PLATINUM GROUP METALS LTD
Form 6-K
January 27, 2005

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of: **August 2004**

Platinum Group Metals Ltd.

(SEC File No. 0-30306)

Suite 328 550 Burrard Street, Vancouver BC, V6C 2B5, CANADA

Address of Principal Executive Office

The registrant files annual reports under cover:

Form 20-F X

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ]

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: **January 13, 2005**

R. Michael Jones

R. MICHAEL JONES

President, Director

Exhibit Index

Annual Report for the year ended August 31, 2004

MANAGEMENT DISCUSSION

AND ANALYSIS

1.

DESCRIPTION OF BUSINESS

The Company was incorporated on February 18, 2002 by an order of the Supreme Court of British Columbia approving an amalgamation by plan of arrangement between Platinum Group Metals Ltd. and New Millennium Metals Corporation. Platinum Group Metals Ltd. was incorporated on January 10, 2000 as 599141 B.C. Ltd. and changed its name to Platinum Group Metals Ltd. on March 16, 2000, at which time it commenced operations. New Millennium Metals Corporation was incorporated in British Columbia on March 11, 1983 under the name Harvey Creek Gold Placers Ltd. Later, on March 22, 1999 the company was renamed New Millennium Metals Corporation. As a result of the amalgamation both New Millennium Metals Corporation and Platinum Group Metals Ltd. ceased to exist as of February 18, 2002. As a result of the amalgamation, a new company also named Platinum Group Metals Ltd. was formed and it assumed all of the rights and obligations of the two predecessor corporations.

The Company is an exploration and development company conducting work primarily on mineral properties it has staked or acquired by way of option agreement in Ontario, Canada and the Republic of South Africa. The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The Company defers all acquisition, exploration and development costs related to mineral properties. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the property, and any future profitable production, or alternatively upon the Company s ability to dispose of its interests on an advantageous basis.

2.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITIONS

a)

Results of Operations

During the year the Company incurred a loss of $2,242,627 (2003 $1,748,993). Included were mineral property write down expenses of $1,044,542 (2003 $815,714) and a provision for future income tax recoveries of $278,000 (2003 $212,400). General and administrative expenses totaled $1,811,538 (2003 $1,082,316) while interest and other income was $430,106 (2003 $177,068).

During the fourth quarter general and administrative expenses totaled $575,051 (2003 - $315,595) before interest and other income of $49,833 (2003 - $37,425). During the fourth quarter the Company was active with an exploration program on its War Springs project in South Africa consisting of diamond drilling, geophysical surveys and ground prospecting. Work was also underway on prospecting and mapping of the Company s Onderstepoort project in South Africa and on the assessment and analysis of drilling and geophysical results from both the Company s Twees-palk project in South Africa and the Lakemount project in Ontario, Canada. Global exploration expenditures during the fourth quarter totaled $940,537 (2003 - $289,877).

The Company increased its general level of activity in the past year both in Canada and South Africa. The Company actively reviewed many potential property acquisitions during the year. The Company also increased efforts to raise its profile and liquidity in the capital markets. Due to these factors the Company has incurred generally higher costs in 2004 over prior years.

The following table sets forth selected financial data from the Company s Audited Financial Statements and should be read in conjunction with these financial statements.

	Year ended August 31, 2004	Year ended August 31, 2003	Year ended August 31, 2002
Revenue (interest & other income)	$430,106	$177,068	$23,028

Net Income (Loss)	($2,242,627)	($1,748,993)	($1,501,620)
Net Income (Loss) per Share	($0.07)	($0.07)	($0.10)
Total Assets	$9,134,019	$5,086,421	$4,373,047
Long Term Debt	-	-	-
Dividends	-	-	-

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

Quarter Ending	Revenue (interest & other income)	Net Loss	Net Loss per share
August 31, 2004	$49,833	898,979	0.03
May 31, 2004	$46,906	746,655	0.02
February 29, 2004	$293,162	196,152	0.01
November 30, 2003	$40,205	400,841	0.01
August 31, 2003	$37,425	722,102	0.03
May 31, 2003	$126,702	142,482	0.01
February 28, 2003	$7,770	595,793	0.02
November 30, 2002	$5,171	288,616	0.01

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

b)

Trend Information

Other than the financial obligations as set out in the table provided at item 5 below, there are no identifiable trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company s liquidity either increasing or decreasing at present or in the foreseeable future. The Company will require sufficient capital in the future to meet its acquisition payments and other obligations under mineral property option agreements for those properties it considers worthy to incur continued holding and exploration costs upon. The need to make such payments is a trend as it is unlikely that all such obligations will be eliminated from the Company s future business activities. The Company intends to utilize its cash on hand in order to meet its obligations under mineral property option agreements. It is unlikely that the Company will generate sufficient operating cash flow to meet all of these ongoing obligations in the foreseeable future. Accordingly, the Company will likely need to raise additional capital by issuance of equity within the next year. At this time the Company has no plan or intention to issue any debt in order to raise capital for future requirements.

