



Platinex Inc.
Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2013 and 2012
Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditors.

November 28, 2013

Platinex Inc.
Condensed Interim Consolidated Statements of Financial Position
Unaudited - Expressed in Canadian Dollars

	Note	As at September 30 2013	As at December 31 2012
Assets			
Current assets			
Cash	3	\$ 11,067	\$ 116,648
Funds held in trust	4	985	985
Prepaid expenses		0	14,247
Available-for-sale investment	5	0	87,500
Total current assets		\$ 12,052	\$ 219,380
Non-current assets			
Exploration and evaluation assets	6	\$ 3,722,867	\$ 3,720,259
Property, plant and equipment	7	3,288	24,725
Total non-current assets		\$ 3,726,155	\$ 3,744,984
Total assets		\$ 3,738,207	\$ 3,964,364
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 579,513	\$ 423,029
HST payable (receivable)		(3,213)	18,162
Provisions	12	633,071	633,071
Total current liabilities		\$ 1,209,371	\$ 1,074,262
Shareholders' equity			
Share capital	8	\$ 6,120,799	\$ 6,111,049
Share warrants reserve	9	10,500	48,470
Contributed surplus		706,133	657,663
Accumulated other comprehensive loss		0	(7,500)
Accumulated deficit		(4,308,596)	(3,919,580)
Total shareholders' equity		\$ 2,528,836	\$ 2,890,102
Total liabilities and shareholders' equity		\$ 3,738,207	\$ 3,964,364
Nature of operations and going concern	1		

Signed on behalf of the Board of Directors:

"James R. Trusler"

Director

"Bruce Reilly"

Director

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

Platinex Inc.

Condensed Interim Consolidated Statements of Changes in Equity
Unaudited - Expressed in Canadian Dollars
For the Nine Months Ended September 30, 2013 and September 30, 2012

	Share Capital	Contributed Surplus	Share Warrant Reserve	Accumulated Comprehensive Loss	Accumulated Other Loss	Accumulated Deficit	Total
Balance December 31, 2011	\$ 6,101,049	\$ 279,050	\$ 427,083	\$ 0	\$ (3,506,211)	\$ 3,300,971	
Loss for the period	0	0	0	0	(431,288)	(431,288)	
Share capital issued	10,000	0	0	0	0	10,000	
Stock options granted	0	0	0	0	0	0	
Stock options expired	0	(5,050)	0	0	5,050	0	
Warrants issued	0	0	0	0	0	0	
Warrants expired	0	369,546	(369,546)	0	0	0	
Share issue costs	0	0	0	0	0	0	
Balance September 30, 2012	\$ 6,111,049	\$ 643,546	\$ 57,537	\$ 0	\$ (3,932,449)	\$ 2,879,683	
Balance December 31, 2012	\$ 6,111,049	\$ 657,663	\$ 48,470	\$ (7,500)	\$ (3,919,580)	\$ 2,890,102	
Loss for the period	0	0	0	0	(381,516)	(381,516)	
Available-for-sale investment (net of tax)	0	0	0	7,500	(7,500)	0	
Share capital issued	10,500	0	0	0	0	10,500	
Stock options granted	0	0	0	0	0	0	
Stock options expired	0	0	0	0	0	0	
Warrants issued	0	0	10,500	0	0	10,500	
Warrants expired	0	48,470	(48,470)	0	0	0	
Share issue costs	(750)	0	0	0	0	(750)	
Balance September 30, 2013	\$ 6,120,799	\$ 706,133	\$ 10,500	\$ 0	\$ (4,308,596)	\$ 2,528,836	

Nature of operations and going concern (note 1)

Platinex Inc.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
Unaudited - Expressed in Canadian Dollars
For the Three and Nine Months Ended September 30, 2013 and September 30, 2012

