,963,384)
Balance, August 31, 2009	92,815,667	\$ 89,945,316	\$ 11,458,915	\$ (975,575)	\$ (34,218,900)	\$ 66,209,756

See accompanying notes to the consolidated financial statements.

**For the year ended August 31, 2009**

**PLATINUM GROUP METALS LTD.**

(An exploration stage company)

**Consolidated Statements of Cash Flows**

**August 31, 2007 to August 31, 2009**

(expressed in Canadian dollars)

	Year ended August 31, 2009	Year ended August 31, 2008	Year ended August 31, 2007	Cumulative amount from March 16, 2000 to August 31, 2009 (unaudited)
<b>OPERATING ACTIVITIES</b>				
Loss for the year	\$ (6,963,384)	\$ (5,086,589)	\$ (6,758,123)	\$ (32,472,900)
Add items not affecting cash				
Amortization	117,221	132,172	125,046	610,924
Loss on sale of fixed assets	-	-	1,522	8,930
Equity loss and write-down of investment	-	-	-	429,275
Future income tax recovery	(318,010)	(425,949)	-	(2,480,959)
Gain on sale of AFS securities	-	-	-	(47,682)
Mineral property costs written off	-	-	1,323,222	6,430,293
Finders fee received in shares (Note 4)	-	-	-	(100,000)
Gain on sale of mineral property	-	-	-	(240,000)
Non-cash stock compensation expense	2,100,736	580,128	1,487,661	5,696,922
Net change in non-cash working capital (Note 13(a))	(355,301)	252,810	138,111	90,076
	<b>(5,418,738)</b>	<b>(4,547,428)</b>	<b>(3,682,561)</b>	<b>(22,075,121)</b>
<b>FINANCING ACTIVITIES</b>				
Performance Bonds	(11,473)	(76,965)	(22,047)	(137,849)
Issuance of common shares	39,744,939	2,309,324	12,078,108	92,111,090
	<b>39,733,466</b>	<b>2,232,359</b>	<b>12,056,061</b>	<b>91,973,241</b>
<b>INVESTING ACTIVITIES</b>				
Costs to acquire New Millennium Metals	-	-	-	(231,325)
Acquisition of fixed assets	(2,411)	(240,609)	(257,770)	(981,239)
Acquisition cost of mineral properties	(18,727)	(41,881)	(112,439)	(1,598,413)
Acquisition of surface rights	(1,953,180)	(1,287,102)	-	(3,240,282)
Exploration expenditures, net of recoveries	(231,797)	(388,973)	(755,643)	(8,804,567)
Investment in and advances to WBJV	(922,799)	(8,615,562)	(2,645,382)	(22,087,414)
Investment in and advances to Active Gold Group Ltd.	-	-	-	(246,677)
Redemption/(acquisition) of short-term investments, net	-	2,000,000	(2,000,000)	-
Proceeds on sale of AFS securities	-	-	-	257,482
	<b>(3,128,914)</b>	<b>(8,574,127)</b>	<b>(5,771,234)</b>	<b>(36,932,435)</b>
Net increase (decrease) in cash and cash equivalents	<b>31,185,814</b>	<b>(10,889,196)</b>	<b>2,602,266</b>	<b>32,965,685</b>
Cash and cash equivalents, beginning of year	<b>1,779,871</b>	<b>12,669,067</b>	<b>10,066,801</b>	<b>-</b>
Cash and cash equivalents, end of year	<b>\$ 32,965,685</b>	<b>\$ 1,779,871</b>	<b>\$ 12,669,067</b>	<b>\$ 32,965,685</b>

See accompanying notes to the consolidated financial statements.

## 1. NATURE OF OPERATIONS

The Company is a British Columbia corporation incorporated on February 18, 2002 by an order of the Supreme Court of British Columbia approving an amalgamation between Platinum Group Metals Ltd. and New Millennium Metals Corporation ("New Millennium"). The Company is an exploration and development company conducting work on mineral properties it has staked or acquired by way of option agreements in Ontario, Canada and the Republic of South Africa.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the significant policies outlined below.

### (a) *Basis of presentation and principles of consolidation*

The financial statements of entities which are controlled by the Company through voting equity interest, referred to as subsidiaries, are consolidated. Variable interest entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15, "Consolidation of Variable Interest Entities", are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or residual returns. The Company does not currently have any VIEs.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Platinum Group Metals (RSA) (Pty) Ltd. ("PTM RSA") and in turn its wholly-owned subsidiary Wesplats Holdings (Proprietary) Limited ("Wesplats"). PTM RSA holds mineral rights and conducts operations in the Republic of South Africa. Wesplats owns surface rights areas overlying and adjacent to mineral rights held by PTM RSA and on behalf of the Company. All significant intercompany balances and transactions have been eliminated upon consolidation.

The Company's 37% working interest in the WBJV (Note 5) is accounted for as an investment in the WBJV.

### (b) *Mineral properties, surface rights, and deferred exploration and development costs*

Mineral properties consist of exploration and mining concessions, options, contracts and certain surface rights. Surface rights that have no associated mineral title and which are owned by the Company outright are shown separately. Acquisition and leasehold costs, exploration costs and surface rights are capitalized until such time as the property is put into production or disposed of either through sale or abandonment. Development expenditures incurred subsequent to the establishment of economic recoverability and upon receipt of project development approval from the Board of Directors are capitalized and included in the carrying amount of the related property. If put into production, the costs of acquisition, exploration and development will be

amortized over the life of the property based on estimated economic reserves. If a property is abandoned, the property and deferred exploration costs are written off to operations.

Management of the Company reviews and evaluates the carrying value of each mineral property and its investment in the WBJV for impairment regularly. Where estimates of future net cash flows are available and the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value. Where estimates of future net cash flows are not available, management assesses whether the carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired it is written down to its estimated fair value.

(c) *Cash and cash equivalents*

Cash and cash equivalents consist of cash and short-term deposits, which are readily convertible to cash and have original maturities of 90 days or less.

(d) *Reclamation and closure costs*

The Company recognizes the estimated fair value of liabilities for asset retirement obligations including reclamation and closure costs in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and amortized over the life of the asset. The liability is adjusted for changes in estimate at each reporting period and is accreted over time to the estimated asset retirement obligation ultimately payable through charges to operations.

The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, changes in technology and the means and cost of reclamation. Based on management's estimates, the Company has determined that there are no significant reclamation liabilities as at year end.

(e) *Income taxes*

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

(f) *Fixed assets*

Fixed assets are recorded at cost and are amortized at the following annual rates:

Computer equipment and software	30% declining balance
Office furniture and equipment	20% declining balance
Vehicles	30% declining balance



amount previously recognized in contributed surplus is reclassified to share capital.

(l) *Changes in accounting policies*

On September 1, 2008, the Company adopted the following new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants. These standards were adopted on a prospective basis without restatement of prior periods.

- (i) Section 1400, *General Standards of Financial Statement Presentation*, outlines the premise that in the preparation of financial statements all information required for fair presentation in accordance with generally accepted accounting principles should be included. It also specifies the requirements for assessing an entity's ability to continue as a going concern and disclosing any material uncertainties that cast doubt on its ability to continue as a going concern. The Company's disclosure reflects such assessment.
- (ii) Section 1535, *Capital Disclosures*, establishes disclosure requirements regarding an entity's capital, including (i) an entity's objectives, policies, and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures required by Section 1535 in these consolidated financial statements.
- (iii) Sections 3862, *Financial Instruments - Disclosures* and Section 3863 *Financial Instruments - Presentation*, replace Section 3861 *Financial Instruments - Disclosure and Presentation*. These new sections revise and enhance disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included the required disclosures in these consolidated financial statements.
- (iv) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"): In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's annual consolidated financial statements for its fiscal year ending August 31, 2009, with retroactive application. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.
- (v) Mining Exploration Costs ("EIC-174"): In March 2009, the CICA issued EIC Abstract 174 - Mining Exploration Costs ("EIC-174") which supersedes EIC Abstract 126 - Accounting by Mining Enterprises for

Exploration Costs ("EIC-126"), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC 174 is applicable for the Company's annual consolidated financial statements for its fiscal year ending August 31, 2009, with retroactive application. The adoption of EIC – 174 did not result in a material impact on the Company's consolidated financial statements.

(m) *Financial instruments*

The Company's financial instruments are comprised primarily of cash and cash equivalents, available-for-sale (AFS) securities, amounts receivable, amounts due from JOGMEC partner, amounts due from WBJV partners, performance bonds, and accounts payable and accrued liabilities.

Cash and cash equivalents are recognized at their fair value. AFS securities are recorded in the financial statements at fair value; and the carrying value of all other financial instruments approximate their fair values due to their short-term maturity or their capacity of prompt liquidation.

(n) *Income Statement Presentation of Tax Loss Carryforward*

Effective August 31, 2008, the Company adopted EIC-172, "Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income". This abstract provides guidance on whether the tax benefit from the recognition of previously unrecognized tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale financial assets, should be recognized in net income or in other comprehensive income. The abstract should be applied retrospectively, with restatement of prior periods from September 1, 2007, the date of adoption of CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Refer to note 4.

(o) *New accounting pronouncements*

Section 3064, *Goodwill and Intangible Assets*, replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. In February 2008, the CICA issued the new pronouncement establishing revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and startup costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064 has had no impact on the consolidated financial position or results of operations for the year.

Section 1582, *Business combination*, Section 1601 *Consolidated financial statements* and Section 1602 *Non-controlling interests*. These sections replace the former CICA 1581, *Business Combinations* and CICA 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to FASB Statements No. 141 (R), *Business combinations*

and No. 160 Non-controlling Interests in Consolidated Financial Statements. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after September 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after September 1, 2011.

Section 3855 was amended during the year to (i) change the categories into which a debt instrument is required or permitted to be classified; (ii) change the impairment model for held-to-maturity financial assets to the incurred credit loss model; and (iii) require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements for years beginning on/after November 1, 2008.

Section 3855 was also amended to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on/after July 1, 2009. There has been clarification on the application of the effective interest method after a debt instrument has been impaired, this amendment was effective on issue in June 2009. The Company expects that the amendment will not have significant effect on the Company's financial position, results of operations or cash flows.

In June 2009, Handbook Section 3862 was further amended to include additional disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for fiscal years ending after September 30, 2009, but early adoption is permitted. The Company expects that the amendment will not have significant effect on the Company's financial position, results of operations or cash flows.

### **3. AMOUNTS RECEIVABLE**

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	<u>Aug 31, 2009</u>	<u>Aug. 31, 2008</u>
Expenditure advances receivable	\$ 3,581	\$ 11,444
Due from related parties (Note 11 (b) and (c ))	17,172	2,816
Goods and services tax recoverable	37,160	104,943
South African value added tax ("VAT") recoverable	272,973	195,973
Interest receivable	13,652	-
	<u>\$ 344,538</u>	<u>\$ 315,176</u>

**4. AVAILABLE-FOR-SALE SECURITIES**

The Company had the following marketable securities accounted for as available-for-sale.

August, 31, 2009	Number of Shares	Cost (\$)	Accumulated Unrealized Gains (\$)	Fair Value (\$)
MAG Silver Corp.	100,000	50,000	445,000	495,000
West Timmins Mining Inc.	800,001	160,000	1,480,002	1,640,002
<b>Total Marketable Securities</b>		<b>210,000</b>	<b>1,925,002</b>	<b>2,135,002</b>

August 31, 2008	Number of Shares	Cost (\$)	Accumulated Unrealized Gains (\$)	Fair Value (\$)
MAG Silver Corp.	100,000	50,000	740,000	790,000
West Timmins Mining Inc.	800,001	160,000	168,000	328,000
<b>Total Marketable Securities</b>		<b>210,000</b>	<b>908,000</b>	<b>1,118,000</b>

On September 1, 2007, pursuant to adoption of the new CICA Handbook Section 3855 *Financial Instruments – Recognition and Measurement*, the Company recorded an adjustment to increase the carrying value of marketable securities by \$1,874,001 with a corresponding adjustment to accumulated other comprehensive income less the future income tax adjustment of \$281,100. The adjustment represents the after-tax unrealized gain on available-for-sale marketable securities held by the Company at September 1, 2007.

During the year ended August 31, 2009 after an adjustment of future income tax of \$152,550 (2008 - future income tax recovery of \$144,900) the Company recognized an unrealized gain of \$864,452 (2008 - unrealized loss of \$821,101) on marketable securities designated as available-for-sale instruments in other comprehensive income.

Both of the above marketable securities are related parties of the Company, as discussed in Note 11.

**5. INVESTMENT IN WESTERN BUSHVELD JOINT VENTURE (THE “WBJV”)**

	<b>Aug. 31, 2009</b>	<b>Aug. 31, 2008</b>
Opening Balance	\$21,935,272	\$14,779,302
Additional investment	<u>1,237,709</u>	<u>7,155,970</u>
Balance before translation	23,172,981	21,935,272
Translation adjustment	<u>(2,611,827)</u>	<u>(3,040,647)</u>
Ending Balance	<u>\$20,561,154</u>	<u>\$18,894,625</u>

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Details of the assets of the WBJV, excluding the property rights contributed by the other venture partners, are as follows:

	Aug. 31, 2009	Aug. 31, 2008
<b>Acquisition and Capital costs</b>		
Balance, beginning of period	\$ 4,675,587	\$ 2,190,657
Incurred during period	3,561	2,484,930
Translation adjustment	(482,626)	(538,146)
<b>Balance, end of period</b>	<b>\$ 4,196,522</b>	<b>\$ 4,137,441</b>
<b>Deferred exploration costs</b>		
Balance, beginning of period	\$ 36,656,854	\$ 21,782,427
Assays and geochemical	39,172	565,945
Drilling	200,619	4,315,197
Geological and Engineering	1,222,606	4,953,901
Geophysical	142,153	3,696,316
Site administration	122,575	202,622
Stock compensation	582,832	998,004
Travel	39,251	142,442
	39,006,062	36,656,854
Translation adjustment	(2,129,201)	(2,502,501)
<b>Balance, end of period</b>	<b>\$ 36,876,861</b>	<b>\$ 34,154,353</b>
Less other partners' interest	(20,512,229)	(19,397,169)
<b>Investment in WBJV</b>	<b>\$ 20,561,154</b>	<b>\$ 18,894,625</b>

Expenditures in the WBJV were principally being incurred in Rand and funded by advances from the venturers which were denominated in Rand. The Company therefore considers its equity investment in the WBJV to be self sustaining and it translates its share of net equity of WBJV using the current rate method with translation gains and losses included in accumulated other comprehensive income as a separate component of shareholders' equity.

On October 26, 2004 the Company entered into the Western Bushveld Joint Venture (the "WBJV") with a subsidiary of Anglo Platinum Limited ("Anglo Platinum") and Africa Wide Mineral Prospecting and Exploration (Pty) Limited ("Africa Wide") to pursue platinum exploration and development on combined mineral rights covering approximately 67 square kilometres on the Western Bushveld Complex of South Africa. The transaction closed effective January 26, 2005. The Company contributed all of its interests in portions of the farms Onderstepoort 98JQ and Elandsfontein 102JQ. Anglo Platinum contributed its interests in portions of the farms Koedoesfontein 94JQ, Elandsfontein 102JQ and Frischgewaagd 96JQ. Later, in 2007, Anglo Platinum contributed its 50% interest in Portion 11 of the farm Frischgewaagd bringing the total area of the WBJV to approximately 72 square kilometres. The Company and Anglo Platinum each held a 37% working interest in the WBJV, while Africa Wide held a 26% working interest. The area of the WBJV was comprised of three functional areas described as Project 1 (100% WBJV), Project 2 (50% WBJV: 50% Wesizwe Platinum Ltd.) and Project 3 (100% WBJV). In April 2007 the shareholders of Africa Wide sold 100% of their company to Wesizwe Platinum Ltd ("Wesizwe") and since then Wesizwe has become responsible for all of the rights and obligations of Africa Wide.

The Company is the operator of the WBJV. From October 2004 to April 2006 the Company funded an earn-in exploration program in the amount of Rand 35 million

(at August 31, 2005 approx. C\$6.44 million). Since then the partners of the WBJV have funded expenditures pro-rata based upon their working interest in the Joint Venture. At August 31, 2009 the Company recorded outstanding receivables of \$988,880 due from Anglo Platinum (\$576,468 or Rand 4.091 M) and Africa Wide (\$412,412 or Rand 2.927 million) for work completed on the WBJV.

