



PLG:NYSE American
PTM:TSX

Platinum Group Metals Ltd.

Consolidated Financial Statements

(all amounts in thousands of United States Dollars unless otherwise noted)

For the year ended August 31, 2019

Filed: November 25, 2019



Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Platinum Group Metals Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Platinum Group Metals Ltd. and its subsidiaries (together, the Company) as of August 31, 2019 and 2018, and the related consolidated statements of loss and comprehensive loss, changes in equity and cash flows for each of the three years in the period ended August 31, 2019, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended August 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has significant amounts of debt payable without any current source of operating income. The Company also has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

PricewaterhouseCoopers LLP

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Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, Canada
November 25, 2019

We have served as the Company's auditor since 2007.

PLATINUM GROUP METALS LTD.

Consolidated Statements of Financial Position
(in thousands of United States Dollars)

	August 31, 2019	August 31, 2018
ASSETS		
Current		
Cash	\$ 5,550	\$ 3,017
Restricted Cash – Waterberg	-	126
Marketable Securities (Note 4)	-	7,084
Amounts receivable	507	863
Prepaid expenses	298	226
Total current assets	6,355	11,316
Performance bonds and other assets	65	70
Exploration and evaluation assets (Note 5)	36,792	29,406
Property, plant and equipment	451	1,057
Total assets	\$ 43,663	\$ 41,849
LIABILITIES		
Current		
Accounts payable and other liabilities	\$ 4,134	\$ 3,572
Brokerage fees payable (Note 8)	2,775	-
Total current liabilities	6,909	3,572
Loans payable (Note 7,8)	18,785	42,291
Convertible notes (Note 9)	16,075	14,853
Warrant derivative (Note 11)	3,051	663
Total liabilities	\$ 44,820	\$ 61,379
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	\$ 855,270	\$ 818,454
Contributed surplus	26,777	25,950
Accumulated other comprehensive loss	(159,637)	(159,742)
Deficit	(739,018)	(715,344)
Total shareholders' deficit attributable to shareholders of Platinum Group Metals Ltd.	(16,608)	(30,682)
Non-controlling interest	15,451	11,152
Total shareholders' deficit	(1,157)	(19,530)
Total liabilities and shareholders' deficit	\$ 43,663	\$ 41,849

Going Concern (Note 1)
Contingencies and Commitments (Note 14)

Approved by the Board of Directors and authorized for issue on November 25, 2019

/s/ Iain McLean
Iain McLean, Director

/s/ Diana Walters
Diana Walters, Director

PLATINUM GROUP METALS LTD.

Consolidated Statements of Loss and Comprehensive Loss
(in thousands of United States Dollars except share and per share data)

	Years Ended		
	August 31, 2019	August 31, 2018	August 31, 2017
Expenses			
General and administrative (Note 17)	\$ 4,677	\$ 6,084	\$ 5,749
Interest	8,355	18,414	367
Foreign exchange loss (gain)	1,006	4,068	(4,563)
Share of joint venture expenditures - Lion Battery (Note 6)	595	-	-
Stock compensation expense (Note 10)	787	77	1,144
Closure, care and maintenance costs (recovery)	(509)	14,437	-
Impairment charge	-	-	589,162
	\$ 14,911	\$ 43,080	\$ 591,859
Other Income			
Loss (Gain) on fair value derivatives and warrants (Note 9,11)	2,732	(3,726)	(2,081)
Loss on Asset Held for Sale	-	2,304	-
(Gain) Loss on fair value of marketable securities (Note 4)	(609)	105	-
Net finance income	(364)	(739)	(1,062)
Loss for the year before income taxes	\$ 16,670	\$ 41,024	\$ 588,716
Deferred income tax expense	106	-	1,655
Loss for the year	\$ 16,776	\$ 41,024	\$ 590,371
Items that may be subsequently reclassified to net loss:			
Currency translation adjustment	(105)	(6,350)	(59,086)
Tax impact of previously recorded to comprehensive loss	-	(15,527)	-
Comprehensive loss for the year	\$ 16,671	\$ 19,147	\$ 531,285
Loss attributable to:			
Shareholders of Platinum Group Metals Ltd.	16,776	38,682	542,415
Non-controlling interests	-	2,342	47,956
	\$ 16,776	\$ 41,024	\$ 590,371
Comprehensive loss attributable to:			
Shareholders of Platinum Group Metals Ltd.	\$ 16,671	16,805	480,741
Non-controlling interests	-	2,342	50,544
	16,671	\$ 19,147	\$ 531,285
Basic and diluted loss per common share	\$ 0.52	\$ 2.03	\$ 43.04
Weighted average number of common shares outstanding:			
Basic and diluted	32,534,646	19,053,144	12,601,908

PLATINUM GROUP METALS LTD.

Consolidated Statements of Changes in Equity
(in thousands of United States Dollars, except # of Common Shares)

	# of Common Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Attributable to Shareholders of the Parent Company	Non-Controlling Interest	Total
Balance August 31, 2016	8,885,703	\$ 714,190	\$ 24,003	\$ (232,179)	\$ (125,245)	\$ 380,769	\$ 38,679	\$ 419,448
Stock based compensation	-	-	1,867	-	-	1,867	-	1,867
Share issuance – financing	5,731,375	88,774	-	-	-	88,774	-	88,774
Share issuance costs	-	(7,210)	-	-	-	(7,210)	-	(7,210)
Shares issued on conversion of convertible note	1,319	12	-	-	-	12	-	12
Shares issued for loan facilities	228,541	5,128	-	-	-	5,128	-	5,128
Transactions with non-controlling interest	-	-	-	-	43	43	(43)	-
Foreign currency translation adjustment	-	-	-	61,674	-	61,674	(2,588)	59,086
Net loss for the year	-	-	-	-	(542,415)	(542,415)	(47,956)	(590,371)
Balance August 31, 2017	14,846,938	\$ 800,894	\$ 25,870	\$ (170,505)	\$ (667,617)	\$ (11,358)	\$ (11,908)	\$ (23,266)
Stock based compensation	-	-	80	-	-	80	-	80
Shares issued for interest on convertible note	1,001,987	1,416	-	-	-	1,416	-	1,416
Units issued – financing	13,254,486	18,557	-	-	-	18,557	-	18,557
Unit issuance costs	-	(2,413)	-	-	-	(2,413)	-	(2,413)
Non-controlling interest impact of the sale of Maseve	-	-	-	(11,114)	(7,690)	(18,804)	18,804	-
Equity impact from the partial sale of Waterberg	-	-	-	-	14,172	14,172	1,962	16,134
Contributions of Waterberg JV Co	-	-	-	-	-	-	4,636	4,636
Foreign currency translation adjustment	-	-	-	6,350	-	6,350	-	6,350
Tax impact from Waterberg and other equity transactions	-	-	-	15,527	(15,527)	-	-	-
Net loss for the year	-	-	-	-	(38,682)	(38,682)	(2,342)	(41,024)
Balance August 31, 2018	29,103,411	\$ 818,454	\$ 25,950	\$ (159,742)	\$ (715,344)	\$ (30,682)	\$ 11,152	\$ (19,530)
IFRS 9 transition adoption on September 1, 2018 ¹	-	-	-	-	(5,781)	(5,781)	-	(5,781)
Balance September 1, 2018 (restated)	29,103,411	\$ 818,454	\$ 25,950	\$ (159,742)	\$ (721,125)	\$ (36,463)	\$ 11,152	\$ (25,311)
Stock based compensation	-	-	827	-	-	827	-	827
Shares issued for interest on convertible note	545,721	687	-	-	-	687	-	687
Share issuance – financing	27,077,885	35,024	-	-	-	35,024	-	35,024
Share issuance costs	-	(1,876)	-	-	-	(1,876)	-	(1,876)
Warrants exercised	1,048,770	1,981	-	-	-	1,981	-	1,981
Shares issued for loan facility	800,000	1,000	-	-	-	1,000	-	1,000
Contributions of Waterberg JV Co	-	-	-	-	(1,117)	(1,117)	4,299	3,182
Foreign currency translation adjustment	-	-	-	105	-	105	-	105
Net loss for the year	-	-	-	-	(16,776)	(16,776)	-	(16,776)
Balance August 31, 2019	58,575,787	\$ 855,270	\$ 26,777	\$ (159,637)	\$ (739,018)	\$ (16,608)	\$ 15,451	\$ (1,157)

¹ See Note 2 and Note 8 below for details.

