



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, 2020

Filed: November 25, 2020



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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended August 31, 2020 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 a net capital deficiency, negative working capital and has significant amounts of debt payable without any current source of operating income which 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.

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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, 2020

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, 2020	August 31, 2019
ASSETS		
Current		
Cash	\$ 1,308	\$ 5,550
Amounts receivable	218	507
Prepaid expenses	385	298
Total current assets	1,911	6,355
Performance bonds and other assets	108	65
Exploration and evaluation assets (Note 4)	34,939	36,792
Right to use asset (leased corporate offices)	175	-
Property, plant and equipment	282	451
Total assets	\$ 37,415	\$ 43,663
LIABILITIES		
Current		
Accounts payable and other liabilities	\$ 1,412	\$ 4,022
Brokerage fees payable (Note 12)	2,890	2,775
Total current liabilities	4,302	6,797
Loan payable (Note 6,7)	19,337	18,785
Convertible notes (Note 7)	17,212	16,075
Share based liabilities	509	112
Lease liability	198	-
Warrant derivative (Note 9)	-	3,051
Total liabilities	\$ 41,558	\$ 44,820
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	\$ 861,890	\$ 855,270
Contributed surplus	28,278	26,777
Accumulated other comprehensive loss	(164,124)	(159,743)
Deficit	(746,313)	(738,912)
Total shareholders' deficit attributable to shareholders of Platinum Group Metals Ltd.	(20,269)	(16,608)
Non-controlling interest	16,126	15,451
Total shareholders' deficit	(4,143)	(1,157)
Total liabilities and shareholders' deficit	\$ 37,415	\$ 43,663

Going Concern (Note 1)
Contingencies and Commitments (Note 12)
Subsequent Events (Note 19)

Approved by the Board of Directors and authorized for issue on November 25, 2020

/s/ Stuart Harshaw
Stuart Harshaw, Director

/s/ Diana Walters
Diana Walters, Director

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

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, 2020	August 31, 2019	August 31, 2018
Expenses			
General and administrative (Note 15)	\$ 3,726	\$ 4,677	\$ 6,084
Interest	5,493	8,355	18,414
Foreign exchange (gain) loss	(740)	1,006	4,068
Share of joint venture expenditures - Lion Battery (Note 5)	369	595	-
Stock compensation expense (Note 8)	1,569	787	77
Closure, care and maintenance costs (recovery)	-	(509)	14,437
	\$ 10,417	\$ 14,911	\$ 43,080
Other Income			
Loss (Gain) on fair value derivatives and warrants (Note 7,9)	(3,203)	2,732	(3,726)
Loss on Asset Held for Sale	-	-	2,304
(Gain) Loss on fair value of marketable securities	-	(609)	105
Net finance income	(158)	(364)	(739)
Loss for the year before income taxes	\$ 7,056	\$ 16,670	\$ 41,024
Deferred income tax expense	72	106	-
Loss for the year	\$ 7,128	\$ 16,776	\$ 41,024
Items that may be subsequently reclassified to net loss:			
Currency translation adjustment	4,487	(105)	(6,350)
Tax impact of previously recorded to comprehensive loss	-	-	(15,527)
Comprehensive loss for the year	\$ 11,615	\$ 16,671	\$ 19,147
Loss attributable to:			
Shareholders of Platinum Group Metals Ltd.	7,128	16,776	38,682
Non-controlling interests	-	-	2,342
	\$ 7,128	\$ 16,776	\$ 41,024
Comprehensive loss attributable to:			
Shareholders of Platinum Group Metals Ltd.	11,615	16,671	16,805
Non-controlling interests	-	-	2,342
	\$ 11,615	\$ 16,671	\$ 19,147
Basic and diluted loss per common share	\$ 0.11	\$ 0.52	\$ 2.03
Weighted average number of common shares outstanding:			
Basic and diluted	61,537,004	32,534,646	19,053,144