At the time of writing there is a noted favourable trend with regard to the market for metal commodities and related products, however, it is the opinion of the Company that its own liquidity will be most affected by the results of its own acquisition, exploration and development activities. The acquisition or discovery of an economic mineral deposit on one of its mineral properties may have a favourable effect on the Company s liquidity, and conversely, the failure to acquire or find one may have a negative effect.

c)

Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company s operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company s future financial performance.

The Company, and thus the securities of the Company, should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this Annual Report prior to making an investment in the Company. In addition to the other information presented in this Annual Report, the following risk factors should be given special consideration when evaluating an investment in the Company s securities.

General

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

The Company s business is subject to exploration and development risks

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

Political and economic instability may affect the Company s business

The Company s activities in Canada and South Africa are subject to risks common to operations in the mining industry in general, as well as certain political and economic uncertainties related specifically to operating in South Africa. South Africa has recently undergone significant change in its government since the free elections in 1994. At present, Mining Legislation in South Africa is undergoing change. The new Mineral Resources and Petroleum Development Act became law on May 1, 2004. The regulation and operation of this new law is still being implemented. In association with the new Act, the Mining Charter sets out a target of 26% ownership and participation in the mineral industry by Historically Disadvantaged Persons within ten years, but the mechanisms to fully affect this objective are still evolving. Accordingly, all laws may be considered relatively new, resulting in risks related to the possible misinterpretation of new laws, unilateral modification of mining or exploration rights, operating restrictions, increased taxes, environmental regulation, mine safety and other risks arising out of new sovereignty over mining, any or all of which could have an adverse affect on the Company. The Company s operations in general may also be affected in varying degrees by political and economic instability, terrorism, crime, extreme fluctuations in currency exchange rates and inflation.

The Company is subject to the risk of fluctuations in the relative values of the Canadian dollar as compared to the South African Rand

The Company may be adversely or favorably affected by foreign currency fluctuations. The Company is primarily funded through equity investments into the Company denominated in Canadian Dollars. Several of the Company s options to acquire properties in the Republic of South Africa may result in option payments by the Company denominated in South African Rand or in U.S. dollars over the next three years. Exploration and development programs to be conducted by the Company in South Africa will also be funded in South African Rand. Fluctuations in the exchange rate between the Canadian dollar and the South African Rand may have an adverse or favorable affect on the Company.

The Company s properties are subject to title risks

The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties, and properties that it has the right to acquire or earn an interest in, are in good standing. However, the Company s properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. These defects could adversely affect the Company s title to such properties or delay or increase the cost of the development of such properties.

The Company s properties may also be subject to aboriginal or other historical rights that may be claimed on Crown properties or other types of tenure with respect to which mineral rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to native issues having been instituted with respect to any of the mineral properties in which the Company has an interest. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such co-operation.

Environmental Risk

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

The mineral exploration industry is extremely competitive

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

Metal prices affect the success of the Company s business

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Factors beyond the control of the Company may affect the marketability of any minerals discovered. No assurance may be given that metal prices will remain stable. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The effect of these factors on the price of minerals and therefore the economic viability of any of the Company s exploration projects cannot accurately be predicted. As the Company is in the exploration stage, the above factors have had no material impact on present operations or income.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

d)

Exploration Programs and Expenditures

Acquisition costs deferred during the current year totaled $515,777 (2003 $459,809). Exploration and development costs deferred in 2004 totaled $2,711,412 (2003 $1,296,469). Of that amount $1,330,643 (2003 - $483,889) was incurred on the Company s Canadian properties. An amount of $1,380,769 (2003 - $812,580) was incurred on the Company s South African properties.

Cost recoveries before adjustments on mineral properties during the year amounted to $78,750 (2003 $(40,335)). In 2003, recoveries amounted to $141,539, but after recognizing an adjustment for $181,874 in work converted to shares by Wheaton River, the net amount for the year was a charge of $40,335. During the year $1,044,542 (2003 $815,714) in deferred costs relating to mineral properties were written off. An amount of $1,018,252 (2003 - $510,830) was written off for Ontario projects while the balance of $26,290 (2003 - $304,884) related to South African write offs. See Note 6 of the Company s annual Audited Financial Statements. On the Company s Agnew Lake Property located west of Sudbury, Ontario, Joint Venture partners Pacific Northwest Capital and Kay-min Resources Limited, (a subsidiary of Anglo American Platinum Corporation Limited), continue to explore and, to date, have spent approximately $2.5 million on the property.

During 2004 the Company spent $302,573 (2003 - $288,320) on exploration work on its Shelby Lake and Lac des Iles, Ontario properties. Work consisted mostly of drilling, mapping and geochemistry.