The Company published a Feasibility Study for Project 1 of the WBJV on July 7, 2008. Based on the WBJV resource estimate prepared for that Feasibility Study, and under the terms of the original WBJV agreement, the respective deemed capital contribution of each party was to be credited by adding an equalization amount calculated upon their contribution of measured, indicated, and inferred ounces of combined platinum, palladium, rhodium and gold ("4E") from the contributed properties comprising the WBJV, determined in accordance with the South African Mineral Resource Committee ("SAMREC") code. Inferred ounces were to be credited at US\$0.50 per ounce, indicated ounces at US\$3.20 per ounce and measured ounces at US\$6.20 per ounce. Ounces contributed to the WBJV by Anglo Platinum in 2007 from a 50% interest in Portion 11 of the Farm Frischgewaagd 96 JQ were to receive an equalization credit of US\$0.62 per inferred ounce, US\$10.37 per indicated ounce and US\$39.55 per measured ounce. The Company's equalization amount, including an interest charge since January 1, 2009, payable to the credit of Anglo Platinum is calculated at approximately \$27 million, subject to Canadian dollar exchange rates to the Rand and eight month average exchange rates for the US dollar to the Rand at November 15, 2009.

On September 2, 2008 the Company announced an agreement in principle to consolidate and rationalize the ownership of the WBJV. On December 8, 2008 the Company announced the execution of definitive agreements formalizing the earlier announcement. Under the terms of the agreement Anglo Platinum will vend its entire 37% interest in the WBJV to Wesizwe for common shares representing approximately a 26.5% interest in Wesizwe. The Company will concurrently acquire a 37% interest in Projects 1 and 3 from Wesizwe in consideration of its 18.5% interest in Project 2 and Rand 408 million in cash (approximately \$57.0 million at November 15, 2009). This will bring the Company's interest in Projects 1 and 3 to 74% while at the same time eliminating its holdings in Project 2. The cash payment to Wesizwe will be deferred until nine months after the effective date of the transaction and will then be held in escrow to be applied towards Wesizwe's capital requirements for the Projects 1 and 3. The effective date will occur upon the completion of conditions precedent and the transfer and registration of mineral titles between the parties by the Department of Mineral Resources in South Africa. The effective date is expected in late 2009. Should the Company not make the payment due to Wesizwe on time Wesizwe may elect to claw back approximately 19.0% percent of Projects 1 and 3, reducing the Company's interest to approximately 55%.

Under the terms of the December 8, 2008 agreement the equalization amount due to Anglo Platinum by the Company will become payable on the effective date of the definitive agreements, discussed above. In the event the Company does not make the equalization payment on the date required, Anglo Platinum may elect to extend the payment deadline for six months, with interest, or they may elect to take payment in common shares of Wesizwe, at which point the right to accept the equalization payment would transfer to Wesizwe.

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## 6. MINERAL PROPERTIES

Year ended August 31, 2009

	South Africa			Canada			
	Tweespalk	War Springs	Other	LDI River	Shelby Lake	South Legris	Total
Acquisition costs of mineral rights							
Balance, beginning of year	\$ 52,037	\$ 134,358	\$ 2,692	\$ 598,571	\$ 313,864	\$ 60,000	\$ 1,161,522
Incurred during period	7,958	10,140	629	-	-	-	18,727
Less amounts written off	-	-	-	-	-	-	-
Balance, end of period	\$ 59,995	\$ 144,498	\$ 3,321	\$ 598,571	\$ 313,864	\$ 60,000	\$ 1,180,249
Deferred exploration costs							
Assays and geochemical	\$ -	\$ 88,570	\$ 14,539	\$ 1,458	\$ 2,453	\$ 7,531	\$ 114,551
Drilling	-	434,764	-	-	47,566	47,566	529,896
Geological	777	160,620	82,625	3,655	13,083	13,083	273,843
Maps, fees and licenses	-	-	-	-	67	-	67
Site administration	157	130,174	428	-	-	-	130,759
Travel	-	17,740	85	-	-	-	17,825
	934	831,868	97,677	5,113	63,169	68,180	1,066,941
Balance, beginning of year	891,201	2,235,318	573,552	358,642	500,518	85,757	4,644,988
Recoveries	-	(795,926)	(39,218)	-	-	-	(835,144)
Balance, end of period	\$ 892,135	\$ 2,271,260	\$ 632,011	\$ 363,755	\$ 563,687	\$ 153,937	\$ 4,876,785
Total Mineral Properties	\$ 952,130	\$ 2,415,758	\$ 635,332	\$ 962,326	\$ 877,551	\$ 213,937	\$ 6,057,034

Year ended August 31, 2008

	South Africa			Canada			
	Tweespalk	War Springs	Other	LDI River	Shelby Lake	South Legris	Total
Acquisition costs of mineral rights							
Balance, beginning of year	\$ 34,658	\$ 115,433	\$ 1,673	\$ 595,532	\$ 312,345	\$ 60,000	\$ 1,119,641
Incurred during year	17,379	18,925	1,019	3,039	1,519	-	41,881
Less amounts written off	-	-	-	-	-	-	-
Balance, end of year	\$ 52,037	\$ 134,358	\$ 2,692	\$ 598,571	\$ 313,864	\$ 60,000	\$ 1,161,522
Deferred exploration costs							
Assays and geochemical	\$ -	\$ 20,492	\$ -	\$ 8,286	\$ 3,026	\$ -	\$ 31,804
Drilling	-	-	-	81,778	59,730	-	141,508
Geological	13,666	42,598	334,617	6,488	4,188	1,653	403,210
Maps, fees and licenses	-	-	1,724	81	-	-	1,805
Site administration	4,388	3,814	3,012	-	-	-	11,214
Travel	3,887	5,543	1,030	812	-	-	11,272
	21,941	72,447	340,383	97,445	66,944	1,653	600,813
Balance, beginning of year	1,081,100	2,162,871	233,169	261,197	433,574	84,104	4,256,015
Recoveries	(211,840)	-	-	-	-	-	(211,840)
Balance, end of year	\$ 891,201	\$ 2,235,318	\$ 573,552	\$ 358,642	\$ 500,518	\$ 85,757	\$ 4,644,988
Total Mineral Properties	\$ 943,238	\$ 2,369,676	\$ 576,244	\$ 957,213	\$ 814,382	\$ 145,757	\$ 5,806,510

(a) Republic of South Africa

(i) War Springs and Tweespalk

On June 3, 2002, the Company acquired an option to earn a 100% interest in the 2,396 hectare War Springs property and the 2,177 hectare Tweespalk property both located in the Northern Limb or

Platreef area of the Bushveld Complex north of Johannesburg. The Company now holds New Order prospecting permits on 100% of this territory. Acquisition and exploration costs on these properties to August 31, 2009 total \$3,367,888.

The Company can settle the vendors' residual interests in these mineral rights at any time for US\$690 per hectare. The Company pays annual prospecting fees to the vendors of US\$3.25 per hectare. The vendors retain a 1% NSR Royalty on the property, subject to the Company's right to purchase the NSR at any time for US\$1.4 million. A 5% finders' fee applies to vendor payments.

Black Economic Empowerment groups Africa Wide, a subsidiary of Wesizwe Platinum Ltd. and Taung Minerals (Pty) Ltd., a subsidiary of Platmin Limited, have each acquired a 15% interest in the Company's rights to the War Springs project carried to bankable feasibility. The Company retains a net 70% project interest. Africa Wide also has a 30% participating interest in the Tweespalk property.

On March 5, 2009 the Company announced an agreement with the Japan Oil, Gas and Metals National Corporation ("JOGMEC"), an incorporated administrative institution of the Government of Japan, whereby they may earn up to a 35% interest in the Company's rights to the War Springs project for an optional work commitment of US\$10 million over 5 years. The first year firm commitment is US\$500,000 and to August 31, 2009 approximately \$795,926 of work has been funded or approved for work on this project by JOGMEC. At August 31, 2009 an amount of \$224,482 was receivable from JOGMEC for work completed under approved work programs and this amount was subsequently received.

(ii) *Other*

During 2009 the Company acquired by staking various prospecting permits in South Africa including the Sable Joint Venture project area on the Western Limb of the Bushveld Complex west of Pretoria and the Waterburg project area on the far Northern Limb of the Bushveld Complex.

(b) *Ontario, Canada*

(i) *Lac des Iles ("LDI") River*

On May 5, 2000, the Company entered into an option agreement to acquire a 50% interest in the Lac des Iles River property located near Thunder Bay, Ontario in exchange for cash payments (\$43,500 paid in total) and the completion of exploration expenditures. On October 6, 2006, the Company and the property vendors entered into a termination and sale agreement whereby the option agreement was cancelled and the Company purchased an undivided 100% interest in the property subject only to underlying 2.0% Net Smelter Return Royalties. In settlement the Company made a one-time payment to the vendors of \$50,000 in lieu of past and future exploration expenditure commitments not incurred.

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(ii) *South Legris*

In April 2000, and later as amended in January 2005, the Company acquired an option to earn a 50% interest in the South Legris property located near Thunder Bay, Ontario in exchange for cash payments (\$105,000 paid in total) and the completion of certain exploration expenditures. On October 13, 2006, the Company and the property vendors entered into a termination and sale agreement whereby the option agreement was cancelled and the Company purchased an undivided 100% interest in the property subject only to underlying 2.0% Net Smelter Return Royalties. In settlement the Company made a one-time payment of \$50,000 in lieu of past and future exploration expenditure commitments not incurred.

(iii) *Shelby Lake*

On June 28, 2000, the Company entered into an option agreement to earn up to 60% interest in the Shelby Lake property, located near Thunder Bay, Ontario in exchange for cash payments of \$15,000 (paid), issue 30,303 shares (issued) and complete \$500,000 in exploration expenditures over a four-year period. On October 18, 2006, the Company and the property vendor entered into a termination and sale agreement whereby the option agreement was cancelled and the Company purchased an undivided 100% interest in the property for a one-time payment of \$5,000 subject only to an underlying 2.0% Net Smelter Return Royalty, of which the Company may buy back one half for \$500,000.

(c) *Title to mineral properties*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**7. FIXED ASSETS**

(a) *Equipment, Leaseholds and Vehicles*

	<b>August 31, 2009</b>		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 495,049	\$ 337,386	\$ 157,663
Leasehold improvements	38,642	28,423	10,219
Office furniture and equipment	257,445	112,977	144,468
Vehicles	85,818	33,089	52,729
	\$ 876,954	\$ 511,875	\$ 365,079

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	August 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 495,723	\$ 307,833	\$ 187,890
Leasehold improvements	64,726	37,537	27,189
Office furniture and equipment	263,882	99,203	164,679
Vehicles	118,332	18,200	100,132
	\$ 942,663	\$ 462,773	\$ 479,890

(b) *Surface Rights*

The Company acquired the surface and mineral rights to 365.64 hectares of the farm Elandsfontein 102 JQ in exchange for total payments of approximately \$1.4 million. These properties were contributed to the WBJV under the terms of the original WBJV agreement and the Company's cost for these properties is included in its deferred costs for the WBJV.

During the year ended August 31, 2008 the Company purchased surface rights adjacent to the WBJV Project 1 deposit area measuring 216.27 hectares for an amount of Rand 8.0 million (approx. C\$1.09 million). During the 2008 year the Company also entered into a legally binding agreement for the purchase of surface rights directly over a portion of the WBJV Project 1 deposit area measuring 358.79 hectares for an amount of Rand 15.07 million (approx. C\$2.07 million). Prior to August 31, 2008 the Company paid a 10% deposit of Rand 1.507 million (approx. C\$0.20 million) for this property and the balance of Rand 13.562 million (approx. C\$1.953 million) was accrued as a payable at August 31, 2008 and later paid in March 2009 to initiate statutory registration of the surface rights in the Company's name. The rights to these two properties are to the benefit of the Company only and are distinct from the 365.64 hectare Elandsfontein Farm held for the benefit of the WBJV as described above.

**8. SHARE CAPITAL**

(a) *Authorized*

Unlimited common shares without par value

(b) *Issued and outstanding*

At August 31, 2009 there were 92,815,667 shares outstanding.

During the year ended August 31, 2009:

- (i) the Company closed a brokered placement on June 16, 2009 for gross proceeds of \$35,002,020 upon the issue of 24,999,300 units at a price of \$1.40 per unit. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company. \$29,713,103 of the gross proceeds were assigned to the common shares included in the units and \$5,288,917 to the warrants. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$1.75 per warrant for 18 months from the

closing date. The Company paid the underwriters a fee of \$2,100,121 representing 6% of the aggregate gross proceeds of the offering. Other issue costs which included filing fees to the TSX and NYSE Alternext, other underwriters' expenses, and legal fees to lawyers totaled \$746,681. Net proceeds for the financing totaled \$32,155,218.

- (ii) the Company closed a non-brokered private placement on October 3 and October 7, 2008 for \$7,611,229 upon the issue of 4,910,470 common shares at a price of \$1.55 per share. A finders' fee of \$186,000 in cash and a further 60,000 shares at the offering price was paid in respect of certain of the subscriptions. Other issue costs which included filing fees to the TSX and NYSE Alternext, and legal fees to lawyers totaled \$117,148. Net proceeds for the financing totaled \$7,308,081.
- (iii) 196,650 stock options were exercised for proceeds of \$281,640.

During the year ended August 31, 2008:

- (iv) 850,000 share purchase warrants were exercised for proceeds of \$1,487,500 and 760,500 stock options were exercised for proceeds of \$821,824.
- (v) the Company issued 50,000 common shares in connection with the acquisition of mineral properties at a fair value of \$165,500. A filing fee of \$2,264 related to this issue of shares was paid by the Company.

During the year ended August 31, 2007:

- (vi) 6,333,194 share purchase warrants were exercised for proceeds of \$11,454,791 and 914,375 stock options were exercised for proceeds of \$625,575.
- (vii) the Company issued 50,000 common shares in connection with the acquisition of mineral properties at a fair value of \$230,000. A filing fee of \$2,258 related to this issue of shares was paid by the Company.

(c) *Incentive stock options*

The Company has entered into Incentive Stock Option Agreements ("Agreements") with directors, officers and employees. Under the terms of the Agreements, the exercise price of each option is set at a minimum, at the fair value of the common shares at the date of grant. Stock options granted to certain employees, directors and officers of the Company vest on average at an amount of 25% per six month period, while others vest immediately.

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The following tables summarize the Company's outstanding stock options:

Exercise Price	Number Outstanding at August 31, 2009	Weighted Average Remaining Contractual Life (Years)	Number Exercisable at August 31, 2009
1.00	1,103,625	0.47	1,103,625
1.05	37,500	0.92	37,500
1.40	1,387,000	4.95	1,387,000
1.50	9,500	1.36	9,500
1.60	1,492,000	4.13	1,492,000
1.85	175,000	1.98	175,000
1.95	50,000	4.43	50,000
2.27	10,000	4.44	10,000
2.57	885,000	2.38	885,000
4.15	150,000	3.15	112,500
4.40	850,000	3.15	637,500
	6,149,625	3.16	5,899,625

The weighted average exercise price of the exercisable options at year end was \$1.95.

Total compensation cost related to non-vested awards not yet recognized is \$156,425 and is expected to be recognized over a weighted-average period of 0.15 years.

	Number of Shares	Weighted Average Exercise Price
Options outstanding at August 31, 2007	3,545,375	1.56
Granted	1,367,500	4.23
Exercised	(760,500)	1.08
Forfeited	(294,500)	2.18
Options outstanding at August 31, 2008	3,857,875	\$ 2.56
Granted	3,279,000	1.52
Exercised	(196,650)	1.43
Forfeited	(790,600)	2.54
Options outstanding at August 31, 2009	6,149,625	\$ 2.04

During the year ended August 31, 2009 the Company granted 3,279,000 stock options to employees (2008 – 1,367,500). The Company has recorded \$2,518,108 (\$2,100,736 expensed and \$417,371 capitalized to the WBJV) of compensation expense relating to stock options granted or vested in this year (2008 - \$1,288,383 (\$580,128 expensed and \$708,255 capitalized to the WBJV)). Cash received from the exercise of stock options during the year ended August 31, 2009 was \$281,640 (2008 - \$821,824).