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, 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	-	-	-	-	(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)
Stock based compensation	-	-	1,501	-	-	1,501	-	1,501
Shares issued for interest on convertible note	1,043,939	1,374	-	-	-	1,374	-	1,374
Share issuance – financing	4,447,307	5,705	-	-	-	5,705	-	5,705
Share issuance costs	-	(514)	-	-	-	(514)	-	(514)
Warrants exercised	28,040	55	-	-	-	55	-	55
Contributions of Waterberg JV Co.	-	-	-	-	(167)	(167)	675	508
Foreign currency translation adjustment	-	-	-	(4,487)	-	(4,487)	-	(4,487)
Net loss for the year	-	-	-	-	(7,128)	(7,128)	-	(7,128)
Balance August 31, 2020	64,095,073	861,890	28,278	(164,196)	(746,241)	(20,269)	16,126	(4,143)

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

PLATINUM GROUP METALS LTD.

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

	For the year ended		
	August 31, 2020	August 31, 2019	August 31, 2018
OPERATING ACTIVITIES			
Loss for the year	\$ (7,128)	\$ (16,776)	\$ (41,024)
Add items not affecting cash:			
Depreciation	177	235	347
Interest expense	5,493	8,355	18,414
Unrealized foreign exchange gain (loss)	128	13	(65)
Share of joint venture expenditures	369	595	-
Loss on assets held for sale	-	-	2,305
Gain (Loss) on fair value of convertible debt derivatives	(3,203)	2,732	(3,726)
(Gain) Loss on marketable securities	-	(609)	105
Deferred tax expense	72	106	-
Stock compensation expense	1,569	787	77
Directors fees paid in deferred share units	142	112	-
Net change in non-cash working capital (Note 13)	(739)	(502)	209
	\$ (3,120)	\$ (4,952)	(23,358)
FINANCING ACTIVITIES			
Share issuance – warrant exercise	\$ 48	\$ 1,783	\$ -
Proceeds from issuance of equity	5,705	25,024	19,882
Equity issuance costs	(514)	(1,876)	(2,562)
Cash received from sale of Maseve	-	-	62,000
Costs associated with convertible note	-	-	(95)
Convertible note interest paid	-	(687)	-
Cash proceeds from debt	-	20,000	10,000
Costs associated with debt	(40)	(228)	(866)
Sprott principal repayments	-	-	(50,000)
Sprott interest paid	(2,237)	(73)	(3,401)
Lease payments made	(66)	-	-
Repayment of Liberty debt and production payment termination	-	(41,023)	(23,163)
Cash received from Waterberg partners	1,697	3,522	2,756
	4,593	6,442	14,551
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	(350)	(554)	-
Cash received from sale of marketable securities	-	7,951	-
Proceeds from the sale of concentrate	-	-	2,016
Performance bonds	(67)	19	-
Waterberg exploration expenditures	(4,953)	(6,990)	(9,125)
	(5,370)	552	7,889
Net decrease in cash and cash equivalents	(3,897)	2,042	(918)
Effect of foreign exchange on cash and cash equivalents	(345)	491	521
Cash and cash equivalents, beginning of year	5,550	3,017	3,414
Cash and cash equivalents, end of year	\$ 1,308	\$ 5,550	\$ 3,017

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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, 2020 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			August 31, 2020	August 31, 2019
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. ^{1,2}	Exploration	South Africa	37.05%	37.05%
Lion Battery Technologies Inc. ³	Research	Canada	55.00%	57.69%

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 Co. is 63.05% when Mnombo’s ownership portion is combined with Platinum Group Metals (RSA) (Pty) Ltd. (“**PTM RSA**”) 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 \$7.1 million and used cash in operating activities of \$3.1 million. The Company had a working capital deficit of \$2.4 million at August 31, 2020 and was also indebted \$20 million pursuant to the Sprott Loan Facility (as defined below). This debt is due August 14, 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. The Company currently has limited financial resources and has no sources of operating income at present. Subsequent to year end the Company has completed a private placement for \$2.5 million and through an At-The-Market Offering has raised a further \$10 million. Please see Note 19 Subsequent Events for further details.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. The contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

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 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 principles 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

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management and are in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities measured at fair value.

Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. 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 16 *Leases*, (“IFRS 16”) effective for the 2020 fiscal year.

a. Consolidation

The consolidated financial statements include those of the Company, its subsidiaries, 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:

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

Rand/USD

Year-end rate: R16.8916 (2019 R15.2099)

Year average rate: R16.0676 (2019 R14.3314)

CAD/USD

Year-end rate: C\$1.3042 (2019 C\$1.3295)

Year average rate: C\$1.3458 (2019 C\$1.3255)

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.

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. Exploration and evaluation assets

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

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

- 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 and when the exploration and evaluation assets are transferred to development assets. 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.

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 ceases when the property is capable of operating at levels intended by management.

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.

Property plant and equipment are recorded at cost and are depreciated on a straight-line basis over the following periods:

Vehicles	3-5 years
Computer Equipment and software	3-5 years
Furniture and Fixtures	5 years

i. Impairment

Tangible 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

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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.

Tangible 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.

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 and is measured at the time of grant.

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 liabilities are adjusted at each financial position reporting date

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

for changes in fair value. When the directors retire from all positions with the Company the DSU liability is settled in cash.

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.

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

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

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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.

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.

s. Accounting Standards Adopted

Recently Issued Accounting Pronouncements

The following new accounting standard was adopted by the Company during the year:

(i) IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles 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 replaced 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 eliminated the classification of leases as either operating leases or finance leases as previously required by IAS 17 and, instead, introduced 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 became effective for annual periods beginning on or after January 1, 2019. As the Company’s year end is August 31st, the first effective year was fiscal 2020. The adoption of this standard did not have a significant impact on the financial statements of the Company based on its leasing activity at September 1, 2019.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS 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:

- Determination of ore reserves and mineral resource estimates
- Fair value of embedded derivatives including convertible debt derivative
- Assumption of control of Mnombo for accounting purposes

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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 various other valuation techniques. Inputs to the estimation are taken from observable markets where possible, but where this is not feasible, an increased degree of estimation uncertainty arises when establishing fair values. The estimates 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. 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.

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 50.1% 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.

4. 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, 2018	\$	29,406
Additions		8,362
Foreign exchange movement		(976)
Balance, August 31, 2019	\$	36,792
Additions		2,988
Recoveries from 100% Impala funded implementation budget		(1,285)
Foreign exchange movement		(3,556)
Balance, August 31, 2020	\$	34,939

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

Waterberg Project

At August 31, 2020 the Waterberg Project consisted of granted prospecting rights and an applied for mining right with a combined active project area of 81,329.60 ha, located on the Northern Limb of the Bushveld Complex, approximately 85 km north of the town of Mokopane (formerly Potgietersrus). As of late October 2020, the Company is in process to apply for closure on one prospecting right located north of the known mineralized area, measuring 13,158.92 ha. The Waterberg Project comprises 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 Definitive Feasibility Study (“**DFS**”) costs, which was held as restricted cash until it was fully spent in October 2018. Implats contributed its 15.0% pro rata share of DFS costs incurred subsequent to the Initial Purchase. 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 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 (“**Offtake ROFR**”). JOGMEC or its nominee will retain a right to receive, at market prices, platinum, palladium, rhodium, gold, ruthenium, iridium, copper and nickel in refined mineral products at the volumes produced from the Waterberg Project.
- c) Acquired an option (the “**Purchase and Development Option**”) whereby Implats had the right within 90 business days of the completion of the DFS to exercise an option to increase its interest to 50.01% in Waterberg JV Co by committing to purchase an additional 12.195% equity interest in Waterberg JV Co. from JOGMEC for \$34.8 million and an expenditure of \$130.2 million in development work. The DFS was completed and approved by Waterberg JV Co. on December 5, 2019. As per the February 27, 2020 amendment (see below) this deadline was amended to occur 90 days following the receipt of an executed Mining Right on the Waterberg Project.
- d) On February 27, 2020 the Company announced that shareholders of Waterberg JV Co had agreed to amend the Purchase and Development Option effective at February 1, 2020. The Purchase and Development Option was amended to expire 90 calendar days following the receipt of an executed Mining Right for the Waterberg Project. In exchange for this extension Impala agreed to fund 100% of a new implementation budget and work program, effective February 1, 2020, aimed at increasing confidence in specific areas of the DFS. At year end total Waterberg JV Co. expenditures recovered through this work program were \$1,285.