During late 2003 the Company acquired an option to earn up to a 62% interest in the Lakemount nickel-copper-PGE project located near Wawa, Ontario. Before the Company s recent involvement, this project was last drilled extensively prior to 1958. The property hosts well-defined low-grade nickel-copper-PGE mineralization. In December 2003 the Company completed a 1,475 metre drilling program on the property and to the time of writing in 2004 has completed a further 1,830 metres in drilling. Airborne and ground based geophysical surveys were also completed on the property during 2004. Results of this exploration work continue to indicate the potential for both open pit and underground resources on the property. Combined acquisition and exploration costs deferred on the property by the Company amounted to $959,792 at August 31, 2004 (2003 $9,910). The next phase of work at Lakemount will be to update the Company s 3-dimensional geological and grade models with all available data and then complete a preliminary resource assessment and scoping study. Roscoe Postle Associates Inc. of Toronto was retained in October 2004 to complete this work.

During 2004 the Company was very active in the Republic of South Africa (RSA). In 2003 the Company acquired a 100% South African subsidiary named Platinum Group Metals (RSA)(Pty.) Ltd. (PTM RSA) for the purposes of holding mineral rights and conducting operations on behalf of the Company in the RSA. Mr. John Gould, a senior mining executive, is the managing director of PTM RSA and has established a permanent office in Johannesburg. During 2004 several professional and administration staff joined PTM RSA and the Company now conducts all of its South African exploration and development work through PTM RSA.

On June 3, 2002, the Company acquired a right to earn a 100% interest in two properties located in the Northern Limb of the Bushveld Complex. The properties are comprised of the 2,396 hectare War Springs Property and the 2,177 hectare Tweespalk Property, both located on the postulated extension of the Platreef near the PPRust Platinum Mine operated by Anglo American Platinum Corporation Limited. The Company may purchase 100% of these mineral rights at any time within three years from the date of grant of a prospecting permit on each property for US$475 per hectare in year one, or US$570 per hectare in year two, or US$690 per hectare in year three. The Company was granted prospecting permits on both properties during the year. The Company has agreed to pay prospecting fees to the mineral rights holders of US$2.50 per hectare in year one, US$2.75 per hectare in year two and US$3.25 per hectare in year three. The mineral rights holders retain a 1%

Net Smelter Return Royalty (NSR) on the property, subject to the Company s right to purchase the NSR at any time for US$1.4 million. A 5% finder s fee on payments made to the mineral rights holders is payable to a South African consulting group retained by the Company in 2002.

During 2004 the Company acquired detailed airborne magnetic data covering the War Springs property from a third party corporation. After careful interpretation of the airborne and other data the Company then conducted mapping and soil geochemistry surveys. Drilling commenced on the property in May 2004 and is ongoing at the time of writing. To the time of writing approximately 5,000 metres has been drilled. Logging and sampling procedures are ongoing. During 2004 the Company conducted approximately 2,300 metres of drilling on the Tweespalk property. Combined costs of investigation and acquisition on the two properties to August 31, 2004 amounted to $1,350,015 (2003 - $265,185) and these costs have been deferred.

In November 2002 the Company entered into a joint venture agreement with Africa Wide Mining (AW), a Black Economic Empowerment group in South Africa, whereby they could acquire 30% of both the War Springs and Tweespalk properties in exchange for contributing 30% of all costs. By doing so the Company immediately exceeded the ten-year objective of the Government of South Africa for at least 26% participation in mining activities in South Africa by historically disadvantaged South Africans by 2014.

Shortly after securing its option to acquire the War Springs and Tweespalk properties the Company found that another Black Economic Empowerment company, Taung Minerals (Pty) Ltd. (Taung), had obtained a prospecting permit over portions of the War Springs property. Taung purported to have a one-third interest for some of the mineral rights to portions of the property. The Company contested Taung s position through a formal appeal process in the Republic of South Africa.

In September 2003 the Company, Taung, and AW agreed to a negotiated settlement of the title dispute on the War Springs property by reducing AW s participation in the project from a 30% participating interest to a 15% interest carried to bankable feasibility, and then granting Taung a 15% interest carried to bankable feasibility. The Company s 70% interest remained unchanged.

The Company has not recorded a receivable for AW s 30% participating interest in the Tweespalk property, which at August 31, 2004 is calculated to be $214,840, (2003 - $37,628) as AW is not currently able to tender such an amount. The Company expects that AW will achieve its own financing in the near future and when it does so, the Company will record a receivable from AW and submit a cash call to AW for settlement. The amount recovered from AW will be treated as a reduction of the Company s costs relating to the Tweespalk property.