The Company used the Black-Scholes model to determine the grant date fair value of stock options granted. The following weighted average assumptions were used in valuing stock options granted during the year:

	2009	2008
Risk-free interest rate	2.59	4.08
Expected life of options	3.21	3.32
Annualized volatility	77.97	64.04
Dividend rate	0.00%	0.00%

(d) *Share purchase warrants*

During the year 12,537,150 purchase warrants were issued at \$1.75 as a part of the placement on June 16, 2009. These warrants have an expiry date of December 16, 2010. None of the warrants have been exercised.

**9. CAPITAL RISK MANAGEMENT**

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, contributed surplus, accumulated other comprehensive income and accumulated deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary based on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company does not currently declare or pay out dividends.

As at August 31, 2009, the Company does not have any long-term debt and is not subject to any externally imposed capital requirements.

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other price risks.

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) *Trade credit risk*

The Company is an exploration and development company, and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant trade credit risk.

(ii) *Cash and cash equivalents*

In order to manage credit and liquidity risk we invest only in term deposits with Canadian Chartered banks that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(iii) *Due from WBJV partners and due from Jogmec partner*

In order to manage credit risk management regularly reviews amounts outstanding from partners and considers recoverability.

(b) *Liquidity risk*

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The annual budget is approved by the Board of Directors.

Future exploration, development, mining, and processing of minerals from the Company's properties will require additional financing. The Company has no credit facilities in place at this time, although it is currently evaluating possible debt financing. The only other current source of funds available to the Company is the issuance of additional equity capital, which if available, may result in substantial dilution to existing shareholders. There is no assurance that such funding will be available to the Company, or that it will be obtained on terms favourable to the Company. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests.

(c) *Currency risk*

The Company's functional currency is the Canadian dollar, while its operations are in both Canada and South Africa; therefore the Company's net earnings (losses) and other comprehensive earnings (losses) are impacted by fluctuations in the value of foreign currencies in relation to the Canadian dollar. The Company's significant foreign currency exposures on financial instruments comprise cash and cash equivalents, performance bonds, due from WBJV partners, and accounts payable and accrued liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company's net loss and other comprehensive loss are affected by changes in the exchange rate between its operating currencies and the Canadian dollar. Based on this exposure a 10% change in the Canadian dollar versus Rand foreign exchange rate would give rise to a change in the loss and comprehensive loss for the period of approximately \$140,000 and \$2,000,000 respectively.

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(d) *Interest rate risk*

The Company's interest revenue earned on cash and cash equivalents and on short term investments is exposed to interest rate risk. Based on this exposure a 1% change in the average interest rate would give rise to an increase/decrease in the loss for the period of approximately \$329,657.

(e) *Other price risks*

The Company is exposed to equity price risk as a result of holding marketable securities in other exploration and mining companies (see Note 4). These available for sale equities are valued at their fair market values as at the balance sheet date, with any unrealized gain or loss recorded in other comprehensive income or loss for the period.

## 11. RELATED PARTY TRANSACTIONS

Transactions with related parties are as follows:

- (a) During the year, \$460,967 (2008 - \$524,807) were paid to directors for salary, consulting and Director's fees. At August 31, 2009, \$45,308 was included in accounts payable (2008 - \$75,000).
- (b) The Company received \$135,951 (2008 - \$135,895) during the year from MAG Silver Corp. ("MAG"), a company with two directors in common and an officer in common. Amounts receivable at the end of the year includes an amount of \$4,404 (2008 - \$1,819 due from MAG). The Company has been notified by MAG that this agreement will be terminated with effect at December 31, 2009.
- (c) During the year the Company accrued or received payments of \$38,000 (2008 - \$108,000) from West Timmins Mining Inc. ("WTM"), a company with three directors in common and an officer in common, for administrative services. Amounts receivable at the end of the year includes an amount of \$12,768 (2008 - \$997 due from WTM). The Company has been notified by WTM that this agreement will be terminated with effect at December 15, 2009 due to the amalgamation by plan of arrangement between Lakeshore Gold and WTM.
- (d) The Company entered into an office lease agreement with Anthem Works Ltd. ("Anthem"), a company with a director in common in 2005. During the year ended August 31, 2009 the Company accrued or paid Anthem \$86,849 under the office lease agreement (2008 - \$88,382).

All amounts in Amounts receivable and Accounts payable owing to or from related parties are non-interest bearing with no specific terms of repayment.

These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the noted parties.

## 12. CONTINGENCIES AND COMMITMENTS

The Company's remaining minimum payments under its office and equipment lease agreements, which it has entered into for the years ending on August 31, as well as PTM RSA's commitments, are as follows:

August 31, 2010	66,009
August 31, 2011	10,162
August 31, 2012	1,694
	<u>\$ 77,865</u>

## 13. SUPPLEMENTARY CASH FLOW INFORMATION

*Net change in non-cash working capital*

	Year Ended Aug. 31, 2009	Year Ended Aug. 31, 2008	Year Ended Aug. 31, 2007
Amounts receivable	\$ (253,844)	\$ 103,401	\$ (69,073)
Prepaid expenses and other	41,263	(6,620)	(21,308)
Accounts payable	(142,720)	156,029	228,492
	<u>\$ (355,301)</u>	<u>\$ 252,810</u>	<u>\$ 138,111</u>

## 14. SEGMENTED INFORMATION

The Company operates in one operating segment, that being exploration on mineral properties. Segmented information presented on a geographic basis follows:

### Assets

	August 31, 2009	August 31, 2008
Canada	\$ 37,143,005	\$ 4,878,509
South Africa	29,927,793	27,614,075
	<u>\$ 67,070,798</u>	<u>\$ 32,492,584</u>

Substantially all of the Company's capital expenditures are made in the South African geographical segment.

### Results of Operations

	Year Ended Aug. 31, 2009	Year Ended Aug. 31, 2008	Year Ended Aug. 31, 2007
Canada	\$ (5,478,509)	\$ (3,464,337)	\$ (5,056,329)
South Africa	(1,484,875)	(1,622,252)	(1,701,794)
	<u>\$ (6,963,384)</u>	<u>\$ (5,086,589)</u>	<u>\$ (6,758,123)</u>

**15. INCOME TAXES**

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax provision due to the following:

	<u>2009</u>	<u>2008</u>
Statutory tax rates	<b>30.17%</b>	32%
Recovery of income taxes computed at statutory rates	\$ 2,203,883	\$ 1,775,959
Changes in valuation allowance	<b>(864,210)</b>	(683,415)
Effect of lower tax rates in foreign jurisdictions	<b>(32,699)</b>	(66,007)
Non-deductible expenses	<b>(638,247)</b>	(195,057)
Other	<b>(350,717)</b>	(405,531)
Future income tax recovery	<b>\$ 318,010</b>	\$ 425,949

The approximate tax effect of the temporary differences that gives rise to the Company's future income tax assets and liability are as follows:

	<u>2009</u>	<u>2008</u>
Future income tax assets		
Operating loss carryforwards	\$ 4,298,432	\$ 3,460,884
Fixed assets	<b>55,063</b>	45,435
Mineral properties and investment in WBJV	<b>4,346,454</b>	3,117,271
Share issuance costs	<b>691,422</b>	117,802
	<b>9,391,371</b>	6,741,392
Valuation allowance on future income tax assets	<b>(8,647,412)</b>	(6,315,443)
	<b>\$ 743,959</b>	\$ 425,949
Future income tax liability		
Investment in WBJV	<b>(455,209)</b>	(289,749)
Marketable securities	<b>(288,750)</b>	(136,200)
	<b>\$ (743,959)</b>	\$ (425,949)
	<b>\$ -</b>	\$ -
Movement for the year		
Investment in WBJV	<b>(165,460)</b>	(289,749)
Marketable securities	<b>(152,550)</b>	(136,200)
	<b>\$ (318,010)</b>	\$ (425,949)

At August 31, 2008, the Company has non-capital loss carry forwards available to offset future taxable income in Canada of \$17 million, which expire at various dates from 2010 to 2029.

**16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

These consolidated financial statements have been prepared in accordance with Canadian GAAP, which differs in certain respects from US GAAP. The significant differences between Canadian and US GAAP affecting the Company's consolidated financial statements are summarized as follows:

**Consolidated Balance Sheets**

	Aug. 31, 2009	Aug. 31, 2008
Total assets under Canadian GAAP	\$ 67,070,797	\$ 32,492,583
Decrease due to lower investment in WBJV (a)	(16,578,389)	(16,257,714)
Decrease in mineral properties due to expensing of exploration costs (b)	(4,876,785)	(4,644,988)
<b>Total assets under US GAAP</b>	<b>\$ 45,615,623</b>	<b>\$ 11,589,881</b>
<b>Total liabilities under Canadian GAAP and US GAAP</b>	<b>\$ 861,041</b>	<b>\$ 2,875,761</b>
Shareholders' equity under Canadian GAAP	66,209,756	29,616,822
Cumulative mineral properties adjustment for WBJV (a)	(18,760,215)	(18,760,215)
Cumulative mineral properties adjustment (b)	(4,876,785)	(4,644,988)
Cumulative translation adjustment (a)	2,181,826	2,502,501
<b>Shareholders' equity under US GAAP</b>	<b>44,754,582</b>	<b>8,714,120</b>
<b>Total liabilities and shareholders' equity under US GAAP</b>	<b>\$ 45,615,623</b>	<b>\$ 11,589,881</b>

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**Consolidated Statements of Operations**

	<b>Year ended August 31, 2009</b>	Year ended August 31, 2008	Year ended August 31, 2007	Cumulative from March 16, 2000 to August 31, 2009 (unaudited)
Net loss under Canadian GAAP	\$ (6,963,384)	\$ (5,086,589)	\$ (6,758,123)	\$ (32,472,900)
Mineral property costs written off	-	-	1,101,649	4,101,556
Adjustment for exploration expenditures incurred in WBJV (a)	-	(5,881,821)	(3,625,104)	(18,470,466)
Exploration expenditures (b)	(231,797)	(388,973)	(755,643)	(8,978,341)
Future income taxes - marketable securities (c)	(152,550)	(136,200)	-	(288,750)
Future income taxes - stock based compensation (d)	-	(289,749)	-	(1,427,844)
Other historical differences	-	-	-	673,605
<b>Net loss under US GAAP</b>	<b>\$ (7,347,731)</b>	<b>\$ (11,783,332)</b>	<b>\$ (10,037,221)</b>	<b>\$ (56,863,140)</b>
Basic and diluted loss per common share under US GAAP	\$ (0.10)	\$ (0.19)	\$ (0.17)	

**Consolidated Statements of Cash Flows**

	<b>Year ended August 31, 2009</b>	Year ended August 31, 2008	Year ended August 31, 2007	Cumulative from March 16, 2000 to August 31, 2009 (unaudited)
Operating activities				
Operating activities under Canadian GAAP	\$ (5,418,738)	\$ (4,547,428)	\$ (3,682,561)	\$ (22,075,121)
Deferred exploration (a)(b)	(231,797)	(7,594,871)	(4,587,470)	(27,394,957)
<b>Operating activities under US GAAP</b>	<b>\$ (5,650,535)</b>	<b>\$ (12,142,299)</b>	<b>\$ (8,270,031)</b>	<b>\$ (49,470,078)</b>
Financing activities				
Financing activities under Canadian and US GAAP	\$ 39,733,466	\$ 2,232,359	\$ 12,056,061	\$ 91,973,241
Investing activities				
Investing activities under Canadian GAAP	\$ (3,128,914)	\$ (8,574,127)	\$ (5,771,234)	\$ (36,932,435)
Deferred exploration (a)(b)	231,797	7,594,871	4,587,470	27,394,957
<b>Investing activities under US GAAP</b>	<b>\$ (2,897,117)</b>	<b>\$ (979,256)</b>	<b>\$ (1,183,764)</b>	<b>\$ (9,537,478)</b>

(a) *Investment in WBJV*

Under Canadian and US GAAP the Company accounts for its working interest in the WBJV as an investment in the WBJV. Under Canadian GAAP these expenditures are capitalized to the investment in WBJV. Under US GAAP, exploration expenditures on mineral property costs can only be deferred subsequent to the establishment of mining reserves as defined under SEC regulations.

As disclosed in Note 5 the Company published a Feasibility Study for the WBJV late in the 2008 fiscal year. The study defined mining reserves and, as a consequence, exploration and development costs relating to this investment have since been deferred under US GAAP, since September 1, 2008. The carrying amount, however, is affected by foreign exchange translation.

(b) *Exploration expenses*

Canadian GAAP allows exploration costs to be capitalized during the search for a commercially mineable body of ore if the Company considers such costs to have the characteristics of fixed assets. Under US GAAP, exploration expenditures on mineral property costs can only be deferred subsequent to the establishment of mining reserves as defined under SEC regulations. For US GAAP purposes the Company has expensed exploration expenditures in the period incurred. The Company believes that these cash expenditures under US GAAP are also more appropriately classified as cash operating activities as they were funded by the Company in the respective periods.

(c) *Marketable securities*

Prior to September 1, 2007, the accounting for the Company's marketable securities was different under US GAAP compared with the accounting under Canadian GAAP. Effective September 1, 2007, the Company adopted CICA Section 3855, *Financial Instruments*, which requires financial instruments to be carried in the financial statements at fair value. The Company accounts for marketable securities as available for sale financial instruments and carries them at fair value which is consistent with US GAAP. However, the accounting for future income taxes with respect to the fair value adjustments is different under Canadian and US GAAP. Under Canadian GAAP, the Company recorded a future income tax liability of \$281,100 with a corresponding amount recorded to accumulated other comprehensive income. Offsetting this, under Canadian GAAP the Company adjusted the valuation allowance for future income tax assets by \$281,100 and recorded a future income tax recovery of \$281,100 in the statement of operations. Under US GAAP, the adjustment to the valuation allowance would have been recorded to accumulated other comprehensive income.

During the year ended August 31, 2009, increases in the fair value of the Company's marketable securities resulted in increases in the future tax liability of \$152,550 and required the Company to increase its valuation allowance for future income tax assets and accordingly the Company recorded income tax expense of \$152,550 (2008: income tax recovery of \$136,200)

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for Canadian GAAP purposes in the statement of operations. For US GAAP purposes the Company recorded an adjustment to increase future tax expense by \$152,550 (2008: increase future tax expense by \$136,200) with a corresponding decrease to other comprehensive income.

SFAS No. 130, *Reporting Comprehensive Income*, requires that an enterprise report, by major components and as a single total, the change in its net assets during the period from non-owner sources. The impact of SFAS No. 130 on the Company's financial statements is as follows:

	<b>Year ended August 31, 2009</b>	Year ended August 31, 2008	Year ended August 31, 2007
Net loss under US GAAP	\$ (7,347,731)	\$ (11,783,332)	\$(10,037,221)
Other comprehensive income (loss):			
Unrealized gain (loss) on marketable securities	1,017,002	(966,001)	1,520,001
Translation adjustment	108,145	(76,208)	(349,437)
<b>Comprehensive net loss under US GAAP</b>	<b>\$ (6,222,584)</b>	<b>\$ (12,825,541)</b>	<b>\$ (8,866,657)</b>

(d) *Future income taxes on stock based compensation*

Under Canadian GAAP an income tax recovery is recorded in the statement of operations when eligible stock based compensation is capitalized against an asset, with the corresponding entry recorded against the asset. However, under US GAAP, the Company expenses all exploration expenditure prior to establishing mining reserves, including stock based compensation (refer to note 16(a) above for further discussion). Therefore, any income tax recovery recorded under Canadian GAAP is derecognized for US GAAP purposes until mining reserves are established.

(e) *Fair Value Measurements*

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurement" to define fair value, establish a framework for measuring fair value and to expand disclosures about fair value measurements. The statement only applies to fair value measurements that are already required or permitted under current accounting standard and is effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The adoption of SFAS 157 for financial instruments as required at September 1, 2008 did not have a material effect on the company's results of operations or financial position. The company will adopt SFAS 157 for non financial assets and non-financial liabilities on September 1, 2009, as required. The Company is currently assessing the impact of SFAS No. 157 on its future disclosures.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") including an amendment of FASB Statement No. 115. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of

this Statement apply only to entities that elect the fair value option. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and was applicable beginning in the Company's first quarter ended November 30, 2008. The adoption of SFAS 159 did not have a material impact on the Company's results.