	Note	Three Months Ended Sept. 30, 2013	Sept. 30, 2012	Nine Months Ended Sept. 30, 2013	Sept. 30, 2012
Expenses					
Audit and legal		\$ 18,000	\$ 0	\$ 24,350	\$ 9,013
Consulting fees		0	0	20,962	0
Depreciation	7	318	2,078	3,577	6,233
General exploration and disposition of mining claims		(14,956)	300	(14,956)	3,235
Insurance		0	4,052	1,024	12,155
Investor relations		0	6,000	0	48,315
Management salaries and fees	10	25,027	126,533	221,568	299,332
Office and general		8,993	4,008	22,412	18,280
Rent		2,884	20,080	47,723	59,579
Regulatory fees, Part XII.6 tax, interest and penalties		503	283	11,907	16,596
Total expenses		40,769	163,334	338,567	472,738
Loss on property, plant and equipment		13,919	0	13,919	0
Loss on available-for-sale investment		0	0	50,030	0
Loss before income tax		54,688	163,334	402,516	472,738
Deferred income tax recovery		0	0	0	(41,450)
Other comprehensive loss		54,688	163,334	402,516	431,288
Fair value loss on available-for-sale investment		0	0	(13,500)	0
Total net and comprehensive loss for the period		\$ 54,688	\$ 163,334	\$ 389,016	\$ 431,288
Loss per common share, basic and diluted	11	\$ 0.0011	\$ 0.0032	\$ 0.0076	\$ 0.0085
Nature of operations and going concern	(note 1)				

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

Platinex Inc.
Condensed Interim Consolidated Statement of Cash Flow
Unaudited - Expressed in Canadian Dollars
For the Nine Months Ended September 30, 2013 and September 30, 2012

	Nine months ended Sept. 30, 2013	Nine months ended Sept. 30, 2012
Cash flows from operating activities		
Net and comprehensive loss for the period	\$ (389,016)	\$ (431,288)
Adjustments to reconcile net and comprehensive loss to net cash used in operating activities:		
Depreciation	3,577	6,233
Deferred income tax recovery	0	(41,450)
Changes in non-cash working capital balances:		
Funds held in trust	0	(276)
Prepaid expenses	14,247	10,812
Accounts payable	156,484	44,549
HST payable/receivable	(21,375)	12,051
Total cash flows from operating activities	\$ (236,083)	\$ (399,369)
Cash flows from investing activities		
Available-for-sale investment	\$ 95,000	\$ 0
Property, plant and equipment	17,860	0
Exploration and evaluation assets	(2,608)	(304,044)
Total cash flows from investing activities	\$ 110,252	\$ (304,044)
Cash flows from financing activities		
Share capital issued	\$ 10,500	\$ 0
Share warrants issued	10,500	0
Cost of issue of shares	(750)	0
Total cash flows from financing activities	\$ 20,250	\$ 0
Decrease in cash during the period	105,581	(703,413)
Cash at beginning of period	116,648	745,108
Cash at end of period	\$ 11,067	\$ 41,695

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

Platinex Inc.

Notes to the Condensed Interim Consolidated Financial Statements
Unaudited - Expressed in Canadian Dollars
For the Nine Months Ended September 30, 2013 and September 30, 2012

1. NATURE OF OPERATIONS AND GOING CONCERN

Platinex Inc., which together with its subsidiary is collectively referred to as the "Company", is a Canadian company whose business activity is the exploration and evaluation of mineral properties in Canada. Platinex Inc. (the "Company") was incorporated under the Ontario Business Corporations Act on August 12, 1998.

The Company is listed on the TSX Venture Exchange, having the symbol PTX-V, as a Tier 2 mining issuer. The address of the Company's corporate office and principal place of business is 11 Algonquin Crescent, Aurora, Ontario, L4G 3E4, Canada.

These condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2013 and September 30, 2012 were approved and authorized for issue by the Board of Directors on November 28, 2013.

The Company has interest in mineral properties located in Canada which are presently at the exploration and evaluation stage. Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation assets.