In December 2002 the Company entered into an option agreement to purchase 100% of the 296 hectare Elandsfontein property located adjacent to the Bafokeng Rasimone Platinum Mine in the Western Bushveld area of South Africa. The Company made an initial payment to the Vendors of R 150,000 (approximately C$29,500 at the time of payment). The Company must also pay a base price of R 43 (approximately C$8.50) per tonne of open castable economic Upper Group 2 (UG2) reef resource on the property, to a minimum of R 4,000,000 (approximately C$791,000). A further payment of R 4.30 (approximately C$0.85) per tonne is due on any economic underground resource. The purchase price was payable 90 days after the grant of a mining authorization. The Company was obligated to a minimum exploration program, which was completed and exceeded before the end of the period. The Company also acquired a right to purchase the surface rights to the property at a price of R 6,500 (approximately C$1,285) per hectare.

The Company validly exercised its option by way of written notice on June 26, 2003. The initial 10% of the purchase price for the mineral rights was later tendered in terms of the option agreement. The vendors claimed that the purchase price was unascertained or unascertainable and that the agreement is therefore void. Later, the vendors accepted that the agreement was binding, but then claimed that the Company was in breech of the terms and conditions of the option agreement. The parties have agreed to refer the matter for Expert Determination as provided for in the option agreement. PTM RSA intends enforcing its rights in terms of the option agreement and is supported by the Company in this regard. PTM RSA and the Company have sought legal advice and are confident in their prospects of successfully defending their position. The alternative dispute resolution process provided for in the contract is now underway.

e)

Administration Expenses

Net general and administration expenses in 2004 were $1,381,432 (2003 - $905,248) after accounting for interest and other income of $430,106 (2003 - $177,068). During the years 2002, 2003 and 2004 the Company grew substantially through its amalgamation with New Millennium Metals Corporation and its expansion into the Republic of South Africa. General and administrative expenses are higher as a result of this growth. During 2004 the Company opened and staffed a permanent office in Johannesburg and commenced active exploration on the ground. The costs described above include corporate finance fees of $100,000 (2003 - $nil); management and consulting fees of $322,996 (2003 $232,201); office and miscellaneous expenses of $106,306 (2003 - $ 64,263); professional fees of $130,383 (2003 - $143,357); salaries and benefits of $404,936 (2003 - $167,115); shareholder relations expense of $38,090 (2003 - $159,532); travel expenses of $231,507 (2003 - $50,364); and promotion expenses of $126,464 (2003 - $42,560). Stock compensation expense, a non-cash item, amounted to $92,881 in 2004 (2003 - $42,051). An amount of $6,500 (2002 - $29,875) in expense relates to Part XII.6 tax applied by the Canadian Federal government on unspent flow-through funds from the previous year. An amount of $4,591 (2003 $41,508) was expensed for new property investigations during the period. Interest and other income for the year totaled $430,106 (2003 - $177,068).

f)

Related Party Transactions

Management and consulting fees expense in 2004 includes $249,253 (2003 $184,112) incurred with five directors of the Company. Of this amount approximately $132,319 (2003 - $132,587) is related to fees for the Company s President. At August 31, 2004 there were no fees (2003 $9,723) owed and included in accounts payable. There were no fees incurred in 2004 (2003 $4,100) for accounting services with a partnership in which a former officer has an interest. Geological fees of $100,100 (2003 $74,750) were incurred with an officer during the year, of which none was owed and included in accounts payable at August 31, 2004 and 2003.

During 2003, the Company entered into a service agreement with MAG Silver Corp. (MAG), a company with a common director and common officer. During the year the Company received from MAG $152,353 (2003 - $38,525). During 2003 the Company also received a $100,000 finders fee in the form of 200,000 MAG common shares for introduction to certain people and mineral properties in Mexico.

g)

Shareholder Relations Expenses

Shareholder relations expense during 2004 totaled $38,090 (2003 $159,532). Since 2003 the Company has managed its shareholder relations as an internal function, thereby reducing the cost for this

service considerably over prior years. During 2004 the Company was active in raising its profile with both retail and institutional investors. Subsequent to April 2003 Roth Investor Relations has been contracted by the Company to provide services, as they are needed from time to time. They provide distribution of the Company s information primarily to US institutions and other international analysts and money managers. Roth has offices in New Jersey, USA and affiliated offices in London and Johannesburg. Mr. Larry Roth is the Company s primary contact with the firm.

h)

Travel and Promotion Expenses

Travel expenses for the year amounted to $231,507 (2003 $50,364). These activities relate to the supervision of ongoing operations, new property investigations and meetings with potential institutional and sophisticated investors. During 2004 the Company s increased activity level in South Africa increased these costs significantly. Promotion expenses in 2004 amounted to $126,464 (2003 - $42,560) and these costs relate to design work, media relations, printed material and trade show attendance.

i)

Property Acquisition Expenses

Property acquisition expenditures during the year totaled $515,777 (2003 - $459,809) in cash and shares including $93,132 for properties near Thunder Bay, Ontario, $52,599 for properties near Sudbury, Ontario, and $322,928 to acquire or maintain option rights to the South African Properties.