(f) Impact of Recent United States Accounting Pronouncements

(i) *FASB Accounting Standard Codification ("ASC") No. 805, Business Combinations ("ASC 805")*

ASC 805, *Business Combinations* improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. This Statement establishes principles and requirements for how the acquirer recognizes and measures the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Since ASC 805 will only be applicable to future business combinations, it will not have a significant effect on the Company's financial position, results of operations or cash flows prior to such acquisitions.

(ii) *FASB Accounting Standard Codification ("ASC") No. 810, Consolidation ("ASC 810")*

In December 2007, the FASB issued ASC 810, "*Consolidation*". ASC 810 establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This Standard clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. ASC 810 changes the way the consolidated earnings (loss) statement is presented by requiring consolidated net earnings (loss) to be reported including the amounts attributable to both the parent interest and the non-controlling interest. The Standard requires disclosure on the face of the consolidated statement of operations of the amounts of consolidated net earnings (loss) attributable to the parent interest and to the non-controlling interest. ASC 810 is effective for fiscal periods, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company expects that the adoption of ASC 810 will not have significant effect on the Company's financial position, results of operations or cash flows.

(iii) *FASB Accounting Standard Codification ("ASC") No. 815, Derivatives and Hedging ("ASC 815")*

The FASB issued ASC 815, *Derivatives and Hedging*, which revises disclosure requirements for derivative instruments and hedging activities. It requires disclosure by sellers of credit derivatives, including credit derivatives

embedded in a hybrid instrument and requires an additional disclosure about the current status of the payment/performance risk of a guarantee. The Standard is effective for financial statements issued for years beginning after November 15, 2008 and interim periods within those years. The company is currently assessing the impact of ASC 815 on its future disclosures.

- (iv) *FASB Accounting Standard Codification ("ASC") No. 855, Subsequent events ("ASC 855")*

The FASB issued ASC 855, *Subsequent events*, which establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This Standard is effective for interim or annual periods ending after June 15, 2009 and its adoption had no impact on the Company's financial statements.

- (v) *FASB Accounting Standards Codification ("ASC") No. 105, Generally Accepted Accounting Principles ("ASC 105")*

The FASB issued ASC 105, *Generally Accepted Accounting Principles*, which identifies the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities presented in conformity with US GAAP. It is effective for interim and annual periods ending after September 15, 2009. The adoption of this Standard will be applied prospectively.

- (vi) *FSAB Accounting Standards Codification ("ASC") 825, Financial Instruments ("ASC 825")*

The FASB issued ASC 825, *Financial Instruments*, which requires disclosures about fair value of financial instruments in interim financial statements of public companies (rather than just annually), and requires those disclosures in summarized financial information at interim periods. ASC 825 is effective for periods ending after June 15, 2009. The adoption of this Standard had no significant impact of the Company's financial statements.

- (vii) *FSAB Accounting Standards Codification ("ASC") 325 – Investments – Other ("ASC 325")*

ASC 325, *Investments – Other*, is effective for interim and annual reporting periods ending after December 15, 2008. The goal is to achieve a more consistent determination of whether an other-than-temporary impairment has occurred and reemphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in ASC 815. The adoption of this Standard had no impact on the Company's results of operations and financial position.

*(viii) FASB Accounting Standards Codification ("ASC") 820 – Fair Value Measurements and Disclosures ("ASC 820")*

This Standard provides additional guidance to highlight and expands on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. The Standard is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. In the period of adoption, a reporting entity must disclose any changes in valuation techniques and related inputs resulting from the application of this Standard, and quantify the total effect of the change in valuation techniques and related inputs, if practicable, by major category. The adoption of this Standard had no impact on the Company's results of operations and financial position.

*(ix) FASB Accounting Standards Codification ("ASC") 320 – Investments – Debt and Equity disclosures ("ASC 320")*

ASC 320 changed (1) the method for determining whether an other-than-temporary impairment exists for debt securities and (2) the amount of an impairment charge to be recorded in earnings. The Standard is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. In the period of adoption, an entity must provide the disclosures required by FASB Statement No. 154, *Accounting Changes and Error Corrections*, for changes in accounting principles. The adoption of this Standard had no impact on the Company's results of operations and financial position.

*(g) Development stage enterprise*

The Company meets the definition of a development stage enterprise under Statement of Financial Accounting Standards (SFAS) No. 7, Accounting and Reporting by Development Stage Enterprises. The following additional disclosures are required under U.S. GAAP:

Consolidated summarized statements of operations and cash flows since March 16, 2000, the date the Company commenced operations.

Consolidated operations:

	Period from March 16, 2000 (inception) to August 31, 2009
Exploration expenditures incurred in WBJV	\$ 18,470,466
Exploration expenditures	8,978,341
General administrative, salaries and other	<u>29,414,333</u>
Ending deficit, August 31, 2009	<u>\$ 56,863,140</u>

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Consolidated cash flows:

	Period from March 16, 2000 (inception) to August 31, 2009
Operating activities	\$ (49,470,078)
Investing activities	(9,537,478)
Financing activities	<u>91,973,241</u>
Cash and cash equivalents - August 31, 2009	<u>\$ 32,965,685</u>

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	Common shares without par value Amount	Obligation to issue shares	Flow-through special warrants Amount	Contributed surplus	Accumulated other comprehensive income	Deficit accumulated during exploration & development stage	Total shareholders' equity
Issued for cash	\$ 89,000	\$ -	\$ 521,000	\$ -	\$ -	\$ -	\$ 610,000
Issued for mineral properties	-	20,000	-	-	-	-	20,000
Net Loss	-	-	-	-	-	(270,435)	(270,435)
Balance, August 31, 2000	89,000	20,000	521,000	-	-	(270,435)	359,565
Issued for cash	1,356,532	-	1,107,771	-	-	-	2,464,303
Issued upon exercise of share purchase warrants	1,100	-	-	-	-	-	1,100
Issued for mineral properties	57,050	(17,400)	-	-	-	-	39,650
Issued upon exercise of special warrants	521,000	-	(521,000)	-	-	-	-
Issued upon exercise of flow through special warrants	1,107,771	-	(1,107,771)	-	-	-	-
Stock options granted	-	-	-	1,250	-	-	1,250
Net loss	-	-	-	-	-	(960,202)	(960,202)
Balance at August 31, 2001	3,132,453	2,600	-	1,250	-	(1,230,637)	1,905,666
Issuance of common shares for cash	1,951,135	-	-	-	-	-	1,951,135
Issued for mineral properties	36,509	(2,600)	-	-	-	-	33,909
Issued to acquire New Millennium Metals	1,310,385	-	-	-	-	-	1,310,385
Unrealized loss on marketable securities	-	-	-	-	(18,450)	-	(18,450)
Stock options granted	-	-	-	428,747	-	-	428,747
Net loss	-	-	-	-	-	(2,466,754)	(2,466,754)
Balance at August 31, 2002	6,430,482	-	-	429,997	(18,450)	(3,697,391)	3,144,638
Issuance of flow-through common shares for cash	678,589	-	-	-	-	-	678,589
Issuance of common shares for cash	1,411,342	-	-	-	-	-	1,411,342
Issued on exercise of mineral property option	200,062	-	-	-	-	-	200,062
Issued on exercise of warrants	233,389	-	-	-	-	-	233,389
Issued on exercise of stock options	35,075	-	-	-	-	-	35,075
Issued for mineral properties	16,140	-	-	-	-	-	16,140
Unrealized gain (loss) on marketable securities	-	-	-	-	66,000	-	66,000
Stock options granted	-	-	-	(63,406)	-	-	(63,406)
Tax effect of flow-through shares issued	-	-	(177,203)	-	-	-	(177,203)
Net loss	-	-	-	-	-	(2,580,499)	(2,580,499)
Balance at August 31, 2003	9,005,079	-	(177,203)	366,591	47,550	(6,277,890)	2,964,127
Issuance of flow-through common shares for cash	1,267,200	-	-	-	-	-	1,267,200
Issuance of common shares for cash	3,226,590	-	-	-	-	-	3,226,590
Issued on exercise of warrants	1,428,406	-	-	-	-	-	1,428,406
Issued on exercise of stock options	59,200	-	-	-	-	-	59,200
Issued for mineral properties	3,600	-	-	-	-	-	3,600
Unrealized gain (loss) on marketable securities	-	-	-	-	262,072	-	262,072
Stock options granted	-	-	-	218,391	-	-	218,391
Tax effect of flow-through shares issued	-	-	(85,398)	-	-	-	(85,398)
Net loss	-	-	-	-	-	(4,766,913)	(4,766,913)
Balance at August 31, 2004	14,990,075	-	(262,601)	584,982	309,622	(11,044,803)	4,577,275
Issuance of flow-through common shares for cash	259,901	-	-	-	-	-	259,901
Issuance of common shares for cash	5,441,078	-	-	-	-	-	5,441,078
Issued on exercise of warrants	2,272,462	-	-	-	-	-	2,272,462
Issued on exercise of stock options	521,873	-	-	(13,022)	-	-	508,851
Issued for mineral properties	28,000	-	-	-	-	-	28,000
Unrealized gain (loss) on marketable securities	-	-	-	-	(289,000)	-	(289,000)
Stock options granted	-	-	-	109,434	-	-	109,434
Tax effect of flow-through shares issued	-	-	(52,061)	-	-	-	(52,061)
Net loss	-	-	-	-	-	(8,112,593)	(8,112,593)
Balance at August 31, 2005	23,513,389	-	(314,662)	681,394	20,622	(19,157,396)	4,743,347
Issuance of common shares for cash	14,898,656	-	-	-	-	-	14,898,656
Issued on exercise of warrants	1,181,305	-	-	-	-	-	1,181,305
Issued on exercise of stock options	165,418	-	-	(47,670)	-	-	117,748
Issued for mineral properties	40,000	-	-	-	-	-	40,000
Translation adjustment	-	-	-	-	(658,380)	-	(658,380)
Unrealized gain (loss) on marketable securities	-	-	-	-	333,375	-	333,375
Stock options granted	-	-	-	160,376	-	-	160,376
Tax effect of flow-through shares issued	-	-	(80,755)	-	-	-	(80,755)
Net loss	-	-	-	-	-	(8,537,460)	(8,537,460)
Balance, August 31, 2006	39,798,768	-	(395,417)	794,100	(304,383)	(27,694,856)	12,198,212
Issued on exercise of warrants	11,454,791	-	-	-	-	-	11,454,791
Issued on exercise of stock options	892,557	-	-	(266,982)	-	-	625,575
Issued for mineral properties net of costs	227,742	-	-	-	-	-	227,742
Unrealized loss on marketable securities	-	-	-	-	1,520,001	-	1,520,001
Stock options granted	-	-	-	1,487,660	-	-	1,487,660
Translation adjustment	-	-	-	-	196,444	-	196,444
Tax effect of flow-through shares issued	-	-	105,514	-	-	-	105,514
Net loss	-	-	-	-	-	(10,037,221)	(10,037,221)
Balance, August 31, 2007	52,373,858	-	(289,903)	2,014,778	1,412,062	(37,732,077)	17,778,718

**Platinum Group Metals Ltd.**  
(An exploration and development stage company)  
**Notes to the consolidated financial statements**  
For the year ended August 31, 2009

	Common shares without par value Amount	Obligation to issue shares	Flow-through special warrants Amount	Contributed surplus	Accumulated other comprehensive income	Deficit accumulated during exploration & development stage	Total shareholders' equity
Balance, August 31, 2007	52,373,858	-	(289,903)	2,014,778	1,412,062	(37,732,077)	17,778,718
Issued on exercise of warrants	1,487,500	-	-	-	-	-	1,487,500
Issued on exercise of stock options	1,334,748	-	-	(512,924)	-	-	821,824
Issued for mineral properties net of costs	163,236	-	-	-	-	-	163,236
Translation adjustment	-	-	-	-	(76,208)	-	(76,208)
Unrealized loss on marketable securities	-	-	-	-	(966,001)	-	(966,001)
Stock options granted	-	-	-	1,288,383	-	-	1,288,383
Net loss	-	-	-	-	-	(11,783,332)	(11,783,332)
Balance, August 31, 2008	55,359,342	-	(289,903)	2,790,237	369,853	(49,515,409)	8,714,120
Issuance of common shares for cash	34,174,382	-	-	5,288,917	-	-	39,463,299
Issued on exercise of stock options	411,592	-	-	(129,952)	-	-	281,640
Translation adjustment	-	-	-	-	108,145	-	108,145
Unrealized loss on marketable securities	-	-	-	-	1,017,002	-	1,017,002
Stock options granted	-	-	-	2,518,107	-	-	2,518,107
Net loss	-	-	-	-	-	(7,347,731)	(7,347,731)
Balance, August 31, 2009	89,945,316	-	(289,903)	10,467,309	1,495,000	(56,863,140)	44,754,582

## 17. SUBSEQUENT EVENTS

During September 2009 the Company was granted prospecting rights for a 118 square kilometre area named the Waterberg Project north of the known North Limb of the Bushveld Complex. The Company holds an initial 74% interest in the project and a private South African BEE firm holds a 26% interest. Magnetic, gravity, and general trends all indicate that the North Limb extends under shallow cover in this area and initial geochemical sampling confirms this interpretation. The Company subsequently entered into a farm-in agreement with JOGMEC for this project whereby JOGMEC can earn a 37% project interest (one half of the Company's interest) by funding \$3.2m in exploration expenditures over a 4 year period. The Company will carry out exploration programs for the project and this work will commence shortly.

All material subsequent events are considered in these Financial Statements to November 23, 2009.



Platinum Group Metals Ltd.  
(Exploration and Development Stage Company)  
Supplementary Information and MD&A  
For the year ended August 31, 2009

Dated: November 30, 2009

*A copy of this report will be provided to any shareholder who requests it.*

#### **NOTE REGARDING FORWARD -LOOKING STATEMENTS:**

This report contains forward-looking statements, being all statements that are not historical facts, including, without limitation, statements regarding our future plans and activities, anticipated developments on our properties, the potential for mineral production, results of permit applications and future commodity markets. In addition, estimates of resources may be forward-looking statements to the extent they represent estimates of mineralization that will be encountered if a property is developed. Forward-looking statements are necessarily based on a number of estimates and assumptions. There can be no assurance that our forward-looking statements will be accurate. Factors that could cause results to differ materially from those expressed in our forward-looking statements include the actual results of further exploration and development, financing risks, the risk of currency and commodity price fluctuations, execution risk, political risk, and the other risks set forth in our most recent annual information form filed with the Canadian provincial securities regulators and the Company's most recent annual report on Form 40-F filed with the SEC, which are available at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), respectively. You should not place undue reliance upon our forward-looking statements. We disclaim any responsibility to update our forward-looking statements.

#### **NOTE TO U.S. INVESTORS REGARDING RESOURCE ESTIMATES:**

All resource estimates contained in this report have been prepared in accordance with National Instrument 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System in compliance with Canadian securities laws, which differ from the requirements of United States securities laws. Without limiting the foregoing, this report uses the terms "measured resources", "indicated resources" and "inferred resources". U.S. investors are advised that, while such terms are recognized and required by Canadian securities laws, the U.S. Securities and Exchange Commission ("SEC") does not recognize them. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. U.S. investors are cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Information concerning descriptions of mineralization and resources contained in this report may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

# Management Discussion and Analysis

## 1. DESCRIPTION OF BUSINESS

Platinum Group Metals Ltd. (the "Company" or "Platinum Group") is a British Columbia corporation incorporated on February 18, 2002 by an order of the Supreme Court of British Columbia approving an amalgamation between Platinum Group Metals Ltd. and New Millennium Metals Corporation ("New Millennium"). The Company is an exploration and development company conducting work primarily on mineral properties it has staked or acquired by way of option agreement in the Republic of South Africa and Ontario, Canada. The Company completed a definitive Feasibility Study in July 2008 and an Updated Feasibility Study in October 2009 with respect to its Western Bushveld Joint Venture ("WBJV") in the Republic of South Africa. Included in each Study is a declaration of reserves at the time of publication.