On June 15, 2020, Implats delivered a formal notice of their election not to exercise their Purchase and Development Option due to increased economic uncertainty and reduced risk appetite in the short, medium and long-term as a result of the COVID-19 pandemic. Implats will retain a 15.0% participating project interest and their Offtake ROFR and the Company will retain a controlling 50.02% direct and indirect interest in the project. Impala continued to be responsible for the costs of an implementation

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

budget and work program, as described above, until September 13, 2020. The Company remains the Manager of the Waterberg Project, as directed by the technical committee of the Waterberg JV Co.

Acquisition and Development of the Waterberg Project

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 former 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, and Mnombo’s share of expenditures post DFS, are still owed to the Company (\$4.8 million at August 31, 2020). The portion of Mnombo not owned by the Company is accounted for as a non-controlling interest, calculated at \$7.1 million at August 31, 2020 (\$6.9 million – August 31, 2019).

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, 2020 an aggregate total of \$75.2million 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 cost recoveries by the Company.

5. LION BATTERY

On July 12, 2019 the Company and Anglo American Platinum Limited (“**Amplats**”) entered into agreements to launch a new venture named Lion Battery Technologies Inc. (“**Lion**”). Lion was incorporated on June 17, 2019 to research new lithium battery technology utilizing platinum and palladium. 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. On July 12, 2019 the Company and Amplats each invested \$550 as a first tranche of funding into Lion in exchange for 1,100,000 Lion preferred shares each at a price of \$0.50 per share. On August 21, 2020 the Company and Amplats each invested \$350 as a second tranche of funding in exchange for 700,000 Lion preferred shares each at a price of \$0.50 per shares. At August 31, 2020 the Company owned a 55% interest in Lion.

On July 12, 2019 Lion entered into a Sponsored Research Agreement (“**SRA**”) with Florida International University (“**FIU**”) to fund a \$3.0 million research program over approximately three years. Both the Company and Amplats have agreed to equally invest up to an aggregate of \$4.0 million into Lion, of which approximately \$1.0 million would be for general and administrative expenses and the commercialization of the technology developed, subject to certain conditions. All funding into Lion by the Company or Amplats is to be in exchange for preferred shares of Lion at a price of \$0.50 per share over an approximate three to four year period (see above paragraph). The Company accounts for Lion using equity accounting as Lion is jointly controlled with Amplats. Lion pays a fee of \$3 per month to the Company for general and administrative services. As at August 31, 2020, Lion batteries has \$34 (2019 - \$54) in current assets and \$22 (2019 - \$26) in current liabilities and for the year ended August 31, 2020, loss from operations

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

and comprehensive loss is \$716 (2019 - \$1,076).

Research work commenced at FIU during September 2019. During calendar 2020 FIU completed the first milestone research requirements pursuant to the SRA, which triggered the second tranche of funding to Lion in August 2020 for an aggregate amount of \$700, of which \$667 was provided by Lion to FIU for continued research.

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

6. 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 immediately drawn and is due August 14, 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 are made monthly with interest of \$2,237 having been paid to Sprott during the year ended August 31, 2020 (August 31, 2019 - \$73).

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 period end.

All fees directly attributable to the Sprott Facility are recorded 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. Effective interest of \$2,809 was recognized during the year ended August 31, 2020 (August 31, 2019 - \$83).

Subsequent to year end, the Company repaid a principal amount of \$1.9 million to Sprott, reducing the principal amount outstanding to \$18.1 million.

7. 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 was 1,001.112 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

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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.

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.

On January 2, 2020 the Company issued 517,468 common shares in settlement of \$687 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes.

On July 2, 2020 the Company issued 526,471 common shares in settlement of \$687 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes.

