

PLATINEX INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITORS' REPORT

**To the Directors of
Platinex Inc.**

We have audited the balance sheets of Platinex Inc. as at December 31, 2000 and 1999 and the statements of loss, deficit and cash flows for the years then ended. 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 generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting 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.

In our opinion, these financial statements present fairly, in all material respects, the financial positions of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Unionville, Ontario
May 10, 2001

"Bolton & Bolton"
Chartered Accountants

PLATINEX INC.
Balance Sheets
As at December 31, 2000 and 1999

	2000	1999
ASSETS		
Current		
Cash	\$ 525,188	\$ 228,687
Cash - restricted (Note 3)	-	221,998
Accounts receivable (Note 15)	44,567	8,738
Funds held in trust (Note 4)	7,063	-
Prepaid expenses (Note 5)	183,073	11,570
	759,891	470,993
 Mining interests (Note 6)	 850,564	 511,308
 Capital assets (Note 7)	 9,065	 -
	\$1,619,520	\$ 982,301
 LIABILITIES		
Current		
Accounts payable	\$ 102,367	\$ 28,849
 SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	1,784,304	1,044,439
Deficit	(267,151)	(90,987)
	1,517,153	953,452
	\$1,619,520	\$ 982,301

The accompanying notes form an integral part of these financial statements

On behalf of the Board of Directors

"Simon L. Baker"

Simon L. Baker

"James R. Trusler"

James R. Trusler

PLATINEX INC.
Statements of Deficit
For the years ended December 31, 2000 and 1999

	2000	1999
Balance, beginning of period	\$ 90,987	\$ -
Prior period adjustment (Note 9)	-	6,328
Restated balance, beginning of period	90,987	6,328
Net loss for the period	176,164	84,659
Balance, end of period	<u>\$ 267,151</u>	<u>\$ 90,987</u>

The accompanying notes form an integral part of these financial statements

PLATINEX INC.
Statements of Loss
For the years ended December 31, 2000 and 1999

	2000	1999
Expenses		
Management fees (Note 13)	\$ 71,500	\$ 30,000
Wages and benefits	43,226	13,375
Office and general	18,811	13,389
Accounting and legal (Note 13)	12,458	18,013
Subcontract services (Note 13)	12,311	2,501
Rent and occupancy (Note 13)	12,207	-
Amortization	3,445	-
Travel	2,206	7,381
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Net loss for the period	\$ 176,164	\$ 84,659
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PLATINEX INC.
Statements of Cash Flows
For the years ended December 31, 2000 and 1999

	2000	1999
Operating activities		
Net loss	\$ (176,164)	\$ (84,659)
Add back: amortization	3,445	
write down of incorporation costs	-	992
	(172,719)	(83,667)
Increase in accounts receivable	(35,829)	(8,234)
Increase in funds held in trust	(7,063)	-
Increase in prepaid expenses	(171,503)	(11,570)
Increase in accounts payable	73,518	26,652
	(313,596)	(76,819)
Investing activities		
Purchase of capital assets	(12,510)	-
Acquisition of mineral properties (Note 11)	(54,700)	(19,239)
Deferred exploration expenditures	(284,556)	(88,837)
	(351,766)	(108,076)
Financing activities		
Common shares issued for cash	739,865	636,939
	74,503	452,044
Change in cash		
Cash, beginning of period	450,685	(1,359)
Cash, end of period	\$ 525,188	\$ 450,685

The accompanying notes form an integral part of these financial statements

PLATINEX INC.**Schedule of Deferred Exploration Expenditures****For the years ended December 31, 2000 and 1999**

	2000	1999
Balance, beginning of year	<u>\$ 92,069</u>	<u>\$ 3,232</u>
Expenditures during year		
Accounting and legal	1,709	16,984
Computer supplies	8,579	2,387
Core sampling, logging	8,770	-
Delivery	223	-
Fees, dues and licences	3,300	340
First Nations relations	8,048	-
Geologist fees	94,746	60,154
Geological supplies and services	2,322	6,336
Geophysical survey	77,656	-
Camp cleanup and refurbishing	24,489	-
Assay	2,121	-
Other sub-contract services	435	280
Management fees	25,933	-
Office and general	601	-
Remote sensing	9,862	-
Travel and entertainment	15,762	2,356
	<u>284,556</u>	<u>88,837</u>
Balance, end of year	<u><u>\$ 376,625</u></u>	<u><u>\$ 92,069</u></u>

PLATINEX INC.
Notes to the Financial Statements
December 31, 2000 and 1999

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 and to arrange financing to meet its current and future obligations.

b) Use of estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

c) Capital assets

Capital assets are recorded at cost. Amortization is provided on the diminishing balance method at the following annual rates:

Computer equipment	30%
Computer software	100%
Furniture and equipment	20%

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

PLATINEX INC.
Notes to the Financial Statements
December 31, 2000 and 1999

2. Summary of Significant Accounting Policies (continued)

d) Interest in mineral properties

Mining properties are carried at cost less accumulated amortization, including write-downs. Amortization of mine buildings and mills, equipment and pre-production and development costs commences when a property is put into commercial production, and is calculated on the unit of production method over the expected economic life of the mine.

All direct costs associated with exploration properties are capitalized as incurred. If the property proceeds to development, these costs become part of the pre-production and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

e) Foreign currency translation

Balance denominated in foreign currencies are translated to Canadian dollars as follows:

- 1) monetary assets and liabilities at year end rates;
- 2) all other assets and liabilities at historical rates; and
- 3) revenue and expense transactions at the average rate of exchange prevailing during the year.

Exchange gains or losses arising on these transactions are reflected in income in the year incurred.