The Company defers all acquisition, exploration and development costs related to mineral properties. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the property, and any future profitable production; or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

This management discussion and analysis ("MD&A") of the Company focuses on the financial condition and results of operations of the Company for the period ended August 31, 2009. It is prepared as of November 23, 2009 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended August 31, 2009 together with the notes thereto.

All references herein to "dollars" or "\$" refer to Canadian dollars unless otherwise stated.

## 2. DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

### a) Results of Operations

Any reference to "period" refers to the year ended August 31, 2009.

At August 31, 2009 the Company had cash, cash equivalents and short term investments on hand of \$32,965,685 as compared to \$1,779,871 on August 31, 2008. The Company was owed \$988,880 by the WBJV partners for WBJV expenditures at year end. Accounts payable at year end totaled \$861,041 (2008 - \$2,875,761); of this amount, \$83,516 was payable against legal costs, \$38,369 was due for advisory and consulting expenses and \$150,000 was payable for audit fees. The balance of accounts payable related to overhead and administrative costs. The Company also held marketable securities at period end with a fair value of \$2,135,002 (2008 - \$1,118,000).

During the period the Company incurred a net loss before taxes of \$7,281,394 (2008 - \$5,512,538). Before a non-cash charge for stock based compensation of \$2,100,736 (2008 - \$580,128), and including net interest earned of \$139,548 (2008 - \$243,339),

general and administrative expenses totaled \$5,180,658 (2008 - \$4,932,410). The \$248,248 increase in general and administrative expenses over the comparative year is explained for the most part by a \$109,218 increase in professional fees (\$973,425 in 2008 vs. \$1,082,643 in 2009); an increase of \$171,057 in shareholder relations expenses (\$128,340 in 2008 vs. \$299,397 in 2009); and a \$269,639 increase in salaries and benefits (\$1,345,722 in 2008 vs. \$1,615,361 in 2009). Professional fees increased during the period as a result of the Company's use of legal advisors during negotiations to execute definitive agreements with Anglo Platinum and Wesizwe Platinum and the engagement of the Royal Bank of Canada as a strategic advisor. Shareholder relations expense and management and consulting fees increased as new staff were engaged to handle additional communication requirements during the volatile and negative market events of late 2008. Offsetting some of these increased expenses were savings on other expense items as well as foreign exchange gains of \$322,833 (2008 - loss of \$37,340) and cost recoveries. Travel expenses decreased by \$290,726 from \$859,139 in 2008 to \$568,413 in 2009 and filing and transfer agent fees decreased by \$29,877 from \$152,853 in 2008 to \$122,976 in 2009.

Apart from net interest of \$139,548 (2008 - \$243,339) earned on cash deposits during the year and cost recoveries from partners of \$199,015 (2008 - \$243,895), the Company had no significant revenues. In October 2008 the Company closed a non-brokered private placement for net cash proceeds of \$7,308,081, and in June 2009 the Company closed a brokered offering for net cash proceeds of \$32,155,218. In a short form prospectus dated June 10, 2009, the Company estimated that net proceeds received by the Company from the offering would be between \$29,732,827 and \$34,234,001 dependent upon the Over-Allotment Option. The Company noted its intentions in the short form prospectus for use of proceeds as approximately \$28,000,000 of the net proceeds to pay Anglo Platinum pursuant to the WBJV Restructuring, for the equalization of ounces contributed by Anglo Platinum to the WBJV pursuant to the WBJV Restructuring. The remainder of the net proceeds will be used for general working capital. The payment for equalization has been calculated at November 16, 2009 using current exchange rates as approximately \$27 million.

Total global exploration and engineering expenditures for the Company's account, including the Company's share of WBJV expenditures during the year, totaled \$1,468,188 (2008 - \$6,733,094). Of this amount \$1,236,391 was for the WBJV (2008 - \$6,132,281) and \$231,797 was for other exploration (2008 - \$600,813). Total WBJV expenditures during the year by all WBJV partners amounted to \$2,352,769 (2008 - \$17,359,357).

Activities for the WBJV have included research and data review, prospecting, mapping, detailed engineering, drilling of project areas, geophysical studies, geotechnical work, metallurgical studies and mine plan and scheduling work.

On January 10, 2007, the Company completed a positive pre-feasibility study for the Project 1 area of the WBJV. During 2007 the WBJV then commissioned a Feasibility Study for the Project 1 area of the WBJV, which was completed and delivered to the partners of the WBJV on June 30, 2008.

An Updated Feasibility Study and revised resource estimation for the Project 1 area of the WBJV was announced October 8, 2009 entitled "Technical Report (Updated Feasibility Study) Western Bushveld Joint Venture Project 1 (Elandsfontein and Frischgewaagd)" and was filed by the Company on [www.sedar.com](http://www.sedar.com) on November 25,

2009. The revised resource estimation indicates that measured and indicated resources have increased as a result of further drilling in the Project 1 & 1A areas. These upgraded ounces have not yet been included in the mineable Reserves of the Updated Feasibility mine plan.

The Updated Feasibility Study recommends a series of five simultaneous declines accessing the deposit with a mining rate of up to 156,000 reef tonnes per month, which provides 13 years of steady state tonnage production. First ore is reached by development 13 months from the commencement of underground work. Mining is only scheduled on the reserves. There are further defined resources in the Project 1 area which represent additional production potential. The mining and development plan includes conventional hand held drilling utilizing electrical drills and scraper winch cleaning.

The Project 1 mine design as described in the Updated Feasibility Study involves the construction of a platinum mine and concentrator to produce approximately 275,000 ounces of combined platinum, palladium, rhodium and gold ("4E") in concentrate per year steady state for 9 years with a 22 year total underground mine life. The capital cost for the mine and concentrator complex were estimated at R3.55 billion (approximately \$505 million at the time of writing) for peak funding and R4.76 billion (approximately \$677 million at the time of writing) for life of mine funding. The current peak funding capital cost estimate is approximately R500 million (approximately \$71 million) lower than the July 2007 estimate, primarily due to the reduction in capital costs resulting in a design change from 100% diesel self electrical generation capacity to a 25% stand by capacity as well as from improved mine development planning.

Results of the Updated Feasibility Study show a 23.54% Internal Rate of Return (pre-tax) Base Case, using 3 year trailing metal prices to September 2009, calculated on the monthly averages including US\$1,343 per ounce for platinum. The Updated Feasibility Study model does not include escalation due to inflation of costs or metal prices.

Details of the Company's Revised Attributable Reserves and Resources from the Updated Feasibility Study are shown below at Item 2d. "Exploration Programs and Expenditures".

The Company also maintains two other projects in South Africa on the North Limb of the Bushveld Complex, Tweespalk and War Springs, both currently the subject of renewed consideration. During 2008 the Company conducted new soil and geological surveys on the War Springs project. On March 17, 2008 the Company published a revised and updated resource calculation for the War Springs project based on drilling and exploration work conducted in the last three years. (See Item 2d. "Exploration Programs and Expenditures" below). On March 5, 2009 the Company announced an agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC"), an incorporated administrative institution of the Government of Japan, whereby they may earn up to a 35% interest in the Company's rights to the War Springs project for an optional work commitment of US\$10 million over 5 years. The first year firm commitment of US\$500,000 was completed with approximately 4,102 metres drilled to March 31, 2009. Drilling was undertaken after March 31<sup>st</sup> and a further 840 metres were drilled to August 31, 2009. Total expenditures incurred by JOGMEC to August 31, 2009 amounted to approximately \$795,926. At November 20, 2009 two drills were operating on the War Springs project area funded by JOGMEC. Further work programs for the War Springs project in later 2009 and into 2010 are currently being planned.

During the period the Company has conducted a new business generative program. Research and implementation, including the staking of several new license areas on or near to the Bushveld Complex, has cost approximately \$51,029. The Company has received the grant of several new prospecting permits as a result of this work and several more are expected in the months ahead.

The Company has conducted small work programs on its Canadian projects during 2008 and 2009. A 1,125 metre drill program was completed on the Company's Lac Des Iles project in the first quarter of 2008 and a further 978 metres was completed in February of 2009. The Company maintains a large mineral rights position in the Lac des Iles area north of Thunder Bay as a strategic holding against potentially increasing prices for palladium and platinum. Encouraging exploration results for palladium, platinum, nickel and copper continue to be returned and the Company plans to invest further in this area in the future.

For more information about the WBJV and the Company's other mineral properties, please refer to Notes 5. and 6. of the Company's August 31, 2009 audited financial statements and below.

The Company's compliment of staff, consultants and casual workers consists of approximately 40 individuals at present. Office space and support services in Canada and South Africa were maintained at similar levels in 2009 as compared to 2008.

The Company still actively reviews many potential property acquisitions in the normal course of business. The Company also makes efforts to raise its profile and liquidity in the capital markets.

The following tables set forth selected financial data from the Company's annual audited financial statements and should be read in conjunction with those financial statements:

	Year ended Aug 31, 2009	Year ended Aug. 31, 2008
Interest income	\$139,548 <sup>(1)</sup>	\$243,339
Net Loss	(\$6,963,384) <sup>(2)</sup>	(\$5,086,589)
Net Loss per Share	(\$0.10)	(\$0.08)
Total Assets	\$67,070,797 <sup>(3)</sup>	\$32,492,583
Long Term Debt	Nil	Nil
Dividends	Nil	Nil

Explanatory Notes:

- (1) The Company's only significant source of revenue during the year ending August 31, 2009 was interest revenue from interest bearing accounts held by the Company. The amount of interest earned correlates directly to the interest rate at the time and the amount of cash on hand during the year referenced.
- (2) The Company's net loss during the year ending August 31, 2009 was higher than in 2008 due to several factors. Compensation expense totalled \$1,615,361 in 2009 as opposed to \$1,345,722 in 2008. Another factor is the stock compensation expense which totalled \$2,100,736 in 2009 as opposed to \$580,128 in 2008. If one removes the effect of these two factors from each fiscal year the recorded annual loss is \$3,247,287 for 2009, and \$3,160,739 for 2008. The remaining general and administrative costs are higher in 2009 than in 2008 except for travel expenses. The Company also had a \$360,173 increase in foreign exchange gains from a \$37,340 loss in 2008 to \$322,833 gain in 2009.

- (3) Total assets had been increasing year-on-year primarily as a result of the Company's cash balance and continued investment in mineral properties funded by completion of private placement equity financings. At August 31, 2009 the Company held \$32,965,685 (2008 -\$1,779,871) in cash and cash equivalents and short term investments.

The following table sets forth selected quarterly financial information for each of the last eight (8) quarters.

Quarter Ending	Interest & Other Income <sup>(1)</sup>	Net Loss <sup>(2)</sup>	Net Loss per Share
August 31, 2009	\$41,315	(\$2,036,467)	(\$0.02)
May 31, 2009	\$73,959	(\$1,478,807)	(\$0.02)
February 28, 2009	\$24,172	(\$1,665,682)	(\$0.03)
November 30, 2008	\$102	(\$2,100,438)	(\$0.03)
August 31, 2008	\$22,396	(\$1,143,001)	(\$0.02)
May 31, 2008	\$38,027	(\$1,307,784)	(\$0.02)
February 29, 2008	\$78,337	(\$1,430,050)	(\$0.02)
November 30, 2007	\$104,579	(\$1,205,754)	(\$0.02)

Explanatory Notes:

- (1) The Company's primary source of revenue during the quarters listed above was interest revenue from interest bearing accounts held by the Company. The amount of interest revenue earned correlates directly to the amount of cash on hand during the period referenced.
- (2) Net losses by quarter are often materially affected by the timing and recognition of large non-cash expenses or write-offs. For example, the quarter ended August 31, 2009 includes a non-cash charge for stock based compensation in the amount of \$705,750, the quarter ended May 31, 2009 includes a non-cash charge for stock based compensation in the amount of \$219,535, the quarter ended February 28, 2009 includes a non-cash charge for stock based compensation in the amount of \$373,042, the quarter ended November 30, 2008 includes a non-cash charge for stock based compensation in the amount of \$802,409, the quarter ended August 31, 2008 includes a non-cash charge for stock based compensation in the amount of \$Nil, and the quarter ended May 31, 2008 includes a non-cash charge for stock based compensation in the amount of \$187,931. The quarter ended February 29, 2008 includes a non-cash charge for stock based compensation in the amount of \$250,830. The quarter ended November 30, 2007 includes a non-cash charge for stock based compensation in the amount of \$141,367. After adjusting these non-cash charges, the results for the quarters listed show a more consistent trend, with a general growth in expenses over time that is consistent with the Company's increased exploration and corporate activities over the past two years as described above at "Discussion of Operations and Financial Condition".

The Company has not declared nor paid dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## b) Trend Information

Other than the financial obligations as set out in the table provided at Item 6. below, there are no demands or commitments that will result in, or that are reasonably likely to result in, the Company's liquidity either increasing or decreasing at present or in the foreseeable future. The Company will require additional capital in the future to meet both its contractual and non-contractual project related expenditures as set out in the table at Item 6. It is unlikely that the Company will generate sufficient operating cash flow to meet all of these expenditures in the foreseeable future. Accordingly, the Company will need to raise additional capital by issuance of securities or by a sale or

partnering of project interests in order to meet the payment requirements of the consolidation transaction (as referred herein) announced September 2, 2008. See discussions at item 2. a) "Results of Operations" above and at item 6. "Liquidity and Capital Resources" below. The Company has completed a Feasibility Study for the Project 1 area of the WBJV. If a production decision is taken the Company will most likely pursue both equity and debt financing for its share of the capital requirements for that project.

From mid calendar 2008 until early 2009 there had been a negative trend with regard to the market for metal commodities and related products. Although still somewhat volatile and uncertain, these markets have improved since that time. See "Economic and Political instability may affect the Company's business" under Item 2c. "Risk Factors" below.

### **c) Risk Factors**

The Company's securities should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in the Company's Canadian and U.S. regulatory filings prior to making an investment in the Company. For a discussion of risk factors applicable to the Company, see the section entitled "Risk Factors" in the Company's most recent annual information form filed with Canadian provincial securities regulators, which was also filed as part of the Company's most recent annual report on Form 40-F with the U.S. Securities & Exchange Commission. Without limiting the foregoing, the following risk factors should be given special consideration when evaluating an investment in the Company's securities.

#### ***General***

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity and/or quality to return a profit from production.

#### ***The Company's business is subject to exploration and development risks***

All but one of the Company's properties are in the exploration stage and no known reserves have been discovered on such properties, the exception being the development stage Project 1 of the WBJV (see Item 2d. "Exploration Programs and Expenditures" below). At this stage, favorable results, estimates and studies are subject to a number of risks, including:

- the limited amount of drilling and testing completed to date;
- the preliminary nature of any operating and capital cost estimates;
- the difficulties inherent in scaling up operations and achieving expected metallurgical recoveries;
- the likelihood of cost estimates increasing in the future; and
- the possibility of difficulties procuring needed supplies of electrical power and water.

There is no certainty that the expenditures to be made by us or by our joint venture partners in the exploration of the properties described herein will result in discoveries of precious metals in commercial quantities or that any of our properties will be developed. Most exploration projects do not result in the discovery of precious metals and no assurance can be given that any particular level of recovery of precious metals will in fact be realized or that any identified resource will ever qualify as a commercially mineable (or viable) resource which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of precious metals ultimately discovered may differ from that indicated by drilling results. There can be no assurance that precious metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

***Economic and Political instability may affect the Company's business***

Since mid calendar 2008 until early 2009 there had been a negative trend with regard to the market for metal commodities and related products as a result of global economic uncertainty, reduced confidence in financial markets, bank failures and credit availability concerns. Although markets have improved since that time, these macro-economic events negatively affected the mining and minerals sectors in general and full recovery in these sectors has not yet occurred. As a result the Company will consider its business plans and options carefully going forward into 2010. Based on current and expected metal prices and cost structures, management has determined that the values of the Company's mineral properties have not been impaired at this time.