The components of the Convertible Notes are as follows:

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
Loss on embedded derivatives during the year ended August 31, 2019 (see below)	188
Convertible Note balance August 31, 2019	\$ 16,075
Interest payments	(1,374)
Accretion and interest incurred during the year	2,668
Gain on embedded derivatives during the year ended August 31, 2020 (see below)	(157)
Convertible Note balance August 31, 2020	\$ 17,212

Embedded Derivatives

The Convertible Note Derivatives were valued upon initial recognition at a fair value of \$5,381 using partial differential equation methods and are 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 \$197 at August 31, 2019, then \$40 at August 31, 2020 resulting in a gain of \$157 for the year. Combined with the gain on the warrant derivative (Note 9) of \$3,046, this results in a gain of \$3,203.

8. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

(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 and loss per share numbers in these financial statements are presented on a post consolidation basis.

At August 31, 2020, the Company had 64,095,073 shares outstanding.

Fiscal 2020

On June 17, 2020 the Company closed a non-brokered private placement for 1,221,500 common shares at a price of US\$1.40 each for gross proceeds of \$1.7 million, of which 500,000 common shares were subscribed for by Deepkloof Limited ("**Deepkloof**"), a subsidiary of existing major shareholder Hosken Consolidated Investments Limited ("**HCI**"), bringing HCI's ownership in the Company to approximately 31.59%. A 6% finders fee in the amount of \$38 was paid on a portion of this private placement.

On December 19, 2019 the Company closed a non-brokered private placement for 3,225,807 common shares at a price of US\$1.24 each for gross proceeds of \$4.0 million, of which 1,612,931 common shares were subscribed for by Deepkloof on behalf of HCI. A 6% finders fee in the amount of \$54 was paid on a portion of this private placement.

During fiscal 2020 the Company issued 28,040 shares upon the exercise of 28,040 warrants.

On January 2, 2020, the Company issued 517,468 shares in settlement of \$687 of bi-annual interest payable on \$19.99 million outstanding on the Convertible Notes.

On July 2, 2020 the Company issued 526,471 common shares in settlement of \$687 of bi-annual interest payable on \$19.99 million of outstanding Convertible Notes.

Fiscal 2019

On August 21, 2019, the Company 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 completed the sale of 7,575,758 common shares to existing shareholder Liberty Metals & Mining Holdings, LLC ("**LMM**"), a subsidiary of Liberty Mutual Insurance, and 6,940,000 common shares to Deepkloof on behalf of 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 Deepkloof for gross proceeds of \$1.3 million. The Company issued an aggregate of 1,111,111 common shares to Deepkloof 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 (through subsidiary Deepkloof) was increased from 20.05% to 22.60% of the Company's then issued and outstanding common shares. The Company did not pay any finder's fees in connection with this private placement.

On February 4, 2019, the Company completed 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 this private placement, with total issuance costs (including the finders fee) totalling \$107.

During fiscal 2019, 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.

(c) Incentive stock options

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

The Company has entered into Incentive Stock Option Agreements under the terms of its share compensation plan with directors, officers, consultants and employees. Under the terms of the stock option agreements, the exercise price of each option is set, at a minimum, at the fair value of the common shares at the date of grant. Stock options of the Company are subject to vesting provisions. All exercise prices are denominated in Canadian Dollars.

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

	Number of Shares	Average Exercise Price CAD\$
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
Granted	1,628,500	1.81
Options outstanding at August 31, 2020	3,182,500	2.20

Number Outstanding at August 31, 2020	Number Exercisable at August 31, 2020	Exercise Price	Average Remaining Contractual Life (Years)
1,554,000	388,500	C\$ 2.61	3.61
1,628,500	-	1.81	4.26
3,182,500	388,500		3.94

During the year ended August 31, 2020 the Company granted 1,628,500 stock options. The stock options granted during the year vest in three tranches on the first, second and third anniversary of their grant. The Company recorded \$1,157 (\$1,032 expensed and \$125 capitalized to mineral properties) of compensation expense during fiscal 2020.