The sum of all payments required to perfect all of the Company s mineral rights are greater than its currently available working capital. The Company evaluates its property interests on an ongoing basis and intends to abandon properties that fail to remain prospective. The Company is confident that it will be able to meet its earn-in obligations on those properties which management considers to be of merit. At the time of writing the Company was incurring further property acquisition expenses through its activities in Ontario, Canada and the Republic of South Africa.

3.

CRITICAL ACCOUNTING POLICIES

The Company s accounting policies are set out in Note 2 of its Consolidated Financial Statements for the period ended August 31, 2004.

There are two policies that, due to the nature of the mining business, are significant to the financial results of the Company. These policies relate to the capitalization of mineral exploration expenditures and the use of estimates:

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

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

4.

ANTICIPATED CHANGE IN ACCOUNTING POLICY

The Canadian Institute of Chartered Accountants (CICA) recently amended Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments recommends that all stock-based compensation and payments for options granted on or after January 1, 2002 be measured using a fair value based method and recorded as an expense for fiscal years commencing on or after January 1, 2004. As at and for the year ended August 31, 2004 the Company measures and records stock-based awards made to non-employees using a fair value based method. For stock options granted to employees and directors, the Company has adopted the disclosure-only provisions whereby pro forma net income and earnings per share are disclosed in the notes to the financial statements. On September 1, 2004 the Company will adopt the revised recommendations, on a retroactive without restatement basis, such that the fair value of stock-based compensation and other transactions will be recognised as an expense in the financial statements.

5.

LIQUIDITY AND CAPITAL RESOURCES

The Company issued a total of 6,756,148 (2003 5,605,635) common shares during the year. Of this 6,745,239 shares (2003 5,557,939) were issued for cash proceeds of $5,981,397 (2003 - $2,558,456). A further 10,909 shares (2003 47,696) were issued for mineral properties for a value of $3,600 (2003 - $16,140). Cash proceeds are to be spent on mineral property acquisitions, exploration and development as well as for general working capital purposes. See Subsequent Events for further equity issuances. The Company s primary source of capital has been from the sale of equity. At August 31, 2004 the Company had cash and cash equivalents on hand of $2,423,176 compared to cash and cash equivalents of $994,650 at August 31, 2003. The primary use of cash during the period was for the acquisition and exploration expenditures, being approximately $3.2 million (2003 - $1.8 million), management fees and expenses of $322,996 (2003 - $232,201) and other general and administrative expenses of $1,488,542 (2003 - $850,115). Subsequent to year-end the Company received $1,393,113 in aggregate proceeds upon the exercise of 1,297,484 common share purchase warrants.

In the normal course of business the Company enters into transactions for the purchase of supplies and services denominated in South African Rand. The Company also has cash and certain liabilities denominated in South African Rand. As a result the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. In the past year to the time of writing this report, the South African Rand has gained in value against the Canadian dollar by approximately 15%.

The following Table discloses the contractual obligations of the Company for optional mineral property acquisition payments, optional exploration work and committed lease obligations for office rent and equipment:

			Payments due by period		
Contractual Obligation	Total	< 1 Year	1-3 Years	3-5 Years	> 5 Years
Acquisitions Payments	$8,582,148	$209,800	$3,570,194	$4,799,154	$3,000
Exploration Costs	$17,075,000	$1,715,000	$4.860,000	$8,500,000	$2,000,000
Lease Obligation	$294,200	$103,817	$171,167	$19,216	$0
Totals	$25,951,348	$2,028,617	$8,601,361	$13,318,370	$2,003,000

6.

CORPORATE GOVERNANCE

A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board s review is accomplished principally through the audit committee, which is composed of independent non-executive directors. The audit committee meets periodically with management and auditors to review financial reporting and control matters. The Board of Directors has also appointed a compensation committee composed of non-executive directors whose recommendations are followed with regard to executive compensation. From time to time the board may also form special sub-committees, which must investigate and report to the Board on specific topics.

7.

SUBSEQUENT EVENTS

(a) On September 30, 2004 the Company acquired 1,407,069 shares of Active Gold Group Ltd. (Active Gold) from six of Active Gold s founding shareholders, all of whom are at arm s length to the Company, in exchange for 399,999 shares of Sydney Resource Corporation, with a value of $131,200 on that date, paid from the Company s holdings of that security. As Active Gold is estimated to have nominal value the transaction was entered into for the purpose of preserving existing business relationships and the Company will record the exchange in the subsequent period as an expense.

(b) On September 24, 2004 the Company acquired an option to earn up to a 70% interest in the Seagull property located in the Nipigon region of Ontario. PTM can earn an initial 50% property interest by completing certain exploration expenditures and cash payments over 5 years. Cumulative exploration expenditures required are $500,000 within 12 months from the date of the option agreement, $1.5 million within 24 months, $3.0 million within 36 months, $5.0 million within 48 months, and a cumulative total of $7.5 million within 60 months from the date of the option agreement. The initial $250,000 in work is a firm commitment. PTM can earn an additional 10% property interest by completing a bankable feasibility study for the property and may then earn a further 10% property interest by providing or arranging production financing. Required cash payments to the vendors are an initial $75,000 within 30 days of the agreement (paid), $75,000 within year one, $125,000 within year two, $125,000 within year three, $150,000 within year four, and $200,000 within year five for an aggregate total of $750,000. The property is subject to underlying NSR Royalties of 2.4% from which PTM may buy-back 1.4% for $2.0 million.

