



Platinex Inc.

Interim Financial Statements
Quarter Ended September 30, 2006
Unaudited - Prepared by Management

Q3

These unaudited interim financial statements have not been reviewed by the Company's auditor.

Platinex Inc.
Balance Sheet

	September 30, 2006	December 31, 2005
	(Unaudited)	(Audited)
ASSETS		
Current		
Cash (note 3)	\$ 137,897	\$ 663,242
Accounts receivable	43,830	26,952
Subscriptions receivable (note 7)	0	598,000
Funds held in trust (note 4)	45,046	11,798
Prepaid expenses	31,000	68,763
	257,773	1,368,755
Mining interests (notes 5 & 10)	1,129,319	817,007
Property, plant and equipment (note 6)	3,245	2,552
	\$ 1,390,337	\$ 2,188,314
LIABILITIES		
Current		
Accounts payable	\$ 234,369	\$ 112,630
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	3,733,594	3,583,594
Share purchase warrants (note 7)	137,927	137,927
Deficit	(2,715,553)	(1,645,837)
	1,155,968	2,075,684
	\$ 1,390,337	\$ 2,188,314
Contingencies and commitments (note 10)		
On behalf of the Board of Directors		
<i>“James R Trusler”</i>	<i>“John D. Ross”</i>	
James R Trusler President & CEO	John D. Ross Director	

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

Platinex Inc.
Statements of Deficit
(Unaudited)
For nine months ended September 30, 2006

	2006	2005
Balance, beginning of period	\$ 1,645,837	\$ 1,635,342
Loss for the period	1,069,716	132,331
Balance, end of period	<u>\$ 2,715,553</u>	<u>\$ 1,767,673</u>

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

Platinex Inc.
Statements of Loss
(Unaudited)

	For three months ended Sept 30		For nine months ended Sept 30	
	2006	2005	2006	2005
Expenses				
Accounting and legal	\$ 5,513	\$ 46,434	\$ 24,217	\$ 66,459
Amortization	232	242	711	726
Bank charges and interest	7	56	502	103
Consultant's fees	0	0	400	11,920
Filing fees	(144)	0	4,148	7,500
Financing costs	0	0	3,500	0
Insurance	2,625	0	2,625	0
Interest income	(2,615)	(1,097)	(13,037)	(1,362)
Investor relations	367	247	24,965	790
Management fees (note 11)	18,000	21,900	55,104	50,100
Meals and entertainment	0	137	543	197
Office and general	1,412	14,071	7,977	18,996
Rent and occupancy (note 11)	2,400	2,400	7,200	7,600
Subcontract services	9,467	6,891	26,048	18,427
Telephone expense	1,856	624	4,089	2,087
Transfer agent fees	981	1,861	6,020	2,903
Travel	157	220	2,468	533
Loss before other items	40,258	93,986	157,480	186,979
Exploration expenditures (note 3)	83,762	107,981	912,236	147,320
Loss for the period	\$ 124,020	\$ 201,967	\$ 1,069,716	\$ 334,299
Basic and fully diluted loss per share	\$ 0.0087	\$ 0.0187	\$ 0.0752	\$ 0.0362
Weight average number of common shares outstanding	14,271,163	10,827,070	14,223,544	9,245,676

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

Platinex Inc.
Statements of Cash Flows
(Unaudited)