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, 2020 and August 31, 2019:

Year ended	August 31, 2020	August 31, 2019
Risk-free interest rate	1.56%	1.6%
Expected life of options	3.9 years	3.9 years
Annualized volatility ¹	82%	74%
Forfeiture rate	2.1%	2.1%
Dividend rate	0.0%	0.0%

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, 2020 was \$509. During the year ended August 31, 2020 an expense of \$387 was recorded in relation to the outstanding DSUs (August 31, 2019 - \$113), with \$245 recorded as share-based compensation (August 31, 2019, \$63) and \$142 recorded as director fees (August 31, 2019, \$50). At August 31, 2020, 575,070 DSUs have been issued with 93,928 having been cancelled during the year. 163,220 DSU's had vested as at August 31, 2020.

(e) Restricted Share Units

The Company has established an RSU plan for certain employees of the Company. Each RSU has the

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

same value as one Company common share. RSU's vest over a three year period.

The RSU liability at August 31, 2020 was \$447. During the year ended August 31, 2020 an expense of \$343 was recorded (\$292 expensed and \$51 capitalized) in relation to the outstanding RSUs, (August 31, 2019 \$102, \$86 expensed, \$15 capitalized). At August 31, 2020, 393,897 RSU's have been issued with 74,473 vested. Subsequent to year end a total of 42,629 vested RSUs have been redeemed by holders.

9. WARRANT DERIVATIVE

The exercise price of the Company's outstanding warrants was denominated in US Dollars; however, the functional currency of PTM Canada (the warrant issuer) is the Canadian Dollar. The warrants were required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period were 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 were publicly traded on the TSX, the value of the warrants at each period was estimated by using the warrant TSX closing price on the last day of trading in the applicable period. The warrants expired November 22, 2019 with a \$Nil value. The \$3,046 value attributed to the remaining warrants, which expired, was recognized as a gain during the year ended August 31, 2020 (August 31, 2019 - \$2,605 loss). When combined with the gain on the embedded derivatives in the Convertible Notes (see Note 7) this results in a gain of \$3,203 on derivatives.

10. 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	
	2020	2019	2020	2019	2020	2019
Mnombo Wethu Consultants (Pty) Limited	50.1%	50.1%	-	-	7,064	6,889
Waterberg JV Co ¹	63.05%	63.05%	-	-	9,062	8,562
				Total	16,126	\$ 15,451

¹Includes the 26% owned by Mnombo

11. 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, 2020 \$313 (\$326 – August 31, 2019) was paid or accrued to independent directors for directors' fees and services.
- During the year ended August 31, 2020, the Company paid or accrued payments of \$54 (\$54 – August 31, 2019) from West Vault Mining Inc. ("**West Vault**" formerly West Kirkland Mining Inc.), 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.

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

- (c) In fiscal 2018, the Company closed a private placement with Deepkloof whereby 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 of the Company to maintain its pro-rata interest. HCI has exercised its right to nominate one person to the board of directors. In February, August and December 2019, then in June and October 2020 through private placements Deepkloof subscribed for 2,141,942, 6,940,000, 612,931, 500,000 and 1,146,790 shares respectively. At August 31, 2020 HCI's total ownership interest was approximately 31.33%.

Key Management Compensation

The remuneration the CEO, CFO and other key management personnel and the directors during the years ended August 31, 2020 to 2018 is as follows:

Year ended	August 31, 2020	August 31, 2019	August 31, 2018
Salaries	\$ 916	\$ 927	\$ 963
Directors fees	261	171	184
Share-based payments – management	907	393	13
Share-based payments - directors	52	155	12
Total	\$ 2,136	\$ 1,646	\$ 1,172

12. CONTINGENCIES AND COMMITMENTS

The Company's remaining minimum payments under its office and equipment lease agreements in Canada and South Africa total approximately \$313 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				Total
	< 1 Year	1 – 3 Years	4 – 5 Years	> 5 Years	
Lease Obligations	\$ 103	\$ 168	\$ 42	\$ -	\$ 313
Convertible Note	1,374	21,364	-	-	22,738
Sprott Facility (Note 6)	22,726	-	-	-	22,726
Totals	\$ 24,203	\$ 21,532	\$ 42	\$ -	\$ 45,777