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Consolidated Statements of Cash Flows
(in thousands of United States Dollars)

	For the year ended		
	August 31, 2019	August 31, 2018	August 31, 2017
OPERATING ACTIVITIES			
Loss for the year	\$ (16,776)	\$ (41,024)	\$ (590,371)
Add items not affecting cash:			
Depreciation	235	347	535
Interest expense	8,355	18,414	367
Unrealized foreign exchange gain (loss)	13	(65)	(324)
Share of joint venture expenditures	595	-	-
Loss on assets held for sale	-	2,305	-
Gain (Loss) on fair value of convertible debt derivatives	2,732	(3,726)	(2,081)
(Gain) Loss on marketable securities	(609)	105	-
Deferred tax expense	106	-	1,656
Stock compensation expense	787	77	1,144
Impairment charge	-	-	589,162
Net change in non-cash working capital (Note 15)	(390)	209	2,533
	\$ (4,952)	\$ (23,358)	\$ 2,621
FINANCING ACTIVITIES			
Share issuance – warrant exercise	\$ 1,783	\$ -	\$ -
Proceeds from issuance of equity	25,024	19,882	88,774
Equity issuance costs	(1,876)	(2,562)	(7,210)
Cash received from sale of Maseve	-	62,000	-
Cash proceeds convertible note	-	-	20,000
Costs associated with convertible note	-	(95)	(249)
Convertible note interest paid	(687)	-	-
Cash proceeds from debt	20,000	10,000	5,000
Costs associated with debt	(228)	(866)	(224)
Sprott principal repayments	-	(50,000)	(5,000)
Sprott interest paid	(73)	(3,401)	(3,938)
Repayment of Liberty debt and production payment termination	(41,023)	(23,163)	-
Interest capitalized on debt proceeds	-	-	67
Cash received from Waterberg partners (Note 15)	3,522	2,756	-
	6,442	14,551	\$ 97,220
INVESTING ACTIVITIES			
Proceeds from partial sale of interest in Waterberg	\$ -	\$ 16,124	\$ -
Fees paid on asset held for sale	-	(1,000)	-
Transfer to restricted cash (Waterberg)	-	(5,000)	-
Expenditures from restricted cash (Waterberg)	126	4,874	-
Investment in Lion Battery	(554)	-	-
Acquisition of property, plant and equipment	-	-	(134,488)
Cash received from sale of marketable securities	7,951	-	-
Proceeds from the sale of concentrate	-	2,016	16,609
Performance bonds	19	-	(600)
Waterberg exploration expenditures	(6,990)	(9,125)	-
	552	7,889	\$ (118,479)
Net decrease in cash and cash equivalents	2,042	(918)	(18,638)
Effect of foreign exchange on cash and cash equivalents	491	521	5,602
Cash and cash equivalents, beginning of year	3,017	3,414	16,450
Cash and cash equivalents, end of year	\$ 5,550	\$ 3,017	\$ 3,414

The accompanying notes are an integral part of the consolidated financial statements.

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements
(in thousands of United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Platinum Group Metals Ltd. (the “**Company**”) is a British Columbia, Canada, company formed by amalgamation on February 18, 2002. The Company’s shares are publicly listed on the Toronto Stock Exchange (“**TSX**”) in Canada and the NYSE American LLC (“**NYSE American**”) in the United States (formerly the NYSE MKT LLC). The Company’s address is Suite 838-1100 Melville Street, Vancouver, British Columbia, V6E 4A6.

The Company is an exploration and development company conducting work on mineral properties it has staked or acquired by way of option agreements in the Republic of South Africa.

These financial statements consolidate the accounts of the Company and its subsidiaries. The Company’s subsidiaries, associates and joint ventures (collectively with the Company, the “**Group**”) as at August 31, 2019 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			August 31, 2019	August 31, 2018
Platinum Group Metals (RSA) (Pty) Ltd.	Exploration	South Africa	100.0%	100.0%
Mnombo Wethu Consultants (Pty) Limited. ¹	Exploration	South Africa	49.9%	49.9%
Waterberg JV Resources (Pty) Ltd. ²	Exploration	South Africa	37.05%	37.05%
Lion Battery Technologies Inc. ³	Research	Canada	57.69%	N/A

¹ The Company controls and consolidates Mnombo Wethu Consultants (Pty) Limited (“**Mnombo**”) and Waterberg JV Resources (Pty) Ltd. (“**Waterberg JV Co.**”) for accounting purposes.

² Effective ownership of Waterberg JV Resources (Pty) Ltd. is 63.05% when Mnombo’s ownership portion is combined with Platinum Group Metals (RSA) (Pty) Ltd ownership portion.

³ Lion Battery Technologies is accounted for using the equity method as the Company jointly controls the investee despite having the majority of the shares.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. During the year the Company incurred a loss of \$16.8 million and used cash in operating activities of \$5.0 million. The Company had a working capital deficit of \$0.5 million at August 31, 2019. At August 31, 2019, the Company was also indebted \$20 million pursuant to the Sprott Loan Facility (as defined below). This debt is due August 21, 2021 with the Company holding the option to extend the maturity date by one year in exchange for a payment in common shares or cash of three percent of the outstanding principal amount. Additional payments/interest are also due on the convertible debt (which can be paid with shares of the Company). The Company currently has limited financial resources and has no sources of operating income at present.

The Company’s ability to continue operations in the normal course of business will therefore depend upon its ability to secure additional funding by methods that could include debt refinancing, equity financing, the exercise of warrants, sale of assets and strategic partnerships. Management believes the Company will be able to secure further funding as required although there can be no assurance that these efforts will be successful. Nonetheless, there exist material uncertainties resulting in substantial doubt as to the ability of the Company to continue to meet its obligations as they come due and hence, the ultimate appropriateness of the use of accounting principals applicable to a going concern.

These consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be required to the carrying value of assets and liabilities, the expenses, the reported comprehensive loss and balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements
(in thousands of United States Dollars)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the Handbook of the Canadian Institute of Chartered Professional Accountants, in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of consolidated financial statements and in accordance with accounting policies based on IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements throughout all years presented, as if these policies had always been in effect except for the adoption of IFRS 9, *Financial Instruments*, (“IFRS 9”) effective for the 2019 fiscal year, (see Note 8 for further details of IFRS 9 implementation).

Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

a. Consolidation

The consolidated financial statements include those of the Company, its subsidiaries, associates, joint ventures and structured entities that it controls, using uniform accounting policies. Control exists when the Company has (i) power over the investee, (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power to affect its returns.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company’s equity.

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

b. Translation of foreign currencies

Functional currency

Items included in the financial statements of the Company and each of the Company’s subsidiaries and equity accounted investees are measured using the currency of the primary economic environment in which the entity operates (the functional currency) as follows:

Platinum Group Metals Ltd.	Canadian Dollars
Lion Battery Technologies Inc.	United States Dollars
Platinum Group Metals (RSA) (Pty) Ltd.	South African Rand
Mnombo Wethu Consultants (Pty) Limited	South African Rand
Waterberg JV Resources (Pty) Ltd	South African Rand

Presentation Currency

The Company’s presentation currency is the United States Dollar (“USD”)

Foreign Exchange Rates Used

The following exchange rates were used when preparing these consolidated financial statements:

Rand/USD

Year-end rate: R15.2099 (2018 R14.6883)

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Year average rate: R14.3314 (2018 R12.9572)

CAD/USD

Year-end rate: C\$1.3295 (2018 C\$1.3055)

Year average rate: C\$1.3255 (2018 C\$1.2776)

Transactions and balances

Foreign currency transactions are translated into the relevant entity's functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Subsidiaries

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

c. Joint Arrangements

The Company treats its investment in Lion Battery Technologies Inc. as a joint venture. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. Joint ventures are accounted for using the equity method of accounting. Parties to a joint operation account for their share of assets, liabilities, revenues and expenses in accordance with their contractual rights and obligations.

d. Change in ownership interests

The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration received is recognized in a separate line in retained earnings.

e. 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.

f. Marketable Securities

Marketable Securities represented common shares of Johannesburg Stock Exchange listed Royal Bafokeng Platinum Ltd. ("RBPlats") received from the sale of the Company's interest in Maseve Investments 11 (Pty) Ltd. ("Maseve"), which owned and operated the Maseve Mine. While these shares were held in escrow prior to phase 2 of the Maseve sale to RBPlats being completed (the "Maseve Sale Transaction") in April 2018, all changes in value were recorded in 'Loss on Asset Held for Sale.' Following the completion of phase 2 of the Maseve Sale Transaction all changes in value of the shares were recorded in 'Loss on Fair Value of Marketable Securities.'

g. Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of

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technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- compiling pre-feasibility and feasibility studies.