(c) Subsequent to year end PTM optioned a 100% property interest in the Moss Lake property for optional cash payments of $85,000 over 3 years ($10,000 paid) and optional share payments of 40,000 common shares over 3 years. The property is subject to an underlying 3% NSR Royalty, from which PTM may buy-back 2.0% at a price of $500,000 per one-half percentage point bought back.

(d) On October 26, 2004 the Company entered into a joint venture with Anglo American Platinum Corporation Limited and Africa Wide Mineral Prospecting and Exploration (Pty) Limited to pursue platinum exploration and development on combined mineral rights covering 67 square kilometres on the Western Bushveld Complex of South Africa. The Company will contribute all of its interests in portions of the farms Onderstepoort 98JQ and Elandsfontein 102JQ. Anglo Platinum will contribute its interests in portions of the farms Koe-doesfontein 94JQ, Elandsfontein 102JQ and Frischgewaagd 96JQ. The joint venture will immediately provide for a 26% Black Economic Empowerment interest in satisfaction of the 10-year target set by the Mining Charter and newly enacted Minerals and Petroleum Resources Development Act. PTM and Anglo Platinum will each own an initial 37% working interest in the JV, while Africa Wide will own an initial 26% working interest. Africa Wide will work with local community groups in order to facilitate their inclusion in the economic benefits of the JV in areas such as training, job creation and procurement.

PTM will operate and fund an exploration program in the amount of R 35 million (approx. US$ 5.6 M; C$7.0 million) over the next five years. Minimum expenditures in year one in the amount of R 5 million are a firm commitment by PTM. Optional expenditures in years two and three are also R 5 million and in years four and five amount to R 10 million in each year. After R 35 million in expenditures have been funded by PTM, the parties will fund their portion of further expenditures pro-rata based upon their working interest in the JV.

Once a bankable feasibility study has been completed the respective interest of the parties will be adjusted to reflect their relative contribution of measured, indicated, and inferred ounces determined in accordance with the South African SAMREC code. Each party will have the opportunity to contribute capital, if so desired, to maintain their respective initial working interest in the JV. The JV agreement also provides a mechanism whereby Anglo Platinum may elect to become a non-contributory participant to the JV and by doing so would be subject to dilution. The JV agreement includes pro-forma off-take agreements for either concentrate or broken ore.

The targets for exploration on the joint venture properties will be the Merensky and UG2 reefs of the Bushveld Complex. The potential to increase the size and confidence level of an estimated 3.72 million ounce inferred resource (9.1 million tonnes grading 5.69 grams per tonne 4E s (platinum, palladium, rhodium, gold) on the Merensky Reef and 15.0 million tonnes grading 4.25 g/t 4E, on the UG2 reef, SAMREC Code, Anglo Platinum Annual report 2003- to be confirmed by PTM under Canadian NI 43-101) on the combined properties is considered excellent by all members of the JV. The inferred resource calculation already includes an estimated 30% to 50% geological loss. The exploration areas on the properties are adjacent to the separate BRPM joint venture, which incorporates an existing mine, formerly Anglo Platinum s BRPM platinum mine, and the Styldrift property, contributed to the BRPM JV by the Royal Bafokeng Nation.

The Merensky and UG2 reefs have been intercepted on the JV properties in a number of drill holes outside of areas where resources have been defined to date. These areas require immediate follow-up drilling. Prospecting permits have been issued and drilling can commence immediately. The contributed properties include the untested projected surface trace of the reefs.

(e) Subsequent to year end 1,297,484 common shares were issued pursuant to the exercise of 1,200,000 warrants at a price of $1.10 per share and 97,484 warrants at a price of $0.75 per share for aggregate proceeds of $1,393,113.

8.

LIST OF DIRECTORS AND OFFICERS

a) Directors:

R. Michael Jones	Barry W. Smee	Frank Hallam
Iain McLean	Douglas Hurst	

b) Officers:

R. Michael Jones	Barry W. Smee	Frank Hallam
(President)	(Secretary)	(Chief Financial Officer)

c) Officers of Subsidiary:
John Gould (Managing Director Platinum Group Metals RSA (Pty) Ltd.)