	Three months ended Sept 30		Nine months ended Sept 30	
	2006	2005	2006	2005
Operating activities				
	\$			
Net loss for the period	(124,020)	\$ (201,967)	\$ (1,069,716)	\$ (334,299)
Add back: amortization	232	242	711	726
	(123,788)	(201,725)	(1,069,005)	(333,573)
(Increase) decrease in accounts receivable	7,679	(5,630)	(16,878)	(13,392)
(Increase) decrease in funds held in trust	2,752	6,250	(33,248)	1,250
(Increase) decrease in prepaid expenses	2,625	(7,000)	37,763	(7,000)
Increase (decrease) in accounts payable	(103,402)	58,406	121,739	112,313
	(214,134)	(149,699)	(959,629)	(240,402)
Investing Activities				
Purchase of property, plant and equipment	0	0	(1,404)	0
Purchase of mining interests	0	0	(312,312)	0
	0	0	(313,716)	0
Financing Activities				
Common shares issued	0	0	150,000	515,846
Subscriptions receivable	0	0	598,000	0
	0	0	748,000	515,846
Change in cash	(214,134)	(149,699)	(525,345)	275,444
Cash, beginning of period	352,031	464,443	663,242	39,300
Cash, end of period	\$ 137,897	\$ 314,744	\$ 137,897	\$ 314,744

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

1. Nature of Operations

The Company was incorporated on August 12, 1998 under the laws of the Province of Ontario.

The Company has interests in mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on mineral properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and the development of the mineral properties, and upon future production or proceeds from the disposition thereof.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant policies are as follows:

a) Going concern assumption

These financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to the adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts different from those in the accompanying financial statements. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, to arrange financing to meet its current and future obligations and the outcome of the matters discussed in notes 10 and 15.

b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from those estimates

c) Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided on the diminishing balance method at the following rates:

Computer Equipment	30%
Computer Software	100%
Furniture and equipment	20%

Amortization is provided at one half annual rates in the year of acquisition.

d) Interest in mineral properties

Effective January 1, 2003 the Company adopted the recommendation issued by the Canadian Institute of Chartered Accountants regarding the expensing of exploration expenditures as incurred. Costs attributable to property acquisitions are capitalized while exploration expenditures on the property can only be capitalized once mineral reserves have been established. Once a mineral reserve has been established, all development costs will be capitalized. These costs together with the costs of mining interests will be charged to operations on a unit-of-production method based on estimated recoverable reserves. If the mining interests are abandoned, or when an impairment in value has been determined, the capitalized costs will be charged to operations.

The Company will continue to carry deferred exploration expenditures incurred prior to January 1, 2003 as an asset; however, when events or changes in circumstances indicate that the carrying amount may not be recoverable, the Company will evaluate the carrying value of the asset and an impairment will be recognized at that time.

e) Translation of foreign currency

Foreign currency denominated monetary assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses are converted at the average exchange rate for the year. Exchange gains or losses arising from the transaction are included in operations.

2. Summary of Significant Accounting Policies (continued)

f) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes assets and liabilities are determined based on differences between the financial statement carrying value of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

g) Accounting for stock-based compensation

Effective January 1, 2003, the Company adopted, on a prospective basis, the accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-Based Compensation and other Stock-Based Payments". This section requires the use of the fair-value method to calculate all stock-based compensation associated with granting stock options to employees and directors, and the inclusion of that expense in the statement of operations. Under the new accounting policy, the Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period of the options in results of operations.

h) Impairment of long-lived assets

Effective January 1, 2004, the Company adopted the CICA Handbook Section 3063, "Impairment of Long-Lived Assets". This section requires the Company to assess the impairment of long-lived assets, which consist primarily of mineral property, plant and equipment, whenever events or changes in circumstances indicated that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

For the Company, the adoption of CICA Handbook Section 3063 had no impact on results of operations previously presented.

i) Asset retirement obligations

Effective January 1, 2004, the Company adopted the CICA Handbook Section 3110, "Asset Retirement Obligations". This section requires that the fair value of a liability or an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The estimate excludes the residual value of the related assets. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and amortized over the life of the asset. The amount of liability is subject to re-measurement at each reporting period. This differs from prior practice which involved accruing for the estimated retirement obligation through annual charges to earnings over the estimated life of the property.

For the Company, the adoption of CICA Handbook Section 3110 had no impact on the results of operation previously presented.

At the present time, the Company has concluded that there are no asset retirement obligations associated with any of the properties.