Exploration and evaluation expenditures on identifiable properties are capitalized. Exploration and evaluation assets are shown separately until technical feasibility and commercial viability is achieved at which point the relevant asset is transferred to development assets under property, plant and equipment. Capitalized costs are all considered to be tangible assets as they form part of the underlying mineral property.

Capitalized exploration and evaluation assets are reviewed for impairment when facts or circumstances suggest an asset's carrying amount may exceed its recoverable amount. If impairment is considered to exist, the related asset is written down to the greater of its value in use and its fair value less costs to sell.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs.

Where an item of property, plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Costs incurred for new construction, mine development, and major overhauls of existing equipment are capitalized as property, plant and equipment and are subject to depreciation once they are put into use. The costs of routine maintenance and repairs are expensed as incurred.

Once a mining project has been established as technically feasible and commercially viable, expenditure other than on land, buildings, plant and equipment is capitalised as part of "development assets" together with any related amount transferred from "exploration and evaluation assets". Capitalization of costs incurred and revenue received during commissioning ceases when the property is capable of operating at levels intended by management.

The present value of the decommissioning cost, which is the dismantling and removal of the asset included in the environmental rehabilitation obligation, is included in the cost of the related preproduction assets. These assets are depreciated over their useful lives.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal, retirement or scrapping of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Where an item of property, plant and equipment is comprised of major components with different useful

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lives, the components are accounted for as separate items of property, plant and equipment. Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over the following periods:

Mining equipment	2 – 22 years
Vehicles	3 – 5 years
Computer equipment and software	3 – 5 years
Furniture and fixtures	5 years

i. Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company conducts internal reviews of asset values which are used to assess for any indications of impairment. External factors such as changes in expected future prices, costs and other market factors including market capitalization are also monitored to assess for indications of impairment.

If any such indication exists an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs to sell and its value in use. If the asset's carrying amount exceeds its recoverable amount, then an impairment loss is recognized.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the use of the asset, including any expansion prospects.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Long-lived assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

j. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

k. Convertible Notes

At inception the debt component of the convertible notes is deemed to be the residual value of the net proceeds after the fair value of the embedded derivatives are separated. The debt component is then measured at amortized cost using the effective interest method. The embedded derivatives are revalued at each reporting period with the change in fair value being recorded in profit or loss in each reporting period.

l. Warrants

As the exercise price of certain of the Company's share purchase warrants is fixed in US Dollar, and the functional currency of the Company is the Canadian Dollar, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability. The

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fair value of the warrants is determined by the market price at end of the relevant period or year.

m. Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effect.

n. Share-based payment transactions

Stock options

Stock options are settled in equity. The fair values for stock-based awards have been estimated using the Black-Scholes model and recorded as compensation cost over the period of vesting. The compensation cost related to stock options granted is expensed or capitalized to mineral properties, as applicable. Cash received on exercise of stock options is credited to share capital and the related amount previously recognized in contributed surplus is reclassified to share capital.

Restricted share units

Restricted share units (“**RSU**”) represent an entitlement to one common share of the Corporation, upon vesting. RSUs provide the option of being settled in cash upon election by the Board of Directors. The fair value of RSUs granted is recognized as an expense over the vesting period. Upon redemption of the RSU, the liability is transferred to share capital.

Deferred share units

Deferred share units (“**DSU's**”) are measured at fair value on grant date. The expense for DSU's is recognized over the vesting period. DSU's can only be redeemed in cash and are adjusted at each financial position reporting date for changes in fair value until such time when the directors retire from all positions with the Company.

o. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax expense is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of loss and other comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

p. Loss per common share

Basic loss per common share is calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method for the calculation of diluted earnings per share. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. In periods when a loss is incurred, the effect of the potential issuances of shares is anti-dilutive, and accordingly basic and diluted loss per share are the same.

q. Financial instruments (since September 1, 2018)

The Company adopted all of the requirements of IFRS 9 as of September 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model.

Upon the adoption of IFRS 9, the Company did not restate prior periods, but has recognized the effects of the modified retrospective application at the beginning of the fiscal 2019 reporting period, which is the date of initial application. Therefore, on September 1, 2018 the adoption of IFRS 9 resulted in a decrease in deficit of \$5.8 million with a corresponding increase in the carrying value of the LMM Facility for the same amount. See Note 8 for further details.

The following is the Company’s new accounting policy for financial instruments since adoption of IFRS 9 on September 1, 2018:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss at fair value through other comprehensive income (loss), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and the debt’s contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the

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financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

The original measurement categories under IAS 39 and the new measurement categories under IFRS 9 are summarized in the following table:

	Original (IAS 39)	New (IFRS 9)
Financial Assets:		
Cash	Loans and receivables	Amortized cost
Marketable securities	Available for sale (designated to profit and loss)	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Financial Liabilities:		
Accounts payable	Other liabilities	Amortized cost
Brokerage fees payable	Other liabilities	Amortized cost
Loan payable	Amortized cost	Amortized cost
Convertible debenture	Other financial liabilities	Other financial liabilities
Convertible debenture derivative	Fair value through profit or loss	Fair value through profit or loss
Warrants	Fair value through profit or loss	Fair value through profit or loss

IFRS established a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 – Quoted prices in active markets for the same instrument. classified
- Level 2 – Valuation techniques for which significant inputs are based on observable market data.
- Level 3 – Valuation techniques for which any significant input is not based on observable market data.

r. Financial Instruments (prior to September 1, 2018)

In the previous comparable year, the carrying value of marketable securities was based on the quoted market prices of the shares as at August 31, 2018 and was therefore considered to be Level 1 as the Company anticipated disposing of these shares within the following fiscal year.

(i) Financial assets and liabilities

Loans and receivables – Loans and receivables comprised of cash and cash equivalents, amounts receivable and performance bonds. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They were classified as current assets or non-current assets based on their maturity date. Loans and receivables were initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities were classified as either financial liabilities or at fair value through profit or loss.

Financial liabilities - Other financial liabilities were initially measured at fair value, net of transaction costs and were subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company had classified accounts payable, accrued

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liabilities and the debt portion of the convertible notes as other financial liabilities.

Fair value through profit or loss - The Company had classified the convertible note derivative as fair value through profit or loss and adjusted the fair value each quarter.

(ii) Impairment of financial assets

The Company assessed at each reporting date whether there is objective evidence that a financial asset or a group of financial assets was impaired. Impairment losses on financial assets carried at amortized cost were reversed in subsequent periods if the amount of the loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognized.

s. **Future accounting changes**

Recently Issued Accounting Pronouncements

The following new accounting standards, amendments and interpretations, that have not been early adopted in these consolidated financial statements, will or may have an effect on the Company's future results and financial position:

(i) IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principals for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("**lessee**") and the supplier ("**lessor**"). IFRS 16 replaces IAS 17, *Leases* and related interpretations. Save for limited exceptions, all leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

- i) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value; and
- ii) Depreciation of lease assets separately from interest on lease liabilities in the statement of income.

The new standard is effective for annual periods beginning on or after January 1, 2019. As the Company's year end is August 31st, the first effective year will be fiscal 2020. The adoption of this standard will not have a significant impact on the financial statements of the Company based on its current leasing activity at August 31, 2019 however the Company anticipates an increase in property plant and equipment and the creation of a lease liability for approximately \$0.5 million.

3. **Significant accounting judgments and estimates**

The preparation of the financial statements in conformity with IFRS requires the use of judgments and estimates that affect the amount reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. Information about such judgments and estimation is contained in the accounting policies and notes to the financial statements, and the key areas are summarized below.