INDEPENDENT AUDITORS REPORT

To the Shareholders of Platinum Group Metals Ltd. (An exploration stage company)

We have audited the consolidated balance sheets of Platinum Group Metals Ltd. (an exploration stage company) as at August 31, 2004 and 2003 and the consolidated statements of operations, shareholders equity and cash flows for each of the years in the three year period ended August 31, 2004 and the cumulative period from March 16, 2000 to August 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three year period ended August 31, 2004 and the cumulative period from March 16, 2000 to August 31, 2004 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Vancouver, British Columbia
November 8, 2004

COMMENTS BY AUDITORS ON CANADA - UNITED STATES OF AMERICA REPORTING DIFFERENCES

The standards of the Public Company Accounting Oversight Board (United States) require the addition of an explanatory paragraph when the financial statements are affected by conditions and events that cast substantial doubt on the Company s ability to continue as a going concern, such as those described in Note 1 to the consolidated financial statements. Although we conducted our audits in accordance with both Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), our report to the Shareholders dated November 8, 2004 is expressed in accordance with Canadian reporting standards which do not permit a reference to such conditions and events in the auditors report when these are adequately disclosed in the consolidated financial statements.

The standards of the Public Company Accounting Oversight Board (United States) require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company s consolidated financial statements, such as the change described in Note 2 (f) to the consolidated financial statements. Our report to the shareholders, dated November 8, 2004, is expressed in accordance with Canadian reporting standards which do not require a reference to such changes in accounting principles in the auditors report when the change is properly accounted for and adequately disclosed in the consolidated financial statements.

Chartered Accountants
Vancouver, Canada
November 8, 2004

PLATINUM GROUP METALS LTD.
(An exploration stage company)

CONSOLIDATED BALANCE SHEET

AUGUST 31		2004		2003
ASSETS				
CURRENT				
Cash and cash equivalents	$	2,423,176	$	994,650
Marketable securities (market value-$641,375; 2003-$124,000)		331,750		58,000
Amounts receivable (Note 4)		241,135		76,411
Prepaid expenses and other		28,194		24,820
Total current assets		3,024,255		1,153,881
MINERAL PROPERTIES (Note 6)		5,995,550		3,891,653
FIXED ASSETS (Note 7)		114,214		40,887
Total assets	$	9,134,019	$	5,086,421

LIABILITIES

CURRENT

Accounts payable and accrued liabilities	$ 659,895	$ 169,548
Total current liabilities	659,895	169,548
FUTURE INCOME TAXES (Note 10)	427,000	359,000
Total liabilities	1,086,895	528,548
SHAREHOLDERS EQUITY		
Share Capital (Note 8)	14,990,075	9,005,078
Contributed Surplus (Note 8 (c))	134,932	42,051
Deficit accumulated during the exploration stage	(7,077,883)	(4,489,256)
Total shareholders equity	8,047,124	4,557,873
Total liabilities and shareholders equity	$ 9,134,019	$ 5,086,421

CONTINUING OPERATIONS (Note 1)
CONTINGENCIES AND COMMITMENTS (Note 11)

APPROVED BY THE DIRECTORS:

R. Michael Jones, Director

Frank Hallam, Director

See Accompanying Notes to the Consolidated Financial Statements

PLATINUM GROUP METALS LTD.
(An exploration stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended August 31, 2004	Year ended August 31, 2003	Year ended August 31, 2002	Cumulative amount from March 16,2000 to August 31, 2004
EXPENSES				
Amortization	**$ 31,768**	$ 15,464	$ 10,256	$ 66,819
Annual general meeting	**32,125**	27,060	3,717	62,902
Corporate finance fees	**100,000**	-	-	125,000
Filing and transfer agent fees	**57,756**	37,986	28,277	151,372
Insurance	**13,674**	9,938	7,863	34,878
Management and consulting fees	**322,996**	232,201	154,562	801,687
Office and miscellaneous	**106,306**	64,263	43,585	265,025
Professional fees	**130,383**	143,357	184,209	610,431
Promotion	**126,464**	42,560	16,816	185,839
Rent	**76,619**	41,896	18,870	150,795
Salaries and benefits	**404,936**	167,115	75,584	659,836
Shareholder relations	**38,090**	159,532	203,138	475,212
Stock compensation expense	**92,881**	42,051	-	134,932
Telephone	**39,533**	18,654	17,122	84,839

Travel	**231,507**	50,364	24,150	363,848
Other taxes	**6,500**	29,875	47,391	83,766
	(1,811,538)	(1,082,316)	(835,540)	(4,257,181)
Less interest and other income	**430,106**	177,068	23,028	692,346
Loss before other items	**(1,381,432)**	(905,248)	(812,512)	(3,564,835)
Other items:				
Property investigations	**4,591**	41,508	30,467	126,241
Mineral property costs written off	**1,044,542**	815,714	1,090,871	2,958,452
(Gain) loss on sale and write-down of marketable securities	**-**	(12,802)	21,370	8,568
Equity in loss of Active Gold Group Ltd. (Note 5)	**-**	187,000	-	187,000
Write-down of investment in and advances to Active Gold Group Ltd. (Note 5)	**90,062**	24,725	-	114,787
	1,139,195	1,056,145	1,142,708	3,395,048
Loss for the period before income taxes	**(2,520,627)**	(1,961,393)	(1,955,220)	(6,959,883)
Future income tax recovery	**278,000**	212,400	453,600	944,000
Loss for the period	**(2,242,627)** $	(1,748,993) $	(1,501,620) $	(6,015,883)
Basic and diluted loss per share	**(0.07)** $	(0.07) $	(0.10)	
Weighted-average number of common shares outstanding	**31,640,642**	25,982,475	14,821,633	