Africa Wide Legal Action

In April 2018 the Company completed a transaction whereby Maseve Investments 11 (Pty) Ltd. ("Maseve") was acquired (the "**Maseve Sale Transaction**") by Royal Bafokeng Platinum Ltd. ("**RBPlats**"). Maseve owned and operated the Maseve Mine. In September 2018 the Company reported receipt of a summons issued by Africa Wide Mineral Prospecting and Exploration Proprietary Limited ("**Africa Wide**") whereby Africa Wide instituted legal proceedings in South Africa against PTM RSA, RBPlats and Maseve in relation to the Maseve Sale Transaction. Africa Wide held 17.1% of the shares in Maseve prior to completion of the Maseve Sale Transaction. Africa Wide is seeking, at this late date, to set aside or be paid increased value for, the closed 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

For the 2014, 2015 and 2016 fiscal years, PTM RSA claimed unrealized foreign exchange losses as income tax deductions in its South African corporate tax returns in the amount of Rand 1.4 billion. The exchange losses emanate from a Canadian dollar denominated shareholder loan advanced to PTM RSA.

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

Under applicable South African tax legislation, exchange losses can be claimed if the shareholder loan is a current liability as determined by IFRS. For the years in question, the intercompany debt was classified as current in PTM RSA's stand alone audited financial statements.

During 2018, the South African Revenue Service (“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 proposing that the exchange losses be disallowed on the basis that the shareholder loan was not a current liability.

The Company and its advisors responded to SARS during 2019 and refuted the issues raised.

On June 30, 2020 the Company received a letter from SARS reporting the finalization of the above income tax audit with no reassessment or adjustment to the Company's tax returns for the three years audited.

Brokerage Fees Payable

There were certain deferred brokerage fees related to the Maseve Sale Transaction and the Implants Transaction that became payable as soon as practicable after the Company repaid a \$40 million secured loan facility due to LMM (the “LMM Facility”). The outstanding fee amount payable of \$2,890 was reclassified to current liabilities after repayment of the LMM Facility on August 21, 2019. Subsequent to year end an amount of \$1.4 million was paid against the outstanding fee amount payable, reducing the aggregate balance due to \$1.5 million.

13. SUPPLEMENTARY CASH FLOW INFORMATION

Net change in non-cash working capital:

<u>Year ended</u>	<u>August</u> <u>31, 2020</u>	<u>August</u> <u>31, 2019</u>	<u>August</u> <u>31, 2018</u>
Amounts receivable, prepaid expenses and other assets	\$ 234	\$ 195	\$ (42)
Accounts payable and other liabilities	(973)	(697) ¹	251
	\$ (739)	\$ (502)	\$ 209
¹ Prior year reclassification: An amount of \$112 has been reclassified from Accounts payable and other liabilities for the year ended August 31, 2019. The classification was made to present DSU's as a separate line to conform with the current year presentation.			
Other Items:			
Capitalized stock option expense	\$ 175	\$ 108	\$ 3

14. SEGMENTED REPORTING

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

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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

At August 31, 2020		Assets		Liabilities	
Canada	\$	2,101	\$	40,922	
South Africa		35,314		636	
	\$	37,415	\$	41,558	

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

Comprehensive Loss for the year ended	August 31, 2020		August 31, 2019		
Canada	\$	10,681	\$	16,471	
South Africa		934		200	
	\$	11,615	\$	16,671	

15. GENERAL AND ADMINISTRATIVE EXPENSES

GENERAL AND ADMINISTRATIVE EXPENSES	Year Ending August 31, 2020		Year Ending August 31, 2019	
Salaries and benefits	\$	1,407	\$	1,423
Professional/consulting fees		960		1,230
Shareholder relations		284		173
Insurance		241		193
Regulatory Fees		214		214
Travel		174		323
Depreciation		177		235
Asset Impairment		-		344
Equipment rental and storage		-		342
Other		269		200
Total	\$	3,726	\$	4,677

16. CAPITAL RISK MANAGEMENT

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of 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

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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, 2020, the Company is subject to externally imposed capital requirements under the Sprott Facility. Please see Note 6 for further details.