Areas of judgment and key sources of estimation uncertainty that have the most significant effect on the amounts recognized in these consolidated financial statements are:

- Fair value of embedded derivatives including convertible debt derivative and warrants
- Determination of ore reserves and mineral resource estimates
- Assumption of control of Mnombo for accounting purposes
- Deferred tax assets and liabilities and resource taxes

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Each of these judgments and estimates is considered in their respective notes or in more detail below.

Fair value of embedded derivatives

Where the fair value of financial liabilities recorded in the financial statements cannot be derived from active markets, their fair value is determined using valuation techniques including the partial differential equation method. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible.

Determination of ore reserve and mineral resource estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined by NI 43-101. Reserves determined in this way are used in the calculation of depreciation, amortization and impairment charges, and for forecasting the timing of the payment of close down and restoration costs. In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation and they may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves being restated. Such changes in reserves could impact depreciation and amortization rates, asset carrying values and provisions for close down and restoration costs.

Assumption of control of Mnombo and Waterberg JV Resources for accounting purposes

The Company has judged that it controls Mnombo for accounting purposes as it owns 49.9% of the outstanding shares of Mnombo and has contributed all material capital to Mnombo since acquiring its 49.9% share. Currently there are no other sources of funding known to be available to Mnombo. If in the future Mnombo is not deemed to be controlled by the Company, the assets and liabilities of Mnombo would be derecognized at their carrying amounts. Amounts recognized in other comprehensive income would be transferred directly to retained earnings. If a retained interest remained after the loss of control it would be recognized at its fair value on the date of loss of control. Although the Company controls Mnombo for accounting purposes, it does not have omnipotent knowledge of Mnombo's other shareholders activities. Mnombo's 50.01% shareholders are historically disadvantaged South Africans. The Company also determined that it controls Waterberg JV Resources given its control over Mnombo as well as its power over the investee.

Deferred tax assets and liabilities and resource taxes

The determination of our future tax liabilities and assets involves significant management estimation and judgment involving a number of assumptions. In determining these amounts the Company interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of future tax assets and liabilities. We also make estimates of our future earnings which affect the extent to which potential future tax benefits may be used. We are subject to assessment by various taxation authorities, which may interpret tax legislation in a manner different from our view. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise, we make provision for such items based on our best estimate of the final outcome of these matters.

4. MARKETABLE SECURITIES

As part of the Company's consideration for the sale of its interests in Maseve pursuant to the Maseve Sale Transaction, the Company received 4,524,279 common shares of RBPlats. While these marketable securities were owned by the Company they were designated as fair value through profit and loss ("FVTPL") with changes in fair value recorded through profit or loss. On December 14, 2018, the

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Company sold these shares for \$7.8 million and realized a gain of \$609 in fiscal 2019 (December 31, 2018 - \$105 loss).

5. EXPLORATION AND EVALUATION ASSETS

Since mid-2015, the Company's only active exploration project has been the Waterberg Project located on the North Limb of the Western Bushveld Complex. Total capitalized exploration and evaluation expenditures for all exploration properties held by the Company are as follows:

Balance, August 31, 2017	\$	22,900
Additions		9,096
Foreign exchange movement		(2,590)
Balance, August 31, 2018	\$	29,406
Additions		8,362
Foreign exchange movement		(976)
Balance, August 31, 2019	\$	36,792

Waterberg

The Waterberg Project consists of adjacent, granted and applied-for prospecting rights and applied for mining rights with a combined active project area of approximately 99,244.79 ha, located on the Northern Limb of the Bushveld Complex, approximately 85 km north of the town of Mokopane (formerly Potgietersrus). The Waterberg Project is comprised of the former Waterberg JV Property and the Waterberg Extension Property.

On August 21, 2017, PTM RSA completed the cession of legal title for all Waterberg Project prospecting rights into Waterberg JV Co. after earlier receiving Section 11 approval of the 2nd Amendment (defined below). On September 21, 2017, Waterberg JV Co. also issued shares to all existing Waterberg partners pro rata to their joint venture interests, resulting in the Company holding a 45.65% direct interest in Waterberg JV Co., the Japan Oil, Gas and Metals National Corporation ("**JOGMEC**") holding a 28.35% interest and Mnombo, as the Company's Black Economic Empowerment ("**BEE**") partner, holding 26%.

Implats Transaction

On November 6, 2017, the Company closed a transaction (the "**Implats Transaction**"), originally announced on October 16, 2017, whereby Impala Platinum Holdings Ltd. ("**Implats**"):

- a) Purchased an aggregate 15.0% equity interest in Waterberg JV Co (the "**Initial Purchase**") for \$30 million. The Company sold an 8.6% interest for \$17.2 million and JOGMEC sold a 6.4% interest for \$12.8 million. From its \$17.2 million in proceeds, the Company committed \$5.0 million towards its pro rata share of remaining DFS costs, which was held as restricted cash with no balance remaining as at August 31, 2019 (\$0.1 million remaining at August 31, 2018). Implats has contributed its 15.0% pro rata share of Definitive Feasibility Study ("**DFS**") costs to date. Following the Initial Purchase, the Company held a direct 37.05% equity interest, JOGMEC held a 21.95% equity interest and Black Economic Empowerment partner Mnombo maintained a 26.0% equity interest. The Company holds a 49.9% interest in Mnombo, bringing its overall direct and indirect ownership in Waterberg JV Co. to 50.02%.
- b) Acquired an option (the "**Purchase and Development Option**") whereby upon completion and approval by Waterberg JV Co. or Implats of the DFS, Implats will have a right within 90 business days to exercise an option to increase its interest to up to 50.01% in Waterberg JV Co. If Implats exercises the Purchase and Development Option, Implats would commit to purchase an additional 12.195% equity interest in Waterberg JV Co. from JOGMEC for \$34.8 million and commit to an expenditure of \$130.2 million in development work.

Following an election to go to a 50.01% project interest as described above, Implats will have another 90 business days to confirm the salient terms of a development and mining financing for the Waterberg

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Project. After exercising the Purchase and Development Option, Implats will control Waterberg JV Co.

Should Implats complete the increase of its interest in Waterberg JV Co. to 50.01% pursuant to the Purchase and Development Option, the Company would retain a 31.96% direct and indirect interest in Waterberg JV Co. and following completion of Implats' earn-in spending all of the project partners would be required to participate pro-rata. The transaction agreements also provide for the transfer of equity and the issuance of additional equity to one or more broad based black empowerment partners, at fair value.

If Implats does not elect to complete the Purchase and Development Option, Implats will retain a 15.0% project interest and the Company will retain a 50.02% direct and indirect interest in the project.

- c) Acquired a right of first refusal to enter into an offtake agreement, on commercial arms-length terms, for the smelting and refining of mineral products from the Waterberg Project. JOGMEC will retain a right to receive platinum, palladium, rhodium, gold, ruthenium, iridium, copper and nickel in refined mineral products at the volume produced from the Waterberg Project.

Acquisition and Development of the Property

In October 2009, PTM RSA, JOGMEC and Mnombo entered into a joint venture agreement with regard to the Waterberg Project (the "**JOGMEC Agreement**"). Under the terms of the JOGMEC Agreement, in April 2012, JOGMEC completed a \$3.2 million work requirement to earn a 37% interest in the Waterberg JV property, leaving the Company with a 37% interest and Mnombo with a 26% interest. Following JOGMEC's earn-in, the Company funded Mnombo's 26% share of costs, totalling \$1.12 million, until the earn-in phase of the joint venture ended in May 2012.

On November 7, 2011, the Company entered an agreement with Mnombo to acquire 49.9% of the issued and outstanding shares of Mnombo in exchange for a cash payment of R1.2 million and the Company's agreement to pay for Mnombo's 26% share of costs on the Waterberg JV property until the completion of a feasibility study. Mnombo's share of expenditures prior to this agreement were covered by the Company and subsequent expenditures on the non-JV property are still owed to the Company (\$4.5 million at August 31, 2019). The portion of Mnombo not owned by the Company is accounted for as a non-controlling interest, calculated at \$6.9 million at August 31, 2019 (\$5.8 million – August 31, 2018).