3. Cash

Included in cash is monies received from the issue of flow-through shares in 2005 of which the use of these funds is restricted to exploration expenditures. For the nine months ended September 30, 2006, \$912,236 of exploration expenditures had been incurred leaving \$ 262,879 remaining for flow through expenditures.

4. Funds Held In Trust

Funds held in trust represent monies advanced to lawyers.

Platinex Inc.
Notes to Financial Statements
(Unaudited)
For nine months ended September 30, 2006

5. Mining Interests

	September 30 2006 (unaudited)	December 31 2005 (audited)
Big Trout Lake, Ontario		
Property – claims	\$ 413,492	\$ 413,492
Property - mining leases	312,312	0
Exploration	403,515	403,515
	\$ 1,129,319	\$ 817,007

Mineral property descriptions: Big Trout Lake, Ontario

During 1999, the Company acquired a 100% interest in certain mining claims located in the Patricia Mining Division of northwestern Ontario. By an agreement dated February 24, 1999, the Company acquired these claims from an officer/director in exchange for shares (note 9). The Company has received approval of assessment work filed and these claims are in good standing until dates from July 2006 to February 2007.

On February 10, 2006 the Company closed an agreement to acquire a 100% unencumbered interest in 81 mining leases from a joint venture operated by Inco Limited for \$150,000 cash and the issuance of \$150,000 worth of the Company's common shares (428,751 common shares issued).

Under subsection 129(4) of the Mining Act RSO 1990 c.M.14, as amended, the Mining and Lands Commissioner has ordered that effective April 18th 2006 Platinex's mining claims are to remain in good standing until the legal proceedings are resolved (see notes 10 and 15).

6. Property, Plant and Equipment

Property, plant and equipment are comprised of computer equipment and software and furniture and fixtures.

	September 30 2006 (unaudited)	December 31 2005 (audited)
Cost	\$ 19,021	\$ 17,617
Accumulated amortization	15,776	15,065
	\$ 3,245	2,552

7. Capital Stock, Warrants and Stock Options

- a) Authorized: Unlimited number of common shares
b) Issued:

	Number of shares	Amount
Balance at December 31, 2003	6,928,934	\$ 2,013,493
Issued for cash	180,000	45,000
Balance at December 31, 2004	7,108,934	2,058,493
Shares issued for cash	4,780,296	1,763,598
Shares issued in exchange for trade debt	1,953,362	488,422
Share purchase warrants		(137,927)
Financing costs of share issue		(102,500)
Tax benefits renounced - flow-through		(486,492)
Balance at December 31, 2005	13,842,592	3,583,594
Shares issued in exchange for 81 mining leases	428,571	150,000
Balance at September 30, 2006	14,271,163	\$ 3,733,594

Platinex Inc.
Notes to Financial Statements
(Unaudited)
For nine months ended September 30, 2006