South Africa has undergone significant change in its government and laws since the free elections in 1994. At present, Mining Legislation in South Africa is continuing to undergo change. The new Mineral and Petroleum Resources Development Act became law on May 1, 2004. The regulation and operation of this new law is still being implemented. In association with the new Act, the Mining Charter sets out a target of 26% ownership and participation in the mineral industry by "Historically Disadvantaged Persons" within ten years, but the mechanisms to fully affect this objective are still evolving. Accordingly, the South African legal regime may be considered relatively new, resulting in risks related to the possible misinterpretation of new laws, unilateral modification of mining or exploration rights, operating restrictions, increased taxes, environmental regulation, mine safety and other risks arising out of new sovereignty over mining, any or all of which could have an adverse affect on the Company. There is no certainty that the Company will be able to convert its existing exploration rights into mining rights. The Company's operations in general may also be affected in varying degrees by political and economic instability, terrorism, crime, fluctuations in currency exchange rates and inflation.

***The Company is subject to risk of fluctuations in the relative values of the Canadian Dollar as compared to the South African Rand and the U.S. Dollar***

The Company may be adversely affected by foreign currency fluctuations. The Company is primarily funded through equity investments into the Company denominated in Canadian Dollars. In the normal course of business the Company enters into transactions for the purchase of supplies and services denominated in South African Rand. The Company also has cash and certain liabilities denominated in South African

Rand. Several of the Company's options to acquire properties or surface rights in the Republic of South Africa may result in payments by the Company denominated in South African Rand or in U.S. Dollars. Exploration, development and administrative costs to be funded by the Company in South Africa will also be denominated in South African Rand. Fluctuations in the exchange rates between the Canadian Dollar and the South African Rand or U.S. Dollar may have an adverse or positive affect on the Company. In the past year to November 23, 2009 the South African Rand has appreciated to the Canadian dollar by approximately 15% and the Canadian dollar has appreciated to the American dollar by approximately 11%.

***The Company's properties are subject to title risks***

The Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. These defects could adversely affect the Company's title to such properties or delay or increase the cost of the development of such properties. In addition, the Company's properties may be subject to aboriginal or other historical rights that may be claimed on Crown properties or other types of tenure with respect to which mineral rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to native issues having been instituted with respect to any of the mineral properties in which the Company has an interest. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such co-operation. The Company is currently awaiting transfer and registration of prospecting permit rights for the WBJV into a holdco under the 74% deal announced in September 2008. See more detail below under "d) Exploration Programs and Expenditures – Western Bushveld Joint Venture."

***Environmental risk***

Environmental legislation on a global basis is evolving in a manner that will ensure stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed development and a higher level of responsibility for companies and their officers, directors and employees. There is no assurance that future changes to environmental legislation in Canada or South Africa will not adversely affect the Company's operations. Environmental risks may exist on properties in which the Company holds interests which are unknown at present and which have been caused by previous or existing owners or operators. Furthermore, future compliance with environmental reclamation, closure and other requirements may involve significant costs and other liabilities. In particular, the Company's operations and exploration activities are subject to Canadian and South African national and provincial laws and regulations governing protection of the environment. Such laws are continually changing, and in general are becoming more restrictive.

***The mineral exploration industry is extremely competitive***

The resource industry is intensely competitive in all of its phases, and the Company competes with many companies that possess greater financial resources and technical facilities. Competition could adversely affect the Company's ability to acquire suitable new producing properties or prospects for exploration in the future. Competition could also affect the Company's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel.

### ***Metal prices affect the success of the Company's business***

Metal prices have historically been subject to significant price fluctuation. No assurance may be given that metal prices will remain stable. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increases or decreases in production due to improved mining and production methods. Significant reductions or volatility in metal prices may have an adverse effect on the Company's business, including the economic attractiveness of the Company's projects, the Company's ability to obtain financing and, if the Company's projects enter the production phase, the amount of the Company's revenue or profit or loss.

### **d) Exploration Programs and Expenditures *General***

The Company continues to be active in the Republic of South Africa ("RSA"). In 2003 the Company acquired a 100% South African subsidiary named Platinum Group Metals RSA (Pty.) Ltd. ("PTM RSA") for the purposes of holding mineral rights and conducting operations on behalf of the Company. The Company conducts all of its South African exploration and development work through PTM RSA.

Mineral property acquisition and capital costs deferred during the year totaled \$20,044 (2008 - \$1,065,570). Of this amount acquisition costs relating to the Company's pro-rata share of the WBJV amounted to \$1,317 (2008 - \$858,189). The balance of \$18,727 (2008 - \$41,881) was spent on other mineral property costs in Canada and South Africa. Exploration costs incurred globally in the year for the Company's interests totaled \$1,468,188 (2008 - \$6,733,094). Of that amount \$136,462 (2008 - \$166,042) was incurred on the Company's Canadian properties and \$1,331,726 (2008 - \$6,567,052) was incurred on the Company's South African properties. Of the South African amount, \$1,236,391 was for the Company's share of WBJV expenditures (2008 - \$6,132,281). The total amount (100%) of exploration expenditures by all Joint Venture partners for the year for the WBJV came to \$2,349,208 which was lower than the 100% amount spent last year (2008 - \$14,874,427).

During the period there were no write-offs in deferred costs relating to South African or Canadian projects, and there were no write-offs during the prior period. For more information on mineral properties, see Note 5 and 6 of the Company's August 31, 2009 Audited Financial Statements.

### ***Western Bushveld Joint Venture***

On October 26, 2004 the Company (37%) entered into a Joint Venture with Anglo Platinum Limited ("Anglo Platinum") (37%) and Africa Wide Mineral Prospecting and Exploration (Pty) Limited ("Africa Wide") (26%) to pursue platinum exploration and development on combined mineral rights covering approximately 67 square kilometres on the Western Bushveld Complex of South Africa. The Company contributed all of its interests in portions of the farms Onderstepoort 98 JQ and Elandsfontein 102 JQ. Anglo Platinum contributed its interests in portions of the farms Koedoesfontein 94 JQ, Elandsfontein 102 JQ and Frischgewaagd 96 JQ. On April 9, 2007, Anglo Platinum contributed to the WBJV a 50% interest in the mineral rights to the 494 hectare Portion 11 of the Farm Frischgewaagd 96 JQ. With this addition, the WBJV encompasses approximately 72 square kilometres of territory.

The Company is the operator of the WBJV. From October 2004 to April 2006, the Company funded a required exploration program in the amount of Rand 35 million. Since then, the partners of the WBJV have funded their portion of further expenditures pro-rata based upon their working interest in the Joint Venture. Activities for the WBJV have included research and data review, prospecting, mapping, detailed engineering, drilling of project areas, geophysical studies, geotechnical work, metallurgical studies, pre-feasibility and feasibility studies, and mine plan and scheduling work.

In April 2007 Africa Wide accepted an offer for the purchase of 100% their company from Wesizwe Platinum Ltd. (WEZ:JSE). The transaction closed in September 2007 and Wesizwe paid consideration of 57.4 million new shares of Wesizwe at a deemed price of Rand 10.48 per share for total consideration of Rand 601.5 million (approximately \$90 million). Since September 2007 Wesizwe has become responsible for all of the rights and obligations of Africa Wide.

Under the terms of the original WBJV agreement, once a final Feasibility Study has been completed and a decision to mine has been taken the respective deemed capital contribution of each party will be credited based on their contribution of measured, indicated, and inferred PGM ounces from the contributed properties comprising the WBJV, determined in accordance with the South African SAMREC code. Under the terms of the original WBJV Agreement, inferred ounces will be credited at US\$0.50 per ounce, indicated ounces will be credited at US\$3.20 per ounce and measured ounces will be credited at US\$6.20 per ounce. The Company will also be credited for its Rand 35 million expenditure as described above. For the later contribution of Portion 11 to the WBJV the original credit rates for equalization as described above have been amended to US\$0.62 per inferred ounce, US\$10.37 per indicated ounce and US\$39.55 per measured ounce in order to adjust for market conditions at the time. At the time of writing the estimated equalization payment due to Anglo Platinum by the Company is approximately \$26.6 million including accrued interest since January 1, 2009.

On September 2, 2008 the Company announced that the parties to the WBJV had agreed to terms whereby the ownership of the WBJV would be consolidated and rationalized (the "Consolidation Transaction") (see the Company's September 2, 2008 announcement), and on December 9, 2008 the Company announced that it had executed definitive agreements in this regard. Under the terms PTM has the right to acquire effective ownership of 74% of WBJV Projects 1 and 3 and Wesizwe will acquire 100% of Project 2 and 26% of Projects 1 and 3. The transactions are to become effective upon fulfillment of all conditions precedent and regulatory approvals including the approval of the Department of Mineral Resources, Republic of South Africa, for Section 11 transfers of mineral rights pursuant to the Mineral and Petroleum Resources Development Act. At the time of this report all conditions precedent have been satisfied with the exception of the receipt of several outstanding approvals for Section 11 transfers and the registration of titles. These final conditions are expected to be complete in late 2009. Once all title transfers and registrations are complete, the Company's equalization payment will be due to Anglo Platinum, as described above.

Upon the effective date of the Consolidation Transaction, Anglo Platinum will vend its 37% interest in the WBJV to Wesizwe in exchange for common shares representing approximately a 26% interest in Wesizwe. PTM will concurrently acquire a 54.75% interest in Projects 1 and 3 through a direct shareholding in a corporation that will hold

all of the interests in Project 1 and 3 ("Holdco"), the other 45.25% being held by Wesizwe. PTM will also acquire a right to subscribe for additional shares in Holdco to increase its stake in projects 1 and 3 to 74%. In exchange PTM will deliver to Wesizwe PTM's interest in Project 2 valued at R376.9 million (approx. C\$53 million) and a cash payment of R408.6 million (approx. C\$57 million). The R408.6 million cash payment will be made by PTM to Holdco for the subscription of shares as described above. The subscription payment will be due 270 days after the effective date of the Consolidation Transaction. The payment proceeds will be held in escrow by Holdco to be applied towards Wesizwe's 26% share of funding for Projects 1 and 3. Should the Company not make all of the required cash subscription, its interest in the projects would be reduced accordingly, unless Wesizwe and the Company agree upon alternative arrangements.

Under the new agreement, Anglo Platinum will hold a 60 day first right of refusal on the sale of ore or concentrate over the original WBJV mineral rights.

A Feasibility Study for Project 1 of the WBJV was delivered to the partners on June 30, 2008 and results thereof were published by the Company in a news release dated July 7, 2008. An Updated Feasibility Study and revised resource estimation for the Project 1 area of the WBJV was published by the Company on October 8, 2009.

The prill splits and 4E estimates for Project 1 and 3 have been tested for reasonableness by kriging on the individual elements. Copper and nickel as well as the minor platinum group elements have also been estimated with a statistical process of Simple Kriging for Project 1.

#### **Mineral Resources – (MR- Merensky Reef; UG2- Upper Group 2 Reef).**

The Mineral Resources reported in the Updated Feasibility Study had not been previously disclosed. This updated Resource is based on the additional drilling done in Project 1 & 1A areas. The revised resource estimation indicates that measured and indicated resources have increased as a result of further drilling in the Project 1 & 1A areas. These upgraded ounces have not yet been included in the mineable Reserves of the Updated Feasibility mine plan. The Resource update was done to conform to a minimum 80cm resource cut which is in line with that used by producing mines in the area. Sampling practice, bore hole data, other factors and quality control and assurance are as reported previously. The Resources are estimated by kriging of approximately 231 boreholes plus deflections and are reported under SAMREC. The categories are the same as CIM categories. Quality controls include chain of custody, insertion of blanks, duplicates, standards and check assays as previously disclosed.

The Independent Qualified Person for the Mineral Resources is Charles Muller of Minxcon.

*Note the Company's 74% interest in the following reserves and resources is subject to the completion of the Consolidation Transaction announced on September 2, 2008 and which is described above at Item 2 a) "Results of Operations" and elsewhere in this document.*

**WBJV Project 1 – 100% Basis**

Measured Mineral Resource (4E)	Cut-off (cm.g/t)	Tonnage (Mt)	Grade 4E (g/t)	Mining Width (m)	Content (4E) +	Content 4E (Moz)
Project 1 MR	300	6.603	8.38	1.33	55.333	1.779
Project 1 UG2	300	7.464	4.26	1.34	31.797	1.022
Total Measured	300	14.067	6.19	1.34	87.130	2.801

Prill Splits	Pt	Pt (g/t)	Pd	Pd (g/t)	Rh	Rh (g/t)	Au	Au (g/t)
Project 1 MR	64%	5.36	27%	2.26	4%	0.34	5%	0.42
Project 1 UG2	63%	2.68	26%	1.11	10%	0.43	1%	0.04

Indicated Mineral Resource (4E)	Cut-off (cm.g/t)	Million Tonnes (Mt)	Grade 4E (g/t)	Mining Width (m)	Tonnes PGE (4E)	Moz PGE's (4E)
Project 1 & 1A MR	300	11.183	7.25	1.24	81.077	2.607
Project 1 & 1A UG2	300	19.209	4.46	1.39	85.672	2.754
Total Indicated	300	30.392	5.49	1.34	166.749	5.361

Prill Splits	Pt	Pt (g/t)	Pd	Pd (g/t)	Rh	Rh (g/t)	Au	Au (g/t)
Project 1 & 1A MR	64%	4.64	27%	1.96	4%	0.29	5%	0.36
Project 1 & 1A UG2	63%	2.81	26%	1.16	10%	0.45	1%	0.04

Inferred Mineral Resource (4E)	Cut-off (cm.g/t)	Million Tonnes (Mt)	Grade 4E (g/t)	Mining Width (m)	Tonnes PGE (4E)	Moz PGE's (4E)
Project 1 MR	300	0.154	8.96	1.06	1.380	0.044
Project 1 UG2	300	0.022	3.91	0.83	0.086	0.003
Total Inferred	300	0.176	8.33	1.03	1.466	0.047

Prill Splits	Pt	Pt (g/t)	Pd	Pd (g/t)	Rh	Rh (g/t)	Au	Au (g/t)
Project 1 MR	64%	5.73	27%	2.42	4%	0.36	5%	0.45
Project 1 UG2	63%	2.46	26%	1.02	10%	0.39	1%	0.04

**Mineral Reserves – derived from the Measured & Indicated Resources and not in addition to them.**

**Cautionary Note to U.S. Investors:** *The U.S. Securities and Exchange Commission permits U.S. mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. We use certain terms in this document, such as “measured,” “indicated,” and “inferred,” “reserves,” “resources,” that the SEC guidelines strictly prohibit U.S. registered companies from including in their filings with the SEC. “Resources” are not “Reserves” and so do not have demonstrated economic viability. U.S. investors are urged to consider closely the disclosure in our U.S. regulatory filings, File No. 001-033562, which may be secured from us, or from the SEC’s website at: <http://sec.gov>*

A Probable Reserve is the economically mineable part of an Indicated, and in some circumstances a Measured Resource, demonstrated by at least a Pre-Feasibility Study including adequate information on mining, processing, metallurgy, and economic and other factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Proven Reserve is the economically mineable part of a Measured Resource demonstrated by the same level and factors as above. A Proven Mineral Reserve implies that there is a high degree of confidence.

The current Mineral Reserve used for mine planning purposes has not yet taken the updated Resource into account.

The conversion to Mineral Reserves was undertaken at 3.5g/t stope cut-off grade. Each stope has been fully diluted for mine modeling purposes by way of planned dilution and additional dilution for all aspects of the mining process. The Inferred Resources are outside and in addition to the reserves.

The Independent Qualified Person for the Statement of Reserves is Tim Spindler.

**Merensky**

Tonnage (000) t	4E (g/t)	Content 4E	
		Tonne	Moz
Merensky Proven			
6,678	5.61	37.478	1.21
Merensky Probable			
11,333	5.44	61.677	1.98
Total Merensky Mineral Reserves			
18,011	5.51	99.155	3.19

**UG2**

Tonnage (000) t	4E (g/t)	Content 4E	
		Tonne	Moz
UG2 Proven			
5,086	3.37	17.126	0.55
UG2 Probable			
8,449	3.41	28.831	0.93
Total UG2 Mineral Reserves			
13,535	3.40	45.957	1.48

Prill Splits	Pt	Pt (g/t)	Pd	Pd (g/t)	Rh	Rh (g/t)	Au	Au (g/t)
Project 1 & 1A MR	64%	3.52	27%	1.49	4%	0.22	5%	0.28
Project 1 & 1A UG2	63%	2.15	26%	0.88	10%	0.34	1%	0.03

The prill splits as shown above are the same percentages as for the earlier reported Measured and Indicated Resources. The splits have a lower confidence level when compared to the 4E grades. The reserves are stated with certain risk factors including, but not limited to, mining project risks as highlighted in the "Risks and Opportunities" section as well in the disclosure statement.