On May 26, 2015, the Company announced a second amendment (the "**2nd Amendment**") to the existing JOGMEC Agreement. Under the terms of the 2nd Amendment the Waterberg JV and Waterberg Extension properties are to be combined and contributed into the newly created operating company Waterberg JV Co. On August 3, 2017, the Company received Section 11 transfer approval from the South African Department of Mineral Resources ("**DMR**") and title to all of the Waterberg prospecting rights held by the Company were ceded into Waterberg JV Co. on September 21, 2017.

Under the 2nd Amendment, JOGMEC committed to fund \$20 million in expenditures over a three-year period ending March 31, 2018. This requirement was completed by \$8 million in funding from JOGMEC to March 31, 2016, followed by two \$6 million tranches funded by JOGMEC in each of the following two 12-month periods ending March 31, 2018.

To August 31, 2019 an aggregate total of \$70.4 million has been funded by all parties on exploration and engineering on the Waterberg Project. Up until the Waterberg property was transferred to Waterberg JV Company, all costs incurred by other parties were treated as recoveries.

6. LION BATTERY

On July 15, 2019 the Company announced that Anglo American Platinum Limited ("Anglo American Platinum") and itself had launched a new company named Lion Battery Technologies Inc. ("**Lion**"). Lion was formed to research battery technology using platinum and palladium. Lion has entered into an agreement with Florida International University ("**FIU**") to fund a \$3.0 million research program over approximately three years. Under the agreement with FIU, Lion will have exclusive rights to all intellectual property developed and will lead all commercialization efforts. Lion is also currently reviewing several

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additional and complementary opportunities focused on developing next-generation battery technology using platinum and palladium.

During the year the Company and Anglo American Platinum each invested \$550 into Lion in exchange for 1,100,000 Lion preferred shares each at a price of \$0.50 per share. In addition, the Company invested \$4 as the original founder of Lion in exchange for 400,000 common shares of Lion at a price of \$0.01 per share. Both the Company and Anglo American Platinum have agreed together to invest up to a total of \$4.0 million, subject to certain conditions, in exchange for preferred shares of Lion at a price of \$0.50 per share over an approximate three to four year period. The Company accounts for Lion using equity accounting as the Company is jointly controlled with Anglo American Platinum. Lion pays a fee of \$3 per month to the Company for general and administrative services.

7. SPROTT LOAN

On August 15, 2019 the Company announced it had entered into a credit agreement with Sprott Private Resource Lending II (Collector), LP (“**Sprott**”) and other lenders party thereto (the “**Sprott Lenders**”) pursuant to which the Sprott Lenders advanced \$20.0 million principal senior secured credit facility (“**Sprott Facility**”). The loan was drawn August 21, 2019 and is due August 21, 2021 with the Company holding the option to extend the maturity date by one year in exchange for a payment in common shares or cash of three percent of the outstanding principal amount. All amounts outstanding will be charged interest of 11% per annum compounded monthly. Interest payments will be made monthly with interest of \$73 having been paid to Sprott during fiscal 2019.

The Company is required to maintain certain minimum working capital and cash balances under the Sprott loan and are in compliance with these covenants at year end.

All fees directly attributable to the Sprott Facility were capitalized against the loan balance and amortized using the effective interest method over the life of the loan. In connection with the advance the Company issued Sprott 800,000 common shares worth \$1,000. Additional fees of \$225 were also incurred. Effective interest of \$83 was also recognized during fiscal 2019.

8. LIBERTY METALS & MINING LOAN FACILITY

On November 20, 2015, the Company drew down a \$40 million loan facility (the “**LMM Facility**”) pursuant to a credit agreement (the “**LMM Credit Agreement**”) entered into on November 2, 2015 with a significant shareholder, Liberty Metals & Mining Holdings, LLC (“**LMM**”), a subsidiary of Liberty Mutual Insurance. The LMM Facility bears interest at LIBOR plus 9.5%. LMM held the first lien position on (i) the shares of PTM (RSA) held by the Company and (ii) all current and future assets of the Company. Pursuant to the LMM Credit Agreement the Company also entered into a life of mine Production Payment Agreement (“**PPA**”) with LMM.

During fiscal 2018 the Company made payments to Liberty totalling \$23.1 million. These payments first settled the production payment termination accrual of \$15 million. The remaining \$8.1 million was then applied against the loan and accrued interest owing.

On January 11, 2019 the Company repaid a further \$8.0 million to Liberty from the proceeds of sale of its RBPlats shares, (see Note 4 for further details). On August 21, 2019 the \$43.0 million outstanding balance of the LMM Facility was repaid in full. A portion of the repayment was funded by Liberty’s August 21, 2019 subscription in a private placement for 7,575,758 shares at US\$1.32 for total proceeds of \$10 million.

Brokerage Fees Payable

There were certain deferred brokerage fees related to the Maseve Sale Transaction and the Implats Transaction that became payable as soon as practicable after the Company repaid the LMM Facility. The outstanding amount payable of \$2,775 has been reclassified to current liabilities subsequent to the repayment of the LMM Facility on August 21, 2019.

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Effect of IFRS 9 on the LMM Facility

The LLM Credit Agreement had multiple amendments. Under IAS 39, when an entity makes an amendment it must decide whether the modification was significant enough to constitute an extinguishment. If the modification was considered an extinguishment of the initial debt, the new modified debt is recorded at fair value and a gain/loss recognized in income for the difference between the carrying amount of the 'old' debt and the 'new' debt. This extinguishment accounting remains the same under IFRS 9.

However, accounting under the newly adopted IFRS 9 differs where the change was not significant enough to be an extinguishment. Under IAS 39, modifications would not lead to an immediate income change because the entity would typically discount the cash flows of the modified debt at a revised effective interest rate. However, under IFRS 9, the cash flows under the modified debt should be rediscounted at the original effective interest rate. This leads to an immediate income charge on the date of the modification.

Effective September 1, 2018 the Company adopted IFRS 9 which was applied to the LMM Facility retrospectively without restating prior periods. The implementation of IFRS 9 resulted in an increase in the carrying value of \$5.8 million with a corresponding decrease in deficit also being recognized.

9. CONVERTIBLE NOTES

On June 30, 2017, the Company closed a private placement of \$20 million aggregate principal amount of convertible senior subordinated notes ("**Convertible Notes**") due 2022. The Convertible Notes bear interest at a rate of 6 7/8% per annum, payable semi-annually on January 1 and July 1 of each year, beginning on January 1, 2018, in cash or at the election of the Company, in common shares of the Company or a combination of cash and Common Shares, and will mature on July 1, 2022, unless earlier repurchased, redeemed or converted. An additional interest charge of 0.25% for the period January 1, 2018 to March 31, 2018, plus a further 0.25% for the period April 1, 2018 to July 1, 2018, was added to the coupon rate of the Convertible Notes at the Company's election to not file a prospectus and a registration statement for the Convertible Notes with Canadian securities regulatory authorities and with the U.S. Securities and Exchange Commission. After July 1, 2018, at which time the Convertible Notes became freely tradable by holders other than affiliates, the Convertible Notes once again bear interest at the coupon rate of 6 7/8% per annum.

Upon maturity the Convertible Notes are to be settled by the Company in cash. The Convertible Notes are convertible at any time prior to maturity at the option of the holder, and conversion may be settled, at the Company's election, in cash, Common Shares, or a combination of cash and Common Shares. If any Convertible Notes are converted on or prior to the three and one half year anniversary of the issuance date, the holder of the Convertible Notes will also be entitled to receive an amount equal to the remaining interest payments on the converted notes to the three and one half year anniversary of the issuance date, discounted by 2%, payable in Common Shares. The initial conversion rate of the Convertible Notes will be 1,001.1112 Common Shares per \$1,000 principal amount of Convertible Notes, which is equivalent to an initial conversion price of approximately \$0.9989 per Common Share, representing a conversion premium of approximately 15% above the NYSE American closing sale price for the Company's Common Shares of \$0.8686 per share on June 27, 2017. After giving effect to the December 13, 2018 share consolidation, the conversion rate is 100.1111 per US\$1,000 which is equivalent to a conversion price of approximately \$9.989 per common share.