7. Capital Stock, Warrants and Stock Options (continued)

- c) In May 2004, the Company completed the sale by private placement of 40,000 common shares at a price of \$0.25 per share, for net proceeds of \$10,000.
- d) In December 2004, the Company completed the sale by private placement of 140,000 common shares of which 100,000 are flow-through common shares at a price of \$0.25 per share, for net proceeds of \$35,000.
- e) In January 2005, the Company completed the sale by private placement of 160,000 common shares at a price of \$0.25 per share, for net proceeds of \$40,000.
- f) In May 2005, the Company completed the exchange of 1,609,636 common shares at a price of \$0.25 per share for trade debt obligations of \$402,410; and the exchange of 47,500 common shares at a price of US \$0.20 per share for trade debt obligations of US \$9,500 (CDN \$11,956).
- g) In May 2005, the Company completed the sale by private placement of 1,326,000 common shares of which 862,000 shares are flow-through common shares at a price of \$0.25 per share for net proceeds of \$331,500 and the sale of 575,000 common shares at a price of US \$0.20 per share for net proceeds of US \$115,000 (CDN \$144,348).
- h) In October 2005, the Company completed the exchange of 296,226 common shares at a price of \$0.25 per share for trade debt obligations of \$74,057.
- i) In October 2005, the Company completed the sale by private placement of 304,500 flow-through common shares at a price of \$0.30 per share for net proceeds of \$91,350.
- j) In October 2005, the Company completed the sale by private placement of 564,000 common shares at a price of \$0.25 per share for net proceeds of \$141,000.
- k) In December 2005, the Company completed the sale by private placement of 727,273 units at a price of \$0.55 per unit for gross proceeds of \$400,000. Each unit consists of one flow-through common shares and one-half of one share purchase warrant. Each full warrant will be exercisable into one non-flow through common share of the company at an exercise price of \$0.825 per common share until the expiry date of December 20, 2007. Agents were paid a cash commission of 10% of the gross proceeds plus 72,727 broker warrants issued on the same terms as the related warrants.
- l) In December 2005, the Company completed the sale by private placement of 1,087,273 units at a price of \$0.55 per unit for gross proceeds of \$598,000. Each unit consists of one flow-through common share and one share purchase warrant. Each full warrant will be exercisable into one non-flow through common share of the common at an exercise price of \$0.85 per common share until December 30, 2006 and \$1.15 per common share until the expiry date of December 30, 2007. Agents were paid a cash commission of 5% on \$400,000 of the gross proceeds plus 72,727 broker warrants issued on the same terms as the related warrants.
- m) In December 2005, the Company completed the sale by private placement of 36,250 flow-through shares at a price of \$0.48 per share for net proceeds of \$17,400.
- n) On February 10, 2006 the Company closed an agreement to acquire a 100% unencumbered interest in 81 mining leases from a joint venture operated by Inco Limited for \$150,000 cash and the issuance of \$150,000 worth of the Company's common shares (428,751 common shares issued).
- o) As at December 31, 2005, 3,850,056 of the issued shares are held in escrow.
- p) Stock options.

In August 2001, options to purchase 574,500 common shares were granted to employees and directors at \$0.50 per share. As at December 31, 2005, 526,000 of these options were still outstanding. These remaining options will expire on March 27, 2007.

In October 2005, the Company's Board of Directors approved a new stock option plan. Under the terms of the Company's new stock option plan, a maximum of 10% of the issued and outstanding common shares have been reserved for issuance to the Company's directors, officers, employees and eligible consultants.

In December 2005, the Company's Board of Directors granted an option to purchase 240,000 common shares at an option price of \$0.50 per share to the Company's investor relations firm. These options form part of the new stock option plan as disclosed above.

Platinex Inc.
Notes to Financial Statements
(Unaudited)
For nine months ended September 30, 2006

7. Capital Stock, Warrants and Stock Options (continued)

p) Stock options cont'd

On January 25, 2006 the Company announced the granting of an aggregate of 865,000 options to various directors, officers, employees and consultants of the company pursuant to its stock option plan. Each option is exercisable into one common share in the capital of the Corporation upon payment of an exercise price of \$.38 per share at anytime until January 25, 2011. The new stock option plan was approved at the meeting of shareholders held on May 24, 2006.

On August 9, 2006, the Company granted 60,000 options to a director of the company pursuant to its stock option plan. Each option is exercisable into one common share in the capital of the corporation upon payment of an exercise price of \$0.14 per share at anytime until August 8, 2011.

q) Share purchase warrants.

The following summarizes the warrants that have been issued, exercised or have expired during the period:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date	Amount
Outstanding January 1, 2005	0			\$ 0
Warrants issued on private placement (k)	436,363	\$ 0.825	Dec 20, 2007	56,727
Warrants issued on private placement (l)	<u>1,160,000</u>	\$ 1.000	Dec 30, 2007	<u>81,200</u>
Outstanding December 31, 2005 and June 30, 2006	<u>1,596,363</u>			<u>\$ 137,927</u>

The share purchase warrants are valued using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.85%; expected volatility of 85%; expected life of 1.5 years and expected dividend yield of 0%. The fair value of \$137,927 has been recognized in the Company accounts.