For the nine months ended September 30, 2013, the Company incurred a net loss of \$389,016 (for the nine months ended September 30, 2012 - \$431,288), the deficit as at September 30, 2013 amounted to \$4,308,596 (\$3,919,580 as at December 31, 2012) and negative cash flow from operations amounted to \$236,083 (\$399,369 as at September 30, 2012).

Management estimates that the funds available as at September 30, 2013 will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2013. The Company will have to raise additional funds to continue operations. The Company is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of new debt and equity. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although these condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, the above-noted facts and circumstances cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported revenues and expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. BASIS OF PREPARATION

a) Basis of Presentation and Measurement

These interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting and the Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for available-for-sale financial assets.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2012 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods adopted are consistent with those disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2012.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim consolidated financial statements are disclosed in note 4.

b) Critical accounting estimates and judgments

Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in note 4 of the Company's consolidated financial statements as at and for the year ended December 31, 2012.

Platinex Inc.

Notes to the Condensed Interim Consolidated Financial Statements
Unaudited - Expressed in Canadian Dollars
For the Nine Months Ended September 30, 2013 and September 30, 2012

3. CASH

Included in cash as at September 30, 2013 is \$0 (\$0 - December 31, 2012) of proceeds received from the issue of flow-through shares. The use of these funds is restricted to exploration expenditures.

4. FUNDS HELD IN TRUST

Funds held in trust represent monies advanced to lawyers.

5. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment consists of an investment in common shares of Probe Mines Limited, and therefore has no fixed maturity date. The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

6. EXPLORATION AND EVALUATION ASSETS

	Shining Tree	South McFaulds Lake	Total
Balance at December 31, 2011	\$ 2,904,389	\$ 523,045	\$ 3,427,434
Exploration costs	289,801	30,612	320,413
Disposition of mining claims	(27,588)	0	(27,588)
Balance at December 31, 2012	\$ 3,166,602	\$ 553,657	\$ 3,720,259
Exploration costs	2,608	0	2,608
Disposition of mining claims	0	0	0
Balance at September 30, 2013	\$ 3,169,210	\$ 553,657	\$ 3,722,867

a) Shining Tree Property, Ontario

In 2011 the Company vested an option agreement with Skead Holdings Ltd., with respect to 139 claim units (5,680 acres or 2,299 ha), situated in Churchill, MacMurchy and Asquith Townships in Ontario (the "Shining Tree property"). The Company now holds a 100% interest in the claims subject to a 3% NSR and subject to advance royalty payments of \$10,000 per year commencing in April 2013; the agreement has been amended to defer the payment commencement to April 2014. The 3% NSR may be reduced by payment of \$400,000 for each 0.5% NSR purchased to a maximum of 1.5% NSR. If the optionor wishes to sell the royalty interest the Company retains a right of first refusal to purchase the NSR. On May 10, 2012 the Company acquired a lease (40 acres, 16 ha) from Gary John McBride for 200,000 shares of the Company. The lease is central to the Shining Tree property.

The Company SEDAR-filed its NI 43-101 technical report dated October 2, 2008, by J.G. Bryant and D. Jamieson (the "Report") which examines the Herrick gold deposit on Shining Tree property and seven other known gold prospects, some of which have been explored underground. The Report qualifies the sampling and drilling work by Unocal (1989) and Fort Knox (1990) compliant with NI 43-101 standards.

In October 2010, the Company entered into an agreement with Canadian Prospecting Ventures ("CPV") to acquire an option on twelve claim units for 474 acres (192ha) adjoining the Shining Tree claims acquired from Skead Holdings Ltd. The CPV option was allowed to lapse in the second quarter of 2012.