The Convertible Notes contain multiple embedded derivatives (the "**Convertible Note Derivatives**") relating to the conversion and redemption options. The Convertible Note Derivatives were valued upon initial recognition at fair value using partial differential equation methods at \$5,381 (see below). At inception, the debt portion of the Convertible Notes were reduced by the estimated fair value of the Convertible Note Derivatives of \$5,381 and transaction costs relating to the Convertible Notes of \$1,049 resulting in an opening balance of \$13,570. The Convertible Notes are measured at amortized cost and will be accreted to maturity over the term using the effective interest method.

On January 2, 2018, the Company issued 244,063 common shares in settlement of \$691 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes.

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On July 3, 2018, the Company issued 757,924 common shares in settlement of \$724 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes.

On January 2, 2019 the Company issued 545,721 common shares in settlement of \$687 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes.

On July 1, 2019 the Company paid \$687 of bi-annual interest payable on outstanding Convertible Notes.

The components of the Convertible Notes are as follows:

Convertible Note balance August 31, 2017	\$ 13,925
Transaction costs incurred during the year	(95)
Interest payments	(1,416)
Accretion and interest incurred during the year	2,378
Debt portion of the Convertible Notes August 31, 2018	14,792
Embedded Derivatives balance August 31, 2018 (see below)	61
Convertible Note balance August 31, 2018	\$ 14,853
Transactions costs incurred	(79)
Interest payments	(1,374)
Accretion and interest incurred during the year	2,487
Embedded Derivatives balance August 31, 2019 (see below)	188
Convertible Note balance August 31, 2019	\$ 16,075

Embedded Derivatives

The Convertible Note Derivatives were valued upon initial recognition at a fair value of \$5,381 using partial differential equation methods and is subsequently re-measured at fair value at each period-end through the consolidated statement of net loss and comprehensive loss. The fair value of the Convertible Note Derivatives was measured at \$61 at August 31, 2018, then \$188 at August 31, 2019 resulting in a loss of \$127 for the year. Combined with the loss on the warrant derivative (Note 11) of \$2,605, this results in a loss of \$2,732.

The assumptions used in the valuation model used at August 31, 2019 and August 31, 2018 include:

Valuation Date	August 31, 2019	August 31, 2018
Share Price (USD)	\$1.99	\$1.00
Volatility	80.90%	72.43%
Risk free rate	1.55%	2.71%
Credit spread	15.11%	11.58%
All-in rate	16.66%	14.30%

The Convertible Note derivative is classified as a level 2 financial instrument in the fair value hierarchy.

10. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issued and outstanding

On November 20, 2018 the Company announced a consolidation of its common shares on the basis of one new share for ten old shares (1:10). The purpose of the consolidation was to increase the Company's common share price to be in compliance with the NYSE American's low selling price requirement. All share numbers in these financial statements are presented on a post consolidation basis.

At August 31, 2019, the Company had 58,575,787 shares outstanding.

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Fiscal 2019

On August 21, 2019, the Company announced it had closed a bought deal financing of 8,326,957 common shares at a price of US\$1.25 per share for gross proceeds of \$10.4 million. Also, on August 21, 2019 the Company announced the sale of 7,575,758 common shares to LMM and 6,940,000 common shares to Hosken Consolidated Investments Limited (“**HCI**”) both at price of US\$1.32 per share for gross proceeds of \$10.0 million and \$9.1 million respectively. Total fees of \$1,769 were paid on the August 21, 2019 transactions including a 6% finders fee of \$624.

On June 28, 2019 the Company closed a non-brokered private placement with HCI for gross proceeds of \$1.3 million. In connection with the private placement, the Company issued an aggregate of 1,111,111 common shares to Deepkloof Limited, a subsidiary of HCI, at a price of US\$1.17 per common share. On a non-diluted basis and after giving effect to the private placement, HCI’s ownership in the Company was increased from 20.05% to 22.60% of the Company’s issued and outstanding common shares. The Company did not pay any finder’s fees in connection with the private placement.

On February 4, 2019, the Company announced it had closed a non-brokered private placement of 3,124,059 shares at a price of US\$1.33 per share for gross proceeds of \$4.16 million. A 6% finders fee of \$72 was paid on a portion of the private placement, with total issuance costs (including the finders fee) totalling \$107.

During the year, the Company issued 1,048,770 shares upon the exercise of 1,048,770 warrants.

On January 2, 2019 the Company issued 545,721 shares in settlement of \$687.16 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes.

Fiscal 2018

On May 11, 2018 the Company announced a private placement offering of 1,509,100 units at a price of US\$1.50 per unit for gross proceeds of \$2.3 million. Each unit consisted of one common share and one common share purchase warrant, with each common share purchase warrant allowing the holder to purchase a further common share at a price of US\$1.70. The private placement was contingent on the closure of the public offering that closed May 15, 2018 outlined below. See note 11 for valuation of the warrants.

On May 15, 2018 the Company announced it had closed a public offering of 11,745,386 units at a price of US\$1.50 per unit for gross proceeds for \$17.6 million. Each unit consisted of one common share and one common share purchase warrant, with each common share purchase warrant allowing the holder to purchase a further common share at a price of US\$1.70. See note 11 for valuation of the warrants. Total unit issuance costs of \$2.5 million were incurred for the private placement and public offering

On January 2, 2018 and July 3, 2018, the Company issued 244,063 and 757,924 respectively in settlement of \$691.11 and \$724,78 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes. See Note 9 for further details.

(c) Incentive stock options

The Company has entered into Incentive Stock Option Agreements (“**Agreements**”) under the terms of its stock option plan with directors, officers, consultants 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. Certain stock options of the Company are subject to vesting provisions, while others vest immediately. All exercise prices are denominated in Canadian Dollars.

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

	Number of Shares	Average Exercise Price CAD\$
Options outstanding at August 31, 2017	438,228	46.50
Forfeited	(129,678)	41.50
Options outstanding at August 31, 2018	308,550	45.20
Forfeited/Cancelled	(308,550)	45.20
Granted	1,554,000	2.61
Options outstanding at August 31, 2019	1,554,000	2.61

During the year ended August 31, 2019 the Company granted 1,554,000 stock options. The stock options granted in the current period vest in four equal annual stages commencing on the date of the grant on April 9, 2019. The Company recorded \$730 (\$638 expensed and \$92 capitalized to mineral properties) of compensation expense during fiscal 2019.

During the year ended August 31, 2019, 46,300 share options expired while the Company cancelled a further 262,250 share options by mutual agreement.

Stock options outstanding at August 31, 2019	Stock options exercisable at August 31, 2019	Exercise Price CAD\$	Average Remaining Contractual Life (Years)
1,554,000	388,500	2.61	4.61

During the year ended August 31, 2018 the Company did not grant any options.

The Company used the Black-Scholes model to determine the grant date fair value of stock options granted. The following assumptions were used in valuing stock options granted during the years ending August 31, 2019 and August 31, 2018:

Year ended	August 31, 2019	August 31, 2018
Risk-free interest rate	1.6%	N/A
Expected life of options	3.9 years	N/A
Annualized volatility ¹	74%	N/A
Forfeiture rate	2.1%	N/A
Dividend rate	0.0%	N/A

¹The Company uses its historical volatility as the basis for the expected volatility assumption in the Black Scholes option pricing model.

(d) Deferred Share Units

The Company has established a DSU plan for non-executive directors. Each DSU has the same value as one Company common share. DSU's must be retained until the director leaves the Board of Directors, at which time the DSU's are paid.

The DSU liability at August 31, 2019 is \$113. During the year ended August 31, 2019 an expense of \$113 was recorded in relation to the outstanding DSUs (August 31, 2018 - \$Nil), with \$63 recorded as share-based compensation and \$50 recorded as director fees. At August 31, 2019, 183,370 DSUs have been issued with 32,561 fully vested.

(e) Restricted Share Units

The Company has established an RSU plan for certain employees of the Company. Each RSU has the same value as one Company common share. RSU's vest over a three year period.

The RSU liability at August 31, 2019 is \$101. During the year ended August 31, 2019 an expense of \$102 was recorded (\$86 expensed and \$15 capitalized) in relation to the outstanding RSUs, (August 31, 2018 \$Nil). At August 31, 2019, 223,443 RSU's have been issued. No RSUs have vested at August 31, 2019.