See Accompanying Notes to the Consolidated Financial Statements

PLATINUM GROUP METALS LTD.
(An exploration stage company)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
FROM COMMENCEMENT OF OPERATIONS, MARCH 16, 2000 TO AUGUST 31, 2004

	Common shares without par value			Flow-through Special Warrants			Deficit accumulated during exploration stage	Total Shareholders Equity
	Shares	Amount	Obligation to issue shares	Number	Amount	Contributed surplus		
Issued for cash	1,395,001	$ 89,000	$ -	2,605,000	$ 521,000	$ -	$ -	$ 610,000
Issued for mineral properties	-	-	20,000	-	-	-	-	20,000
Net Loss	-	-	-	-	-	-	(39,956)	(39,956)
Balance, August 31, 2000	1,395,001	89,000	20,000	2,605,000	521,000	-	(39,956)	590,044
Issued for cash	3,195,391	1,356,532	-	2,383,090	1,107,771	-	-	2,464,303
Issued upon exercise of share purchase warrants	2,000	1,100	-	-	-	-	-	1,100
Issued for mineral properties	210,000	57,050	(17,400)	-	-	-	-	39,650
Issued upon exercise of special warrants	2,605,000	521,000	-	(2,605,000)	(521,000)	-	-	-
Issued upon exercise of flow through special warrants	2,383,090	1,107,771	-	(2,383,090)	(1,107,771)	-	-	-
Future income taxes relating to exploration expenditures applicable to	-	-	-	-	-	-	(310,000)	(310,000)

flow-through shares								
Net loss	-	-	-	-	-	-	(482,687)	(482,687)
Balance at August 31, 2001	9,790,482	3,132,453	2,600	-	-	-	(832,643)	2,302,410
Issued for cash	6,864,001	1,951,135	-	-	-	-	-	1,951,135
Issued for mineral properties	102,728	36,509	(2,600)	-	-	-	-	33,909
Issued to acquire New Millennium Metals	5,468,421	1,310,385	-	-	-	-	-	1,310,385
Future income taxes relating to exploration expenditures applicable to flow-through shares	-	-	-	-	-	-	(266,000)	(266,000)
Net loss	-	-	-	-	-	-	(1,501,620)	(1,501,620)
Balance, August 31, 2002	22,225,632	6,430,482	-	-	-	-	(2,600,263)	3,830,219
Issuance of flow-through common shares for cash	1,181,346	678,589	-	-	-	-	-	678,589
Issuance of common shares for cash	3,062,500	1,411,342	-	-	-	-	-	1,411,342
Issued on exercise of mineral property option (Note 6)	571,603	200,061	-	-	-	-	-	200,061
Issued on exercise of warrants	645,990	233,389	-	-	-	-	-	233,389
Issued on exercise of stock options	96,500	35,075	-	-	-	-	-	35,075
Issued for mineral properties	47,696	16,140	-	-	-	-	-	16,140
Future income taxes relating to exploration expenditures applicable to flow-through shares	-	-	-	-	-	-	(140,000)	(140,000)
Stock options granted to consultants	-	-	-	-	-	42,051	-	42,051
Net loss	-	-	-	-	-	-	(1,748,993)	(1,748,993)
Balance, August 31, 2003	27,831,267	$ 9,005,078	$ -	-	$ -	$ 42,051	$ (4,489,256)	$ 4,557,873
Issuance of flow-through common shares for cash	1,056,000	1,267,200	-	-	-	-	-	1,267,200
Issuance of common shares for cash	3,810,207	3,226,590	-	-	-	-	-	3,226,590
Issued on exercise of warrants	1,747,032	1,428,407	-	-	-	-	-	1,428,407
	132,000	59,200	-	-	-	-	-	59,200

Issued on exercise of stock options								
Issued for mineral properties	10,909	3,600	-	-	-	-	-	3,600
Future income taxes relating to exploration expenditures applicable to flow-through shares	-	-	-	-	-	-	(346,000)	(346,000)
Stock options granted to consultants	-	-	-	-	-	92,881	-	92,881
Net loss	-	-	-	-	-	-	(2,242,627)	(2,242,627)
Balance, August 31, 2004	34,587,415	$ 14,990,075	$ -	-	$ -	$ 134,932	$ (7,077,883)	$ 8,047,124

See Accompanying Notes to the Consolidated Financial Statements

PLATINUM GROUP METALS LTD.