17. 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) *Cash*

In order to manage credit and liquidity risk the Company holds cash only with Canadian chartered and South African banks.

(ii) *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 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 Rand and Canadian and United States dollars. The Company's significant foreign currency exposures on financial instruments comprise cash, loans payable, warrants, convertible notes, accounts

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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, 2020	August 31, 2019
Cash (Rand)	\$ 100	\$ 1,204
Cash (USD)	1,189	3,708
Accounts receivable (Rand)	140	436
Accounts payable (Rand)	636	2,767
Loan Payable (USD)	19,337	18,785
Convertible Note (USD)	17,212	16,075

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, 2020, 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 comprehensive loss for the year presented of approximately \$3.5 million, (August 31, 2019 - \$3.4 million).

(d) *Interest rate risk*

The Company's interest income earned on cash and on short term investments is exposed to interest rate risk. At August 31, 2020, 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 \$12.

At August 31, 2020, the carrying amounts of cash, 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.

18. 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:

	2020	2019	2018
Loss before income taxes	\$ 7,056	\$ 16,670	\$ 40,024
Income tax recovery at statutory rates	(1,905)	(4,503)	(10,941)
Difference of foreign tax rates	(8)	(2)	(231)
Non-deductible expenses and non-taxable portion of capital gains	(216)	1,316	358
Changes in unrecognized deferred tax assets and other	2,201	3,295	10,814
Income tax expense (recovery)	72	106	-
Income tax expense (recovery) consists of:			
Current income taxes	\$ -	\$ -	\$ -
Deferred income taxes	72	106	-
	\$ 72	\$ 106	\$ -

PLATINUM GROUP METALS LTD.

Notes to the Consolidated Financial Statements

(in thousands of United States Dollars except share and per share data)

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

	2020	2019	2018
Deferred tax liability at the beginning of the year	\$ -	\$ -	\$ -
Tax (expense) relating to the loss from continuing operations	(72)	(106)	(15,527)
Tax recovery relating to components of other comprehensive loss	72	106	-
Tax recovery recorded in deficit	-	-	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:

	2020	2019	2018
Convertible notes	\$ (661)	\$ (1,024)	\$ -
Loans payable	(247)	(339)	-
Mineral properties	(2,221)	(2,354)	(2,434)
Loss carry-forwards	3,129	3,717	2,434
	\$ -	\$ -	\$ -

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

	2020	2019	2018
<u>Tax Losses:</u>			
Operating loss carry-forwards – Canada	\$ 137,029	\$ 125,851	\$ 106,058
Operating loss carry-forwards – South Africa	100,409	28,925	23,026
Net capital loss carry-forwards	-	204	621
	\$ -	\$ 154,980	\$ 129,705

Temporary Differences:

Mineral properties	\$ 7,672	\$ 7,526	\$ 7,664
Financing Costs	7,539	13,357	18,831
Property, plant and equipment	697	807	735
Other	603	381	254
	\$ 16,511	\$ 22,071	\$ 27,484

Investment Tax Credits:

	\$ 318	\$ 312	\$ 318
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The Company's Canadian operating loss carry-forwards expire between 2026 and 2040. 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.

19. SUBSEQUENT EVENTS

- On September 4, 2020 the Company announced it had entered into an equity distribution agreement ("ATM") with BMO Capital Markets. Under the sales agreement the Company may sell its common shares from time to time for up to \$12 million in aggregate sales proceeds in "at the market" transactions. At the conclusion of the trading day on November 24th the Company had sold 4,617,177 common shares at an average price of \$2.16 for gross proceeds of \$10 pursuant to the ATM.
- On October 15, 2020 the Company announced it had closed a non-brokered private placement with HCI. An aggregate of 1,146,790 shares were issued for US\$2.18 per share resulting in gross proceeds of \$2.5 million to the Company. Closing the private placement allowed the HCI to maintain a greater than 31% interest in the Company.