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11. WARRANT DERIVATIVE

The exercise price of the Company's outstanding warrants is denominated in US Dollars; however, the functional currency of PTM Canada (where the warrants are held) is the Canadian Dollar. Therefore, the warrants are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as non-cash gain or loss in the consolidated statement of loss and comprehensive loss.

The warrants were issued May 15, 2018 and were initially valued using the residual value method. An initial valuation of \$1,171 was attributed to the warrants which included \$157 of unit issuance costs being attributed to the value of the warrants. As the warrants are publicly traded on the TSX the value of the warrants at each period is estimated by using the warrant TSX closing price on the last day of trading in the applicable period. At August 31, 2019 the warrants were trading at US\$0.025 (US\$0.005 at August 31, 2018) resulting in a value of \$3,051 being attributed to the warrants and loss of \$2,605 being recognized in fiscal 2019. When combined with the gain on the embedded derivatives in the Convertible Notes (see Note 9) this results in a net loss of \$2,732 on derivatives.

12. NON-CONTROLLING INTEREST

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Company	Proportion of ownership and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2019	2018	2019	2018	2019	2018
Maseve Investments 11 (Pty) Ltd	-	17.1% ¹	\$ -	\$ 2,342	\$ -	\$ -
Mnombo Wethu Consultants (Pty) Limited	50.1%	50.1%	-	-	6,889	5,768
Waterberg JV Co ²	63.05%	63.05%	-	-	8,562	5,384
				Total	\$ 15,451	\$ 11,152

¹The Company closed the sale of Maseve in fiscal 2018

²Includes the 26% owned by Mnombo

13. RELATED PARTY TRANSACTIONS

All amounts receivable and amounts payable owing to or from related parties are non-interest bearing with no specific terms of repayment. Transactions with related parties are in the normal course of business and are recorded at consideration established and agreed to by the parties. Transactions with related parties are as follows:

- During the year ended August 31, 2019 \$326 (\$184 – August 31, 2018) was paid or accrued to independent directors for directors' fees and services.
- During the year ended August 31, 2019, the Company accrued payments of \$54 (\$56 – August 31, 2018) from West Kirkland Mining Inc. ("**West Kirkland**"), a company with two directors in common, for accounting and administrative services. All amounts due from West Kirkland have been paid subsequent to year end.
- On May 15, 2018 the Company closed a private placement for 1,509,100 units with HCI. Also, on May 15, 2018, HCI participated for an additional 2,490,900 units in the Company's separate public offering (See Note 10 above for more details). By way of the private placement HCI acquired a right to nominate one person to the board of directors of the Company and a right to participate in future equity financings

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of the Company to maintain its pro-rata interest. On February 4, 2019 HCI subscribed for 2,141,942 common shares and on August 21, 2019 HCI subscribed for a further 6,940,000 common shares as part the Company's private placements. Combined with warrants exercised during the year and shares purchased on the open market HCI owns approximately 30.66% of the Company's outstanding common shares as of the date of these financial statements.

LMM was considered a related party in prior years, (refer to Note 8 for details of LMM transactions). At August 31, 2019 LMM is no longer considered a related party due to the contractual obligations between LMM and the Company no longer being present.

Key Management Compensation

The remuneration the CEO, CFO, COO and other key management personnel and the directors during the years ended August 31, 2019 to 2017 is as follows:

Year ended	August 31, 2019	August 31, 2018	August 31, 2017
Salaries	\$ 927	\$ 963	\$ 1,093
Directors fees	171	184	235
Share-based payments – management	393	13	396
Share-based payments - directors	155	12	504
Total	\$ 1,646	\$ 1,172	\$ 2,228

14. CONTINGENCIES AND COMMITMENTS

The Company's remaining minimum payments under its office and equipment lease agreements in Canada and South Africa total approximately \$596 to March 2022.

Contractor payments are based on approximate costs to complete services remaining at Waterberg.

From year end the Company's aggregate commitments are as follows:

	Payments Due By Year				
	< 1 Year	1 – 3 Years	4 – 5 Years	> 5 Years	Total
Lease Obligations	\$ 298	\$ 169	\$ 129	\$ -	\$ 596
Contractor payments	543	-	-	-	543
Convertible Note ¹	1,374	22,739	-	-	24,113
Sprott Facility (Note 7)	2,237	22,163	-	-	24,400
Totals	\$ 4,452	\$ 45,071	\$ 129	\$ -	\$ 49,652

¹The convertible note and related interest can be settled at the Company's discretion in cash or shares

Africa Wide Legal Action

The Company reports that it is in receipt of a summons issued by Africa Wide whereby Africa Wide has instituted legal proceedings in South Africa against PTM RSA, RBPlats and Maseve in relation to the Maseve Sale Transaction. Africa Wide is seeking, at this very late date, to set aside or be paid increased value for, the closed Maseve Sale Transaction. Africa Wide held a 17.1% interest in Maseve prior to the Maseve Sale Transaction. RBPlats consulted with senior counsel, both during the negotiation of the Maseve Sale Transaction and in regard to the current Africa Wide legal proceedings. The Company has received legal advice to the effect that the Africa Wide action, as issued, is ill-conceived and is factually and legally defective.

Tax Audit South Africa

During the 2014, 2015 and 2016 fiscal years, PTM RSA claimed unrealized foreign exchange differences as income tax deductions in its South African corporate tax returns in the amount of Rand 1.4 billion. The

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exchange losses emanate from a Canadian dollar denominated shareholder loan advanced to PTM RSA and weakening of the Rand. Under applicable South African tax legislation, exchange losses can be claimed in the event that the shareholder loan is classified as a current liability as determined by IFRS.

For the years in question, the intercompany debt was classified as current in PTM RSA's audited financial statements. During 2018, the South African Revenue Service, or SARS, conducted an income tax audit of the 2014 to 2016 years of assessment and issued PTM RSA with a letter of audit findings on November 5, 2018. SARS proposed that the exchange losses be disallowed on the basis that SARS is not in agreement with the reclassification of the shareholder loan as a current liability. SARS also invited the Company to provide further information and arguments if we disagreed with the audit findings. On the advice of the Company's legal and tax advisors, the Company is in strong disagreement with the proposed interpretation by SARS.

The Company responded to the SARS letter on January 31, 2019 and again on April 5, 2019 following a request for additional information received on March 20, 2019. The Company also met with SARS, together with the Company's advisors, on May 30, 2019 in order to address any remaining concerns that SARS may have. At present this matter is unresolved. Any tax assessment issued by SARS will be legally contested by PTM RSA.

In the event that the exchange losses are disallowed by SARS, the Company estimates that for the years under review that PTM RSA's exposure would be taxable income of approximately Rand 182 million and an income tax liability of approximately Rand 51 million (approximately \$3.35 million at year end based on the daily exchange rates reported by the Bank of Canada on August 31, 2019). For fiscal years 2017 and 2018 the Company estimates that a further Rand 266 million in income could be subject to taxation at a rate of approximately 28% if our exchange losses are disallowed by SARS. SARS may apply interest and penalties to any amounts due, which could be substantial. The Company believe its accounting classification of the shareholder loan is correct and that no tax assessment is warranted; however, we cannot assure that SARS will not issue a reassessment or that we will be successful in legally contesting any such assessment. Any assessment could have a material adverse effect on the Company's business and financial condition.

15. SUPPLEMENTARY CASH FLOW INFORMATION

Net change in non-cash working capital:

Year ended	August 31, 2019	August 31, 2018	August 31, 2017
Amounts receivable, prepaid expenses and other assets	\$ 195	\$ (42)	\$ 3,603
Accounts payable and other liabilities	(585)	251 ¹	(1,070)
	\$ (390)	\$ 209	\$ 2,533

¹Prior year reclassification: An amount of \$2,756 has been reclassified to investing activities for the year ending August 31, 2018. The classification was made to correct the prior year presentation in the cash flow statement versus what was previously presented. The cash flow re-classification did not impact any item on the statement of financial position or on the statement of Loss and Comprehensive Loss.