The Updated Feasibility Study recommends a series of five simultaneous declines accessing the deposit with a mining rate of 156,000 tonnes per month, which provides 13 years of steady state tonnage production. First ore is reached by development 13 months from the commencement of underground work. Mining is only scheduled on the reserves. There are further Inferred Resources in the Project 1 area which may represent additional production potential. The lower grade UG2 resources also provide some future opportunities. The mining and development plan includes conventional hand held drilling utilizing electrical drills and scraper winch cleaning similar to the successful conventional mining at the adjacent producing Bafokeng Rasimone Platinum Mine. Declines and primary access to the deposit is designed for development with mechanized equipment. Ore is initially to be hauled out of the mine with mechanized equipment and assisted then by conveyor from year 4 of mine life to end of mine life.

The Merensky Reef will be mined at widths between 93cm and 176cm at an average of 115cm and the UG2 Reef will be mined at widths between 105cm and 205cm at an average of 153cm.

The updated Project 1 mine design involves the construction of a platinum mine and concentrator to produce approximately 275,000 ounces of combined platinum, palladium, rhodium and gold ("4E") in concentrate per year steady state for 9 years with a 22 year total underground mine life. The capital cost for the mine and concentrator complex were estimated at R3.55 billion (approximately \$505 million at the time of writing) for peak funding and R4.76 billion (approximately \$677 million at the time of writing) for life of mine funding. The current peak funding capital cost estimate is approximately R500 million (approximately \$71 million) lower than the July 2007 estimate, primarily due to the reduction in capital costs resulting in a design change from 100% diesel self electrical generation capacity to a 25% stand by capacity as well as from improved mine development planning.

The results of the Updated Feasibility Study show a 23.5% Internal Rate of Return (pre-tax) Base Case, using 3 year trailing metal prices to September 2009, calculated on the monthly averages including US\$1,343 per ounce for platinum. The Updated Feasibility Study model does not include escalation due to inflation of costs or metal prices.

### **Project 1 Resource Calculation Detail**

The Mineral Resources reported in the Updated Feasibility Study had not been previously disclosed. This updated Resource is based on the additional drilling done in Project 1 & 1A areas. The Resource update was done to conform to a minimum 80cm resource cut which is in line with that used by producing mines in the area. Sampling practice, bore hole data, other factors and quality control and assurance are as reported previously. The Resources are estimated by kriging of approximately 231 boreholes plus deflections and are reported under SAMREC. The categories are the same as CIM categories. Quality controls include chain of custody, insertion of blanks, duplicates, standards and check assays as previously disclosed.

### Project Area 3 – Mineral Resource Statement

MR = Merensky Reef; UG2 = Upper Group No. 2 chromitite seam; PGE=Platinum Group Metals.

The cut-offs for Inferred Mineral Resources have been established by a qualified person after a review of potential operating costs and other factors.

The following resources are quoted on a 100% basis. The Company has agreements in place whereby it will attain 74% of these resources.

Inferred Mineral Resource (4E)	Cut-off (cm.g/t)	Million Tonnes	Grade 4E (g/t)	Potential Mining Width (m)	Tons PGE (4E)	Moz PGEs (4E)
Project 3 MR	100	4.040	6.26	1.12	25.307	0.814
Project 3 UG2	100	6.129	5.51	1.22	33.781	1.086
<b>Total Inferred</b>	<b>100</b>	<b>10.169</b>	<b>5.81</b>		<b>59.088</b>	<b>1.900</b>

Prill Splits	Pt	Pt (g/t)	Pd	Pd (g/t)	Rh	Rh (g/t)	Au	Au (g/t)
Project 3 MR	64%	4.01	27%	1.69	4%	0.25	5%	0.31
Project 3 UG2	62%	3.42	28%	1.54	9%	0.50	1%	0.06

The Qualified Person for the mineral resources reported above is Charles Muller of Minxcon.

### Project 3 Resource Calculation Detail

A 14% geological loss for the Merensky Reef and UG2 Reef respectively was applied to the area to accommodate for areas of potentially un-mineable structural and geological conditions. This geological loss considers losses for faults, dykes, potholes and areas of iron replacement pegmatite. Structural loss estimates are based on drilling, field mapping and remote sense data which include a high resolution aeromagnetic survey and a 3D seismic survey. The Merensky mineral resource estimate is based on 24 boreholes with 27 intercepts and the UG2 is based on 15 intercepts within the 224.28 hectare area. The prill split has been calculated by weighted averages as a proportion of the total 4E and the grades have been estimated with a more rigorous statistical process of Simple Kriging. (The prill splits and 4E estimates have been tested for reasonableness by kriging on the individual elements). Copper and nickel as well as the minor platinum group elements have also been estimated with a statistical process of Simple kriging. The cut-off was determined on a practical mining width and the known costs and mining methods regionally. Platinum Group's independent consulting Qualified Person has provided the mineral resource estimate according to the SAMREC code. The reconciliation to the CIM codes is that the categories are the same. The resources are located on new order prospecting permits that provide for the right to be converted to mining rights. Charles Muller of Minxcon is the Qualified Person for this report. He is registered with the South African Council for Natural Scientific Professions ("SACNASP") (Registration No. 400201/04).

### ***Northern Limb, Bushveld - War Springs and Tweespalk Properties***

On June 3, 2002, the Company acquired an option to earn a 100% interest in the 2,396 hectare War Springs property and the 2,177 hectare Tweespalk property both located in the Northern Limb or Platreef area of the Bushveld Complex north of Johannesburg. The Company now holds New Order prospecting permits on 100% of this territory. Acquisition and exploration costs on these properties net of recoveries to August 31, 2009 total \$3,367,888 (2008 - \$3,312,914). The Company can settle the vendors' residual interests in these mineral rights at any time for US\$690 per hectare. The Company pays annual prospecting fees to the vendors of US\$3.25 per hectare. The vendors retain a 1% NSR Royalty on the properties, subject to the Company's right to purchase the NSR at any time for US\$1.4 million.

Black Economic Empowerment groups Africa Wide, a subsidiary of Wesizwe Platinum Ltd., and Taung Minerals (Pty) Ltd., a subsidiary of Platmin Limited, have each acquired a 15% interest in the Company's rights to the War Springs project carried to bankable feasibility. The Company retains a net 70% project interest. Africa Wide also has a 30% participating interest in the Tweespalk property.

On March 5, 2009 the Company announced an agreement with JOGMEC, an incorporated administrative institution of the Government of Japan, whereby they may earn up to a 35% interest in the Company's rights to the War Springs project for an optional work commitment of US\$10 million over 5 years. The first year firm commitment of US\$500,000 was completed with approximately 4,102 metres drilled to March 31, 2009. Drilling was undertaken after March 31<sup>st</sup> and a further 840 metres were drilled to August 31, 2009. Total expenditures incurred by JOGMEC to August 31, 2009 amounted to approximately \$795,926. At November 20, 2009 two drills were operating on the War Springs project area funded by JOGMEC. Further work programs for the War Springs project in later 2009 and into 2010 are currently being planned.

To August 31, 2009 approximately \$795,926 of work has been funded or approved for work on the War Springs project by JOGMEC. At August 31, 2009 an amount of \$224,482 was receivable from JOGMEC for work completed under approved work programs and this amount was subsequently received.

On March 17, 2008 the Company published a revised and updated resource calculation for the War Springs property based on drilling and exploration work conducted in the last three years. Details are as follow:

#### **100% Basis**

Reef	Cut-off 3E	Tonnage T	3E			Ni		Cu		Channel Width cm
	cmg/t		g/t	G	Moz	%	t	%	t	
B Reef	300	20,934,894	0.95	19,947,131	0.641	0.18	35,870	0.14	27,863	657
C Reef	300	26,030,561	1.24	32,192,522	1.035	0.08	25,812	0.06	19,388	875
Total	300	46,965,455	1.11	52,139,652	1.676	0.13	64,965	0.10	49,868	734

Reef	Prill Splits					
	Pt		Pd		Au	
	g/t	%	g/t	%	g/t	%
B Reef	0.32	34	0.55	58	0.08	8
C Reef	0.20	16	0.97	78	0.07	6

The War Springs Mineral Resource is characterised by two distinct reef layers, termed the "B" and "C" reefs. Both reefs are typically greater than 6 metres thick. The reefs outcrop on surface and extend down dip in parallel sheets at a 65 degree angle to a depth of 400 metres, remaining open at depth. A 5% geological loss has been applied. Eighteen holes had been completed by the end of May 2005, relating to 7,433 metres of drilling. A total of 8,188 samples were collected for the determination of elements Platinum, Palladium, Gold, Copper and Nickel. Four additional boreholes were drilled (1,646m) during the period November 2005 to early February 2006, on high priority soil targets (Phase 2 Drilling Program). An additional 1,738 samples were collected for analysis. Of the 22 boreholes drilled, 15 boreholes intersected the "B" Reef and 8 boreholes intersected the "C" Reef. Drilling results from Phase 1 and 2 covering approximately 2,200 metres of strike length on a 250 metre spacing, combined with a review of the cut-off, form the basis of the updated Inferred Mineral Resource estimation reported in a NI43-101 document, compiled by Minxcon (Pty) Ltd, dated March, 2008. Mr. Charles Muller of Minxcon is the Qualified Person for the War Springs resource estimate. Samples were analyzed under Platinum Group's previously published protocols for the project including insertion of blanks, duplicates and certified reference materials in the assay stream once in every 24 or fewer samples. This is in addition to internal quality control measures undertaken by the contracted certified analytical facilities. Assays were completed by standard fire assay procedures with preparation at the Setpoint facility at Mokopane and final assays at Genalysis Laboratories Services Pty Ltd. in Perth Australia or Anglo Research Laboratories.

#### ***Lac Des Iles Area Properties, Ontario***

On May 5, 2000, New Millennium entered into an option agreement to acquire a 50% interest in the Lac des Iles River property located near Thunder Bay, Ontario in exchange for cash payments (\$43,500 paid in total) and the completion of exploration expenditures. On October 6, 2006, the Company and the property vendors entered into a termination and sale agreement whereby the option agreement was cancelled and the Company purchased an undivided 100% interest in the property subject only to an underlying 2.0% Net Smelter Return Royalty. In settlement the Company made a one-time payment to the vendors of \$50,000 in lieu of past and future exploration expenditure commitments not incurred.

In April 2000, and later as amended in January 2005, the Company acquired an option to earn a 50% interest in the South Legris property located near Thunder Bay, Ontario in exchange for cash payments (\$105,000 paid in total) and the completion of certain exploration expenditures. On October 13, 2006, the Company and the property vendors entered into a termination and sale agreement whereby the option agreement was cancelled and the Company purchased an undivided 100% interest in the property subject only to underlying 2.0% Net Smelter Return Royalties. In settlement the Company made a one-time payment of \$50,000 in lieu of past and future exploration expenditure commitments not incurred.

On June 28, 2000, the Company entered into an option agreement to earn up to 60% interest in the Shelby Lake property, located near Thunder Bay, Ontario in exchange for cash payments of \$15,000 (paid), the issue of 30,303 shares (issued) and the completion of exploration expenditures. On October 18, 2006, the Company and the property vendor entered into a termination and sale agreement whereby the option agreement was cancelled and the Company purchased an undivided 100% interest in the property for a one-time payment of \$5,000 subject only to an underlying 2.0% Net Smelter Return Royalty.

The Company has conducted small work programs on its Lac Des Iles projects during 2008 and 2009. A 1,125 metre drill program was completed on the projects in the first quarter of 2008 and a further 978 metres was completed in February of 2009. Encouraging exploration results for palladium, platinum, nickel and copper continue to be returned and the Company plans to invest further in this area in the future.

#### **e) Administration Expenses**

Before a non-cash charge for stock based compensation of \$2,100,736 (2008 - \$580,128), and not including interest in the year of \$139,548 (2008 - \$243,339), general and administrative expenses totaled \$5,298,098 (2008 - \$5,175,749). Since 2002 the Company has grown substantially through its amalgamation with New Millennium and its expansion into the Republic of South Africa. This growth is reflected in the costs described herein. During 2004 the Company opened and staffed a permanent office in Johannesburg and commenced active exploration on the ground. The costs described above include management and consulting fees of \$576,742 (2008 - \$525,451); advisory fees of \$535,964 (2008 - \$318,307) office and miscellaneous expenses of \$201,680 (2008 - \$227,497); professional fees of \$1,082,643 (2008 - \$973,425); salaries and benefits of \$1,615,361 (2008 - \$1,345,722); shareholder relations expense of \$299,397 (2008 - \$128,340); travel expenses of \$568,413 (2008 - \$859,139); news release, print and mailout expenses of \$42,974 (2008 - \$75,688) and promotion expenses of \$195,604 (2008 - \$214,524).

#### **f) Related Party Transactions**

Management, consulting fees and salaries incurred with directors and officers during the year amounted to \$460,967 (2008 - \$524,807). Of this amount, approximately \$200,967 (2008 - \$241,474) was paid as fees to the Company's President, and \$185,000 (2008 - \$208,333) was paid as salary for the Company's CFO. At August 31, 2009 there were \$45,308 in fees (2008 - \$75,000) owed and included in accounts payable.

The Company provides services at market rates for day-to-day administration and accounting to MAG Silver Corp. ("MAG"), a company with two common directors and a common officer. There are no long term obligations or commitments between the parties with relation to the provision of these services. Fees received are credited by the Company against its own administrative costs.

The Company received service fees of \$135,951 (2008 - \$135,895) during the year from MAG. Amounts receivable from MAG at the end of the year include an amount of \$4,404 for fees due (2008 - \$1,819).

During the year the Company accrued or received service fees of \$38,000 (2008 – \$108,000) from West Timmins Mining Inc. (“WTM”), a company which prior to being acquired by Lake Shore Gold Corp, had three common directors and a common officer. Amounts receivable from WTM at the end of the year included an amount of \$12,769 for administration fees and other trade receivables (2008 – \$997).

During the year ended August 31, 2005, the Company entered into an office lease agreement with Anthem Works Ltd. (“Anthem”), a company with a common director. During the year ended August 31, 2009 the Company accrued or paid Anthem \$86,849 under the office lease agreement (2008 - \$88,382). The space occupied approximates one third of 6,050 square feet in a first tier building located in downtown Vancouver, British Columbia. The rental rate was negotiated on an “arm’s length basis”.

All of the above transactions are in the normal course of business and are measured at the exchange amount which is the consideration established and agreed to by the noted parties.

#### **g) Shareholder Relations’ Expenses**

Shareholder relations’ expense during the year totaled \$299,397 (2008 - \$128,340). The increase from the prior year is due to the deployment of additional resources in this area and new staff being engaged to handle additional communication requirements during the volatile and negative market events of late 2008 and early 2009. The Company manages its shareholder relations as an internal function and the Company actively seeks to raise its profile with both retail and institutional investors. From June 2005 to present Mr. Tony Mahalski of LM Associates in London, U.K., has been engaged for a fee of GBP 1,000 per month for the purpose of general business development and the raising of the Company’s profile in Europe.

#### **h) Travel and Promotion Expenses**

Travel expenses for the year amounted to \$568,413 (2008 - \$859,139). These activities relate to the supervision of ongoing operations in South Africa and Canada, new property investigations and meetings with potential and current institutional and sophisticated investors. Travel related to all of these activities was lower during the year than in the same period in 2008. Promotional expenses in the year amounted to \$195,604 (2008 - \$214,524) and these costs relate to design work, media relations, printed material, postage and trade show attendance and efforts were made to reduce such costs during the year.

#### **i) Property Acquisition and Capital Expenses**

Property acquisition expenditures and capital costs during the year totaled \$20,044 (2008 - \$1,065,570). These expenditures were incurred to acquire or maintain option rights to South African mineral properties.

The Company evaluates its property interests on an ongoing basis and intends to abandon properties that fail to remain prospective. Apart from a possible buy-out of the War Springs and Tweespalk properties, the Company has no other required property acquisition payments due to vendors under mineral property option agreements. At the time of writing the Company was incurring further property acquisition expenses, such as research and staking expenses, through its activities in Ontario, Canada and South Africa.