8. Income Taxes

Future income taxes reflect the net tax effects on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes.

There is 1 future income tax liability and there are 2 future income tax assets as follows:

	December 31 2005	December 31 2004
Future income tax liability		
Renounced mineral expenditures on flow-through shares	\$ (486,492)	\$ 0
Future income tax assets		
Non - capital losses carried forward	613,901	499,089
Canadian development and exploration expenditures	<u>80,213</u>	<u>0</u>
Total future tax assets	694,114	499,089
Valuation allowance for future tax assets	<u>(207,622)</u>	<u>(499,089)</u>
Future income tax assets	<u>486,492</u>	<u>0</u>
Net future income tax liability and assets	<u>\$ 0</u>	<u>\$ 0</u>

Platinex Inc.
Notes to Financial Statements
(Unaudited)
For nine months ended September 30, 2006

8. Income Taxes cont'd

The Company provided a valuation allowance equal to the future tax assets (except for the amount of the non-capital losses equal to offset the future income tax liability in accordance with CICA Handbook EIC-146) because it is not presently more likely than not that they will be realized. The Company's actual income tax (recovery) expense for each of the years ended is made up as follows:

	Year ended December 31 2005	Year ended December 31 2004
Loss before income taxes	\$ (496,987)	\$ (187,856)
Income tax (recovery) at the combined federal and provincial rates of 36.11%	(179,462)	(67,835)
Non-deductible exploration expenditures	62,223	0
Renounced mineral expenditures on flow through share	(80,213)	67,835
Utilization of non capital losses	(289,040)	0
Actual income tax (recovery) expense	\$ (486,492)	\$ 0

At December 31, 2005, the Company had federal non-capital loss carry forwards of approximately \$1,700,087 for Canadian income tax purposes, to reduce future taxable income. These non-capital loss carry forwards expire as follows:

2006	\$ 84,002
2007	175,754
2008	207,802
2009	620,205
2010	160,501
2011	127,544
2012	324,279

The benefits of these losses have not been recorded in the financial statements. At December 31, 2005, the Company reports a total of approximately \$800,794 of various classes of exploration expenses available for carry forward to apply against taxable income of subsequent taxation years.

9. Non-Cash Transactions

During the year ending December 31, 1999, the Company acquired mining claims in exchange for 1,600,000 common shares having a value of \$0.25 per share. During fiscal 2005, the Company issued common shares in exchange for trade debt as described in notes 7f and 7h.

10. Contingencies and Commitments

At the commencement of the Big Trout Lake project in 1999, the Kitchenuhmaykoosib Inninuwig First Nations ("KI") community informed the Company that it was opposed to any exploration activities on the Big Trout Lake property. The Ontario Ministry of Natural Resources and the Ontario Ministry of Northern Development and Mines have confirmed that the Company has the right to quiet possession of the property and the right to pursue exploration. Until recent developments, KI had consented to low impact exploration, continued consultations and employment opportunities as the project progressed.

In late February, 2006 due to the conduct of members of the Kitchenuhmaykoosib Inninuwig First Nations ("KI") community, and in order to ensure the safety of its on-site workers, Platinex vacated its camp in the Big Trout Lake area and temporarily halted the exploration program on its claims. After Platinex's forced departure, and without its authorization, KI members tore down the camp and removed all items from the site. The Company's efforts to engage the KI community in discussions to resolve the situation have been unsuccessful. Platinex is in the process of seeking injunctive relief against KI, the KI Band Council and others so that it can continue its exploratory drilling without obstruction or interference. The Company also has issued a Statement of Claim against the same parties for damages. Refer also to note 15.