The significant non-cash investing and financing transactions during the year are as follows:

	August 31, 2019
Fair value of common shares issued for repayment of LMM Loan	\$ 10,000
Fair value of common shares issued for arrangement of Sprott Loan	1,000
Fair value of common shares issued for convertible note interest payment	687

16. SEGMENTED REPORTING

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Segmented information is provided on the basis of geographical segments as the Company manages its business and exploration activities through geographical regions – Canada and South Africa. The Chief Operating Decision Makers (“CODM”) reviews information from the below segments separately so the below segments are separated. This represents a change from prior years and comparative information has been represented to reflect the way the CODM currently reviews the information

The Company evaluates performance of its operating and reportable segments as noted in the following table:

At August 31, 2019		Assets		Liabilities	
Canada	\$	4,983	\$	39,278	
South Africa		38,680		5,542	
	\$	43,663	\$	44,820	

At August 31, 2018		Assets		Liabilities	
Canada	\$	3,333	\$	58,396	
South Africa		38,516		2,983	
	\$	41,849	\$	61,379	

Comprehensive Loss (Income) for the year ended		August 31, 2019		August 31, 2018	
Canada	\$	16,471	\$	23,401	
South Africa		200		(4,254)	
	\$	16,671	\$	19,147	

17. GENERAL AND ADMINISTRATIVE EXPENSES

GENERAL AND ADMINISTRATIVE EXPENSES	Year Ending August 31, 2019		Year Ending August 31, 2018	
Salaries and benefits	\$	1,423	\$	1,772
Professional/consulting fees		1,230		1,672
Asset Impairment		344		-
Equipment rental and storage		342		752
Travel		323		255
Depreciation		235		347
Regulatory Fees		214		232
Insurance		193		373
Shareholder relations		173		163
Rent		76		305
Other		124		213
Total	\$	4,677	\$	6,084

18. 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

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of the Company consists of share capital, contributed surplus, accumulated other comprehensive loss 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 issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company regularly updates the Board of Directors with regard to budgets, forecasts, results of capital deployment and general industry conditions. The Company does not currently declare or pay out dividends.

As at August 31, 2019, the Company is subject to externally imposed capital requirements under the Sprott Facility. Please see Note 7 for further details.

19. 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*

Credit risk arises from the risk that the financial asset counterparty, may default or not meet its obligations timely. The Company minimizes credit risk by monitoring the reliability of counterparties to settle assets. The maximum exposure to the credit risk is represented by the carrying amount of all the financial assets. There is no material concentration of credit risk in cash and cash equivalents, trade and other receivables and loans.

(i) *Amounts receivable*

Total credit risk is limited to the carrying amount of amounts receivable.

(ii) *Cash and cash equivalents*

In order to manage credit and liquidity risk the Company invests only in term deposits with Canadian Chartered and South African banks that have maturities of three months or less.

(iii) *Performance Bonds*

In order to explore and develop its properties in South Africa, the Company was required to post performance bonds as financial guarantees against future reclamation work. These funds are held with Standard Bank of South Africa Limited with the DMR as beneficiary in accordance with the Mineral and Petroleum Resources Development Act (the "MPRDA") and the Company's environmental management programme.

(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 Company regularly updates the Board of Directors with regard to budgets, forecasts, results of capital deployment and general industry conditions.

The Company may be required to source additional financing by way of private or public offerings of equity or debt or the sale of project or property interests in order to have sufficient cash to make debt repayments and working capital for continued exploration on the Waterberg Projects, as well as for general working capital purposes.

Any failure by the Company to obtain additional required financing on acceptable terms could cause the Company to delay development of its material projects or could result in the Company being forced to sell

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some of its assets on an untimely or unfavourable basis. Any such delay or sale could have a material and adverse effect on the Company's financial condition, results of operations and liquidity. Also refer to Note 1 for discussion of going concern risk.

(c) *Currency risk*

The Company's functional currency is the Canadian dollar, while the consolidated presentation currency is the United States Dollar. The functional currency of all South African subsidiaries is the Rand, while the functional currency of Lion Battery Technology Inc. is the US Dollar. The Company's operations are in both Canada and South Africa; therefore, the Company's results are impacted by fluctuations in the value of foreign currencies in relation to the Canadian and United States dollar. The Company also held material USD denominated cash balances. The Company's significant foreign currency exposures on financial instruments comprise cash and cash equivalents, loans payable, warrants, convertible notes, 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 is exposed to foreign exchange risk through the following financial instruments denominated in a currency other than Canadian dollars:

Year ended	August 31, 2019	August 31, 2018
Cash (Rand)	\$ 1,204	\$ 350
Cash (USD)	3,708	2,613
Accounts receivable (Rand)	436	802
Marketable Securities (Rand)	-	7,084
Accounts payable (Rand)	2,767	3,074
Loan Payable (USD)	18,785	39,465
Convertible Note (USD)	16,075	14,853

The Company's comprehensive loss is affected by changes in the exchange rate between its operating currencies and the United States dollar. At August 31, 2019, based on this exposure a 10% strengthening/weakening in the United States dollar versus Rand foreign exchange rate and Canadian dollar would give rise to a decrease/increase in net loss for the year presented of approximately \$3.4 million, (August 31, 2018 - \$6.8 million).

(d) *Interest rate risk*

The Company's interest income earned on cash and cash equivalents and on short term investments is exposed to interest rate risk. At August 31, 2019, based on this exposure a 1% change in the average interest rate would give rise to an increase/decrease in the net loss for the year of approximately \$3.

At August 31, 2019, the carrying amounts of cash and cash equivalents, amounts receivable, performance bonds and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments.

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20. INCOME TAXES

The income taxes shown in the consolidated earnings differ from the amounts obtained by applying statutory rates to the earnings before provision for income taxes due to the following:

	2019	2018	2017
Loss before income taxes	\$ 16,670	\$ 40,024	\$ 588,716
Income tax recovery at statutory rates	(4,503)	(10,941)	(153,066)
Difference of foreign tax rates	(2)	(231)	(11,774)
Non-deductible expenses and non-taxable portion of capital gains	1,316	358	158,059
Changes in unrecognized deferred tax assets and other	3,295	10,814	8,436
Income tax expense (recovery)	106	-	1,655
Income tax expense (recovery) consists of:			
Current income taxes	\$ -	\$ -	\$ -
Deferred income taxes	106	-	1,655
	\$ 106	\$ -	\$ 1,655

The gross movement on the net deferred income tax account is as follows:

	2019	2018	2017
Deferred tax liability at the beginning of the year	\$ -	\$ -	\$ -
Tax recovery relating to the loss (income) from continuing operations	-	(15,527)	(1,655)
Tax (expense) recovery relating to components of other comprehensive income	(106)	-	1,655
Tax (expense) recovery recorded in deficit	106	15,527	-
Deferred tax liability at the end of the year	\$ -	\$ -	\$ -

The significant components of the Company's net deferred income tax liabilities are as follows:

	2019	2018	2017
Convertible notes	\$ (1,024)	\$ -	\$ -
Loans payable	(339)	-	-
Mineral properties	(2,354)	(2,434)	(4,635)
Loss carry-forwards	3,717	2,434	4,635
	\$ -	\$ -	\$ -

Unrecognized deductible temporary differences, unused tax losses and unused tax credits are attributed to the following:

	2019	2018	2017
<u>Tax Losses:</u>			
Operating loss carry-forwards – Canada	\$ 125,851	\$ 106,058	\$ 85,898
Operating loss carry-forwards – South Africa	28,925	23,026	204,500
Net capital loss carry-forwards	204	621	-
	\$ 154,980	\$ 129,705	\$ 290,398
<u>Temporary Differences:</u>			
Mineral properties	\$ 7,526	\$ 7,664	\$ 305,515
Financing Costs	13,357	18,831	16,481
Property, plant and equipment	807	735	692
Other	381	254	368
	\$ 22,071	\$ 27,484	\$ 323,056

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<i>Investment Tax Credits:</i>	\$	312	\$	318	\$	331
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The Company's Canadian operating loss carry-forwards expire between 2026 and 2039. The Company's South African operating loss carry-forwards do not expire. The Company's Canadian unused investment tax credit carry-forwards expire between 2029 and 2035. The Company's Canadian net capital loss carry-forwards do not expire.