Since commencement of exploration in 2008 an airborne geophysical survey, stripping, trenching, sampling, induced polarization and magnetometer surveys, glacial till sampling and the drilling of 64 holes for a total of 8,393 m have been completed. A provincially significant anomaly comprising high counts of gold grains and nuggets has been defined covering a large portion of the property and the geological interpretation of this feature is that it has been generated by nearby sources, not necessarily but probably, underlying the Shining Tree property. Channel and composite grab sampling of 72 sections covering a length of 361 m of the Herrick deposit averages 6.98 g/t Au / 1.9 m average true width. Fifty nine qualified drill holes along the same length to a depth of 300m returned average grades from the Central Zone of 2.16 g/t Au / 2.9 m true width. One of the deeper holes returned a 46.1 m mineralized section indicating that the zone is thickening with depth.

Platinex Inc.

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For the Nine Months Ended September 30, 2013 and September 30, 2012

6. EXPLORATION AND EVALUATION ASSETS cont'd

b) South McFaulds, Ontario

The South McFaulds property is located 25 km southwest of Noront Resources' Eagle One and Double Eagle nickel-copper-PGE and Black Bird chromitite discoveries. This property comprises 158 claim units in three blocks covering 2,528 ha (6,320 acres). The property adjoins a block held by MacDonald Mines on the northeast. James Bay Resources holds blocks of claims within and to the north of the Company holdings. The Company's property was staked to cover a layered intrusion that is coupled with magnetic anomalies and the projected strike extension to the southwest of the host environment for the Noront discoveries evidenced in outcrop on the property; all of which have been recently revealed in survey publications by the Ontario government. The property is also centered on, and in part marginal to, a regional gravity anomaly. A qualifying report was filed on this property in May, 2011 and an airborne geophysical program was carried out in September, 2011. After filing the report low priority portions of the property were allowed to lapse.

7. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance at December 31, 2011	\$ 31,764	\$ 55,507	\$ 7,782	\$ 95,053
Additions	0	0	0	0
Disposals	0	0	0	0
Balance at December 31, 2012	\$ 31,764	\$ 55,507	\$ 7,782	\$ 95,053
Additions	0	0	0	0
Disposals	0	(55,507)	(7,782)	(63,289)
Balance at September 30, 2013	\$ 31,764	\$ 0	\$ 0	\$ 31,764
Depreciation and impairment losses				
Balance at December 31, 2011	\$ 25,703	\$ 30,702	\$ 5,613	\$ 62,018
Depreciation	1,818	4,961	1,531	8,310
Impairment loss	0	0	0	0
Disposals	0	0	0	0
Balance at December 31, 2012	\$ 27,521	\$ 35,663	\$ 7,144	\$ 70,328
Depreciation	955	1,984	638	3,577
Impairment loss	0	0	0	0
Disposals	0	(37,647)	(7,782)	(45,429)
Balance at September 30, 2013	\$ 28,476	\$ 0	\$ 0	\$ 28,476
Carrying amounts				
At December 31, 2012	\$ 4,243	\$ 19,844	\$ 638	\$ 24,725
At September 30, 2013	\$ 3,288	\$ 0	\$ 0	\$ 3,288

Platinex Inc.

Notes to the Condensed Interim Consolidated Financial Statements
Unaudited - Expressed in Canadian Dollars
For the Nine Months Ended September 30, 2013 and September 30, 2012

8. SHARE CAPITAL

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

	Number of Shares	Amount
Balance at December 31, 2011	50,759,326	\$ 6,101,049
Share issue per property lease (note 8c)	200,000	10,000
Balance at December 31, 2012	50,959,326	6,111,049
Share issue (note 8d)	1,050,000	10,500
Cost of share issue		(750)
Balance at September 30, 2013	52,009,326	\$ 6,120,799

c) On March 30, 2012 the Company entered into an agreement to acquire a lease (40 acres, 16 ha) in exchange for 200,000 common shares of the Company at \$0.05 per share; the transaction closed on May 10, 2012.

d) On September 30, 2013 the Company completed a non-brokered private placement of 1,050,000 working capital units at \$0.02 per unit to raise \$21,000. Each flow-through unit consisted of one flow-through common share and one warrant.