10. Contingencies and Commitments cont'd

Since the outcome of the matters involving the Company and KI over the Big Trout Lake property has yet to be determined, the Company has not made any provision in the financial statements for any loss or impairment in the mining assets or any costs related to this action.

On July 28, 2006, the Ontario Superior Court dismissed the company's motion for an injunction against KI and issued an order enjoining Platinex from engaging in its contemplated exploration program for five months at which time the parties must re-attend before the court. The order in KI's favour is conditional on, among other things, KI immediately establishing a "consultation committee charged with the responsibility of meeting with representatives of Platinex and the Provincial Crown with the objective of developing an agreement to allow Platinex to conduct its two-phase drilling project at Big Trout Lake." Platinex has filed a motion for leave to appeal the Ontario Superior Court's ruling.

In August 2006, Platinex Inc. has been served with a statement of claim by Cartwright Drilling Inc. Cartwright is claiming \$310,073.18 in damages plus 2% interest per month. The claim arises out of a drilling contract between Platinex and Cartwright under which Cartwright was to perform drilling on Platinex's Big Trout Lake property. Cartwright's drilling crew was forced to leave the property as a result of actions taken by the local native Band, KI. Cartwright claims it is entitled to damages under the contract. Platinex believes that the amounts claimed by Cartwright are excessive and Platinex has filed a defense.

11. Related Parties

- a) During the nine months ended September 30, 2006, the Company paid \$57,000 in management fees (\$54,000 - 2005) and reimbursed rent and utility costs of \$9,000 (\$9,000 - 2005) to a partnership owned by the President and CEO of the Company. Of the management fees, \$30,000 was allocated to exploration expenditures on the Big Trout Lake property in 2006 (\$6,000 - 2005). Of the rent and utility costs, \$1,800 was allocated to exploration expenditures on the Big Trout Lake property in 2006 (\$0 - 2005). As at September 30, 2006, \$5,000 was included in prepaid expenses as an advance to the partnership owned by the President and CEO of the Company on account of expenses.
- b) During the nine months ended September 30, 2005, James R. Trusler received 57,036 common shares in consideration for outstanding debt by the corporation of \$14,259 and J.R. Trusler & Associates received 729,177 shares in consideration for outstanding debt by the corporation of \$182,295.
- c) During the nine months ended September 30, 2006, the Company paid \$48,947 in management fees (\$9,000 - 2005) to a company owned by a director and Vice-President of the Company. Of the management fees, \$47,570 was allocated to exploration expenditures on the Big Trout Lake property in 2006 (\$0 - 2005). As at September 30, 2006, \$5,000 was included in prepaid expenses as an advance to the company owned by a director and Vice-President of the Company on account of expenses.
- d) During the nine months ended September 30, 2006, the Company incurred legal fees of \$8,050 (\$3,500 - 2005) to a legal firm where one of the firm's partners is a director of the Company. These legal fees were attributable to the acquisition of the mining leases and have been capitalized in the mining interests.
- e) During the nine months ended September 30, 2005, a partner of the legal firm, who is a director of the company, received 96,999 shares in consideration for outstanding debt by the corporation of \$24,250.
- f) During the nine months ended September 30, 2006, the Company incurred financial management fees of \$26,729 (\$12,527 - 2005) to an officer of the Company.
- g) Included in accounts payable at September 30, 2006 is an amount of \$0 (\$73,345 - 2005) that is due to related parties.

12. Basic and Diluted Loss per Share

The basic and diluted loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. The conversion of stock options was not included in the calculation of diluted loss per share since the calculation would be anti-dilutive.

13. Fair Value of Financial Instruments

At September 30, 2006 and December 31, 2005, the Company estimates that the carrying value of cash, accounts receivable, funds held in trust and accounts payable approximate their fair value due to the immediate or short-term nature.

14. Comparative Results

Certain of the comparative results have been reclassified to conform to the current period presentation.