During the year ended August 31, 2008 the Company purchased surface rights adjacent to the WBJV Project 1 deposit area measuring 216.27 hectares at a price of Rand 8.0 million (approx. C\$1.09 million). During the 2008 year the Company also entered into an agreement for the purchase of surface rights directly over a portion of the WBJV Project 1 deposit area measuring 358.79 hectares for the price of Rand 15.07 million (approx. C\$2.07 million). Prior to August 31, 2008 the Company paid a 10% deposit of Rand 1.507 million (approx. C\$0.20 million) for this property and the balance of Rand 13.562 million (approx. C\$1.953 million) was accrued as a payable at August 31, 2008 and later paid in March 2009 to initiate statutory registration of the surface rights in the Company's name. The rights to these two properties are to the benefit of the Company only and are distinct from the 365.64 hectare Elandsfontein Farm held for the benefit of the WBJV as described above.

#### **j) Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **3. CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with Canadian GAAP requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Management has identified (i) mineral property acquisition and exploration deferred costs (ii) provision for reclamation and closure, (iii) future income tax provision (iv) stock based compensation and (v) recoverability of its interest in the WBJV as the main estimates for the following discussion. Please refer to Note 2 of the Company's Audited consolidated financial statements for a description of all of the significant accounting policies.

Under Canadian GAAP, the Company defers all costs relating to the acquisition and exploration of its mineral properties. Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company's properties, any previously capitalized costs would be charged to operations using a unit-of-production method. The Company reviews when events or changes in circumstances indicate the carrying values of its properties including its investment in the WBJV, to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property does create measurement uncertainty concerning the estimate of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognizes the fair value of liabilities for reclamation and closure costs in the period in which they are incurred. A

corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset.

The future income tax provision is based on the liability method. Future taxes arise from the recognition of the tax consequences of temporary differences by applying enacted or substantively enacted tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those future income tax assets that it believes will, more likely than not, fail to be realized.

For its 2005 fiscal year, The Company adopted CICA Handbook Section 3870 – Stock-Based Compensation and other Stock-Based Payments, which requires the fair value method of accounting for stock options. Under this method, the Company is required to recognize a charge to the income statement based on an option-pricing model based on certain assumptions. For the year ended August 31, 2009 the assumptions were as follows; no dividends were paid, a weighted average volatility of the Company's share price of 77.97%, a weighted average annual risk free rate of 2.59 per cent and an expected life of 3.21 years. The resulting weighted average option pricing resulted in an expense for stock options in the year ended August 31, 2009 of \$2,518,107. Of the \$2,518,107 in cost calculated for August 31, 2009 an amount of \$2,100,736 was expensed while \$417,371 was capitalized to deferred mineral property exploration costs in the Company's WBJV interest.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies are set out in Note 2 of its Financial Statements for the year ended August 31, 2009. There are several policies that are significant to the financial results of the Company.

Under Canadian GAAP, the Company defers all costs relating to the acquisition and exploration of its mineral properties. Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company's properties, any previously capitalized costs would be charged to operations over the life of the property using a unit-of-production method. The Company regularly reviews deferred exploration costs to assess their recoverability when facts and circumstances indicate that the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property do create measurement uncertainty concerning the calculation of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Future income taxes are calculated based on the liability method. Future income taxes arise from the recognition of the tax consequences of temporary differences by applying enacted or substantively enacted tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those future income tax assets that it believes will, more likely than not, fail to be realized.

## 5. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective September 1, 2008, the Company adopted the following new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants (the "CICA"). These standards were adopted on a prospective basis without restatement of prior periods.

*CICA Section 1400, General Standards of Financial Statement Presentation*, outlines the premise that in the preparation of financial statements all information required for fair presentation in accordance with generally accepted accounting principles should be included. It also specifies the requirements for assessing an entity's ability to continue as a going concern and disclosing any material uncertainties that cast doubt on its ability to continue as a going concern. The Company's disclosure reflects such assessment.

*CICA Section 1535, Capital Disclosures*, establishes disclosure requirements regarding an entity's capital, including (i) an entity's objectives, policies, and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by Section 1535.

*CICA Sections 3862, Financial Instruments - Disclosures* and *Section 3863 Financial Instruments - Presentation*, replace Section 3861 *Financial Instruments – Disclosure and Presentation*. These new sections revise and enhance disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included the recommended disclosures in these interim consolidated financial statements.

**Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"):** In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's annual consolidated financial statements for its fiscal year ending August 31, 2009, with retroactive application. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

**Mining Exploration Costs ("EIC-174"):** In March 2009, the CICA issued EIC Abstract 174 - Mining Exploration Costs ("EIC-174") which supersedes EIC Abstract 126 - Accounting by Mining Enterprises for Exploration Costs ("EIC-126"), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC 174 is applicable for the Company's annual consolidated financial statements for its fiscal year ending August 31, 2009, with retroactive application. The adoption of EIC – 174 did not result in a material impact on the Company's consolidated financial statements.

## RECENT ACCOUNTING PRONOUNCEMENTS

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning September 1, 2009. The Company is currently considering the impact this will have on the Company's financial statements.

CICA Section 3064, *Goodwill and Intangible Assets*, replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. In February 2008, the CICA issued the new pronouncement establishing revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and startup costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of these new accounting standards on its financial statements.

Section 3855 was amended during the year to (i) change the categories into which a debt instrument is required or permitted to be classified; (ii) change the impairment model for held-to-maturity financial assets to the incurred credit loss model; and (iii) require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements for years beginning on/after November 1, 2008.

Section 3855 was also amended to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on/after July 1, 2009. There has been clarification on the application of the effective interest method after a debt instrument has been impaired; this amendment was effective on issue in June 2009. The Company expects that the amendment will not have significant effect on the Company's financial position, results of operations or cash flows.

In June 2009, Handbook Section 3862 was further amended to include additional disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for fiscal years ending after September 30, 2009, but early adoption is permitted. The Company expects that the amendment will not have significant effect on the Company's financial position, results of operations or cash flows.

*Convergence with International Financial Reporting Standards ("IFRS")*. In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company no later than the quarter ended November 30, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

## **6. LIQUIDITY AND CAPITAL RESOURCES**

From mid calendar 2008 until early 2009 there had been a negative trend with regard to the market for metal commodities and related products as a result of global economic uncertainty, reduced confidence in financial markets, bank failures and credit availability concerns. These macro-economic events negatively affected the mining and minerals sectors in general. The Company will consider its business plans and options carefully going forward into 2010. The Company intends to preserve its cash balances to the greatest extent possible.

During the year the Company issued a total of 30,166,420 (2008 – 1,660,500) common shares for net cash proceeds of \$39,744,939 (2008 - \$2,309,324). Cash proceeds are primarily spent on mineral property and surface right acquisitions, exploration and development as well as for general working capital purposes. The Company's primary source of capital has been from the sale of equity. At August 31, 2009 the Company had cash, cash equivalents and short-term investments on hand of \$32,965,685 compared to \$1,779,871 at August 31, 2008.

The Company receives lump sum cash advances at various times as laid out in agreed budgets from its joint venture partners to cover the costs of the WBJV and JOGMEC. The balance of cash outflows is made up of management and consulting fees and advisory fees of \$1,112,706 (2008 - \$843,758) and other general and administrative expenses of \$4,185,392 (2008 - \$4,331,991).

The following Table discloses the Company's continual obligations for optional mineral property acquisition payments and contracted office and equipment lease obligations. Apart from a possible buy-out of the War Springs and Tweespalk projects (which optional acquisition payment is included in the following table), the Company has no other property acquisition payments due to vendors under mineral property option agreements. The Company has no long term debt or loan obligations. Under the terms of several of the Company's mineral property option and purchase agreements, the Company is required to make certain scheduled acquisition payments as summarized in the table below in order to preserve the Company's interests in the related mineral properties. In the event the Company is unable or unwilling to make these payments, it is likely that the Company would forfeit its rights to acquire the related properties.

<b>Payments by period in Canadian Dollars</b>					
	<b>Total</b>	<b>&lt; 1 Year</b>	<b>1 – 3 Years</b>	<b>3 – 5 Years</b>	<b>&gt; 5 Years</b>
Equalization amount due Anglo Platinum <sup>(1)</sup>	\$26,600,000	\$26,600,000	\$0	\$0	\$0
Purchase price due Wesizwe Platinum <sup>(1)</sup>	\$58,000,000	\$58,000,000	\$0	\$0	\$0
Past Exploration Costs due Wesizwe Platinum <sup>(1)</sup>	\$2,144,000	\$2,144,000	\$0	\$0	\$0
Optional Acquisition Payments (War Springs & Tweespalk) <sup>(2)</sup>	\$3,398,500	\$3,398,500	\$0	\$0	\$0
Lease Obligations	\$77,865	\$66,009	\$11,856	\$0	\$0
<b>Totals</b>	<b>\$90,220,365</b>	<b>\$90,208,509</b>	<b>\$11,856</b>	<b>\$0</b>	<b>\$0</b>

Explanatory Notes:

- (1) The requirement to pay and the due date of these items is dependent upon the effective date of the transaction announced September 2, 2008. The effective date is expected in late 2009. The equalization amount is denominated in Rand and is estimated at Rand 191 million at year end. The Wesizwe purchase amount is also denominated in Rand and is set at Rand 408 million. The past exploration costs due to Wesizwe are set at US \$2.0 million. See discussions at item 2. a) "Results of Operations" and item 2. d) "Exploration Programs and Expenditures" above and discussion below in this section.
- (2) The optional acquisition payments for the War Springs and Tweespalk properties are denominated in US dollars. See item 2. d) "Exploration Programs and Expenditures" above.

As detailed in the table above, the Company will be required to pay an equalizing amount under the terms of the WBJV agreement based on the measured, indicated and inferred 4E PGE ounces reported in a Feasibility Study. Under the original terms of the WBJV this equalization amount would be due to Anglo Platinum only after a decision to mine is taken by the partners of the WBJV, or as detailed below. See item 2. d) "Exploration Programs and Expenditures" above for details of how the equalizing payment will be calculated.

Should the Consolidation Transaction announced September 2, 2008 become effective, the equalization amount will become due to Anglo Platinum on the effective date of the final agreement. The effective date will occur once all conditions precedent have been fulfilled. It is anticipated this date will be in late 2009. In the event the Company does not make the equalization payment on the date required, Anglo Platinum can elect to extend the payment deadline for up to six months, with interest, or may elect to take payment in common shares of Wesizwe, at which point the right to accept the equalization payment would transfer to Wesizwe.

Also as detailed in the table above, under the terms of the Consolidation Transaction, the Company would be required to make both a purchase payment and past exploration cost payment to Wesizwe. The purchase payment would be due nine months after the effective date of the final agreement. See Item 2. a) "Results of Operations" for more detail. In the event the Company does not make the required Wesizwe purchase payment, Wesizwe would have the right to dilute the Company for up to a 19% reduction in its 74% interest in Projects 1 and 3, taking the Company to a 55% interest position.

Cash at August 31, 2009 is sufficient to fund the general operation costs of the Company well into fiscal 2010, but will be insufficient to cover the payments envisioned should the proposed transaction announced September 2, 2008 become effective. The Company is considering and analyzing various strategies to maximize shareholder value going forward. One strategy would be to simply conserve working capital and look toward potential traditional construction financing in 2010. The Company continues to discuss financing possibilities with several large banks who have expressed interest to be involved in the financing of Project 1. A second option would be to consider a strategic partner who has the financial ability to finance Project 1 construction costs, possibly with a metal price instrument or hedge. A third option would be to sell some or all of the South African projects at the most favorable price for shareholders. All three options are currently being pursued.

## **7. OUTSTANDING SHARE DATA**

The Company has an unlimited number of common shares authorized for issuance without par value. At August 31, 2009 there were 92,815,667 common shares outstanding, 6,149,625 incentive stock options outstanding and 12,537,150 common share purchase warrants outstanding. During the year ending August 31, 2009, the Company made no changes to the exercise price of outstanding options through cancellation and reissuance or otherwise.

At November 14, 2009 there were 92,848,667 common shares outstanding, 6,116,625 incentive stock options outstanding and 12,537,150 common share purchase warrants outstanding.

## **8. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to both U.S. Securities and Exchange Commission and Canadian Securities Administrators requirements are recorded, processed, summarized and reported in the manner specified by the relevant securities laws applicable to the Company. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company operates in both Canada and the Republic of South Africa and work is ongoing to improve and modernize these controls and to ensure that they remain consistently applied in both jurisdictions. The Chief Executive Officer and the Chief Financial Officer have evaluated the Company's disclosure control procedures as of August 31, 2009 through inquiry, review, and testing, as well as by drawing upon their own relevant experience. The Company retained an independent third party specialist in 2009 to assist in the assessment of its disclosure control procedures. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at August 31, 2009, the Company's disclosure control procedures were effective. Management is also developing and implementing a plan to address disclosure controls and procedures on a forward looking basis as the Company continues to grow.

The Company also maintains a system of internal controls over financial reporting designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company retained an independent third party specialist in 2008 to assist in the assessment of its internal control procedures. The Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board's review is accomplished principally through the audit committee, which is composed of independent non-executive directors.

The audit committee meets periodically with management and auditors to review financial reporting and control matters. The Board of Directors has also appointed a compensation committee composed of non-executive directors whose recommendations are followed with regard to executive compensation.

From time to time the board may also form special sub-committees, which must investigate and report to the Board on specific topics.

During the year ended August 31, 2007, the Company effected changes in internal control over financial reporting that have materially affected, or may materially affect, the Company's internal control over financial reporting. The Company has (i) taken steps to improve segregation of duties and the authorization process through the addition of accounting personnel; and (ii) reviewed and refined internal control processes; and (iii) adopted and published new corporate governance policies; and (iv) reviewed and improved general controls over information technology; and (v) enhanced financial control over period close processes. During the year ended August 31, 2009 there were no significant changes with regard to internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, and evaluating the effectiveness of the Company's internal control over financial reporting as at each fiscal year end. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of the Company's internal control over financial reporting as at August 31, 2009. Based on this evaluation, management has concluded that as at August 31, 2009, the Company's internal control over financial reporting was effective.

The Company's evaluation of internal control over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, who have expressed their opinion in their report included with the Company's annual consolidated financial statements.

## **9. NYSE AMEX LLC CORPORATE GOVERNANCE**

The Company's common shares are listed on the NYSE AMEX LLC (formerly the American Stock Exchange) ("NYSE-AMEX"). Section 110 of the NYSE-AMEX company guide permits NYSE-AMEX to consider the laws, customs and practices of foreign issuers in relaxing certain AMEX listing criteria, and to grant exemptions from NYSE-AMEX listing criteria based on these considerations. A company seeking relief under these provisions is required to provide

written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE-AMEX standards is posted on the Company's website at [www.platinumgroupmetals.net](http://www.platinumgroupmetals.net) and a copy of such description is available by written request made to the Company.

## 10. OTHER INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form for the year ended August 31, 2009, may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

## 11. SUBSEQUENT EVENTS

During September 2009 the Company was granted prospecting rights for a 118 square kilometre area named the Waterberg Project north of the known North Limb of the Bushveld Complex. The Company holds an initial 74% interest in the project and a private South African BEE firm holds a 26% interest. Magnetic, gravity, and general trends all indicate that the North Limb extends under shallow cover in this area and initial geochemical sampling confirms this interpretation. The Company subsequently entered into a farm-in agreement with JOGMEC for this project whereby JOGMEC can earn a 37% project interest (one half of the Company's interest) by funding \$3.2m in exploration expenditures over a 4 year period. The Company will carry out exploration programs for the project and this work will commence shortly.

Subsequent events of a non-material nature may be discussed elsewhere within this document.

## 12. LIST OF DIRECTORS AND OFFICERS

### *a) Directors:*

R. Michael Jones  
Frank R. Hallam (Secretary)  
Iain McLean  
Eric Carlson  
Barry W. Smee

### *b) Officers:*

R. Michael Jones (Chief Executive Officer)  
Frank R. Hallam (Chief Financial Officer)  
Peter C. Busse (Chief Operating Officer)