Each whole warrant is exercisable for a common share of the Company at an exercise price of \$0.05 on or before September 30, 2014 and thereafter at an exercise price of \$0.10. The warrants expire on September 30, 2015 provided that if the average closing price of the Company's common shares is over \$0.15 per share for 20 consecutive trading days ending more than four months after closing of this offering, the Company may give written notice to the holders of the warrants changing the expiry date to a date which is not less than 30 days following that written notice.

9. SHARE BASED PAYMENTS

- a) Share Purchase Warrants

	Number of warrants	Weighted average Exercise price	Value of warrants
Balance, December 31, 2011	6,682,803	\$ 0.15	\$ 427,083
Granted, private placements	0	0	0
Exercised	0	0	0
Expired or cancelled	(5,067,136)	0.15	(378,613)
Balance, December 31, 2012	1,615,667	\$ 0.12	\$ 48,470
Granted, private placements	1,050,000	0.08	10,500
Exercised	0	0	0
Expired or cancelled	(1,615,667)	0.12	(48,470)
Balance, September 30, 2013	1,050,000	\$ 0.08	\$ 10,500

Platinex Inc.

Notes to the Condensed Interim Consolidated Financial Statements
Unaudited - Expressed in Canadian Dollars
For the Nine Months Ended September 30, 2013 and September 30, 2012

9. SHARE BASED PAYMENTS cont'd

Date of Expiry	Number of Warrants	Exercise Price	Grant Date Fair Value of Warrants
30-Sept 15	1,050,000	\$0.08	\$10,500

The warrants granted were valued using the Black-Scholes option pricing model with the following assumptions, quoted at their weighted averages.

	2013	2011	2010
Expected dividend yield	0	0	0
Expected volatility	152%	159%	136%
Risk free interest rate	1.19%	0.92%	1.53%
Expected life	1.5 years	1.5 years	1.5 to 2 years

b) Share Purchase Options

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. The new stock option plan was approved by the Company's non participatory shareholders on May 24, 2006.

The following is a summary of changes in options from January 1, 2012 to December 30, 2012

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the Year			Closing Balance	Vested and Exercisable	Unvested
				Granted	Exercised	Cancelled			
06/18/07	06/18/12	\$0.20	40,000	0	0	40,000	0	0	0
10/16/07	10/16/12	\$0.20	780,000	0	0	780,000	0	0	0
11/19/07	11/19/12	\$0.20	60,000	0	0	60,000	0	0	0
03/11/09	03/11/14	\$0.20	220,000	0	0	0	220,000	220,000	0
06/01/10	06/01/15	\$0.20	120,000	0	0	120,000	0	0	0
06/25/10	06/25/15	\$0.20	1,020,000	0	0	0	1,020,000	1,020,000	0
01/05/11	01/05/16	\$0.20	170,000	0	0	170,000	0	0	0
04/01/11	04/01/16	\$0.12	1,560,000	0	0	0	1,560,000	1,560,000	0
			3,970,000	0	0	1,170,000	2,800,000	2,800,000	0
Weighted average exercise price			\$0.16	\$0.00	\$0.00	\$0.20	\$0.16	\$0.16	\$0.00

The following is a summary of changes in options from January 1, 2013 to September 30, 2013

Date	Date	Price	Balance	Granted	Exercised	Cancelled	Balance	Exercisable	
03/11/09	03/11/14	\$0.20	220,000	0	0	0	220,000	220,000	0
06/25/10	06/25/15	\$0.20	1,020,000	0	0	0	1,020,000	1,020,000	0
04/01/11	04/01/16	\$0.12	1,560,000	0	0	0	1,560,000	1,560,000	0
			2,800,000	0	0	0	2,800,000	2,800,000	0
			\$0.16	\$0.00	\$0.00	\$0.00	\$0.16	\$0.16	\$0.00

Platinex Inc.

Notes to the Condensed Interim Consolidated Financial Statements
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9. SHARE BASED PAYMENTS cont'd

The options granted were valued using the Black-Scholes option pricing model with the following assumptions, quoted at their weighted averages.

	<u>2011</u>	<u>2010</u>
Expected dividend yield	0%	0%
Expected volatility	96.58%	135.85%
Risk-free interest rate	2.56%	2.35%
Expected life	5 years	5 years

10. RELATED PARTY TRANSACTIONS

Remuneration of directors and key management personnel during the nine months ended September 30, 2013 and September 30, 2012 was:

	<u>Nine Months Ended</u>	
	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Management salaries and fees	\$ 162,000	\$ 201,000
Travel allowance	0	17,250
	<u>\$ 162,000</u>	<u>\$ 218,250</u>

For the nine months ended September 30, 2013, \$0 (\$52,418 – 2012) of the management fees and salaries were allocated to exploration and evaluation assets. At September 30, 2013, accounts payable included \$308,917 (December 31, 2012 - \$201,417) due to related parties.

11. BASIC AND FULLY DILUTED EARNINGS PER SHARE

The following table sets forth the calculation of the basic and diluted earnings per share:

	<u>Nine Months Ended</u>	
	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Basic earnings available to common shareholders	\$ (389,016)	\$ (431,288)
Weighted average number of common shares outstanding basic	51,075,993	50,870,437
Basic earnings (loss) per share	<u>\$ (0.0076)</u>	<u>\$ (0.0085)</u>
Weighted average number of common shares outstanding	51,075,993	50,870,437
Assumed exercise of outstanding dilutive options and warrants	3,850,000	5,437,767
Shares purchased from proceeds of assumed exercise options and warrants	<u>(20,535,000)</u>	<u>(14,594,320)</u>
Weighted average number of common shares outstanding - diluted	<u>34,390,993</u>	<u>41,713,884</u>
Basic and diluted earnings (loss) per share	<u>\$ (0.0076)</u>	<u>\$ (0.0085)</u>

The effects of the stock options for the nine months ended September 30, 2013 and 2012 have been excluded from the calculations of diluted earnings per share as it would be anti-dilutive.

Platinex Inc.

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12. PROVISIONS

The Company has agreed to indemnify certain subscribers of current and previous flow-through share offerings against any income tax payable by the subscriber in the event the Company does not meet its expenditure commitments.

During the years 2005 to 2008, the Company issued flow-through common shares for gross proceeds of \$1,550,000 from private placement offerings of securities. In accordance with the terms of these flow-through share offerings and pursuant to certain provisions of the Income Tax Act (Canada) (the "Act"), the Company renounced for income tax purposes these exploration expenditures and was obligated to spend these funds on Qualifying Canadian Exploration Expenditures ("CEE").

Following an audit by Canada Revenue Agency ("CRA") of the Company's CEE for 2005 to 2008 which was substantially completed prior to December 31, 2011, the CRA has taken the position that only \$590,801 of flow-through proceeds was spent on CEE. On this basis, the remainder of \$959,199 is potentially subject to tax in accordance with Part XII.6 of the Act and, together with related penalties and interest, \$191,340 has been included in accrued liabilities as at December 31, 2011. On April 4, 2012, CRA issued Notices of Assessment and Reassessment to the Company totaling \$191,340 including penalties and interest which has been included in accrued liabilities. The Company has filed Notices of Objection to dispute CRA's interpretation and the validity of the Notices of Assessment and Reassessment.

In accordance with the terms of subscription agreements with certain purchasers of flow-through shares, the Company has agreed to indemnify such investors for an amount equal to the amount of any income tax payable, or income tax that may become payable, by the purchaser, under the Act, as a result of any reduction of previously renounced CEE. The Company has also estimated the potential liability resulting from any claims which may arise as a result of possible reassessments denying CEE claimed by investors in 2005 to 2008 to be \$633,071 which has been included in accrued liabilities as at December 31, 2012 and December 31, 2011. The actual liability will depend upon a number of factors including the personal tax income tax positions of the investors and the Company's success in its objection proceedings with CRA. The outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favour.