3. Cash – Restricted

The balance represents funds raised in December, 1999 for qualifying exploration expenditures to be renounced to investors under the terms of a flow-through share agreement.

4. Funds Held In Trust

Funds held in trust represent monies advanced to lawyers to be disbursed against costs relating to the Company's prospectus. Stock exchange fees in the amount of \$4,280 and a payment to the securities commission in the amount of \$3,000 have been made from these funds and will be included in prepaid expenses (see note 5).

PLATINEX INC.
Notes to the Financial Statements
December 31, 2000 and 1999

5. Prepaid expenses

Prepaid expenses represent costs incurred to date with respect to the prospectus. These costs will be charged against capital stock when the shares are issued.

Prepaid expenses are broken down as follows:

	<i>December 31</i> <i>2000</i>	<i>December 31</i> <i>1999</i>
Stock exchange fees	\$ -	\$ 2,000
Legal fees	138,773	9,570
Accounting fees	34,300	-
Agents' fees	10,000	-
	\$ 183,073	\$ 11,570

6. Mining Interests

	<i>Balance</i> <i>January 1</i> <i>1999</i>	<i>Expenditures</i> <i>1999</i>	<i>Balance</i> <i>December 31</i> <i>1999</i>	<i>Expenditures</i> <i>2000</i>	<i>Balance</i> <i>December 31</i> <i>2000</i>
Big Trout Lake Ontario					
Property	\$ -	\$ 413,492	\$ 413,492	\$ -	\$ 413,492
Exploration	796	71,648	72,444	239,014	311,458
Duluth Minnesota, USA					
Property	-	5,747	5,747	16,238	21,985
Exploration	2,379	16,656	19,035	29,171	48,206
Muskox, Nunavut					
Property	-		-	38,462	38,462
Exploration	57	533	590	16,371	16,961
Total					
Property	-	419,239	419,239	54,700	473,939
Exploration	3,232	88,837	92,069	284,556	376,625
	\$ 3,232	\$ 508,076	\$ 511,308	\$ 339,256	\$ 850,564

PLATINEX INC.
Notes to the Financial Statements

December 31, 2000 and 1999

6. Mining Interests (continued)

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 7c).

Duluth, Minnesota
USA

During 1999 the Company acquired a 100% interest in three mineral leases covering mining units situated in the County of St. Louis, in the state of Minnesota. These leases are for a term of 50 years commencing on June 16, 1999 with an annual rental of US\$1,500. (rent has been paid to December 31, 2001). If the leases achieve commercial production, a bid royalty of 0.25% and a base royalty of 3.95% increasing on a sliding scale are payable to the State.

During 2000 the Company acquired a 100% interest in twelve mineral leases covering mining units situated in the County of St. Louis, in the state of Minnesota. These leases are for a term of 50 years commencing on December 14, 2000 with annual rental of approximately US\$4,800 (rent has been paid to December 31, 2002). If the leases achieve commercial production, a bid royalty ranging from 0.05% to 0.27% and a base royalty of 3.95% increasing on a sliding scale are payable to the State.

Muskox, Nunavut

In July 2000 the Company staked 34 claims comprising 86,669 acres (35,089 hectares) near the Coppermine River. These claims were recorded on September 1, 2000.

7. Capital assets

Capital assets comprise computer equipment and software and furniture and fixtures having an accumulated cost of \$12,511 and accumulated amortization of \$3,446.

**Notes to the Financial Statements
December 31, 2000 and 1999**

8. Capital Stock

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

	<i>Number of shares</i>	<i>Amount</i>
Issued for cash	750,000	\$ 7,500
Balance at December 31, 1998	750,000	7,500
Issued for cash	30,000	7,500
Issued pursuant to private offerings	2,244,000	610,389
Issued pursuant to acquisition of mineral property	1,600,000	400,000
Issued pursuant to agency agreements	65,100	19,050
Balance at December 31, 1999	4,689,100	1,044,439
Issued pursuant to private offerings	1,323,077	739,865
Balance at December 31, 2000	6,012,177	\$ 1,784,304

- c) In February 1999, the Company acquired certain mining claims from a related party in exchange for 1,600,000 common shares at a price of \$0.25 per share. An independent firm of geologists established the value of the mining claims.
- d) In October 1999, the Company completed the sale by private placement of 1,800,000 common shares at a price of \$0.25 per share, for net proceeds of \$406,149.
- e) The Company has granted the agents of the private placement a non-transferable two-year share purchase warrant entitling the agents to acquire 7.5 units, each comprising 12,000 common shares, at a price of \$3,000 per unit. These warrants expire on October 19, 2001. No warrants have been exercised as of September 30, 2000.
- f) In December 1999, the Company completed the sale by private placement of 444,000 flow-through shares at a price of \$0.50 per share, for net proceeds of \$204,240.
- g) The Company has granted the agents of the private placement a non-transferable two-year share purchase warrant for 22,200 common shares at a price of \$0.50 per share. These warrants expire on December 31, 2001. No warrants have been exercised as of December 31, 2000.

December 31, 2000 and 1999

8. Capital Stock (continued)

- h) On February 7, 2000, options to purchase 420,000 common shares were granted to employees and directors exercisable at \$0.85 per share and expire five years from the date upon which a receipt for a prospectus in connection with the initial distribution of common shares is issued by the regulatory authority.
- i) In July 2000, the Company completed the sale by private placement of 400,000 common shares at a price of \$0.50 per share, for net proceeds of \$200,000.
- j) In October 2000, the Company completed the sale by private placement of 923,077 common shares at a price of \$0.65 per share, for net proceeds of \$539,865.
- k) As of December 31, 2000, 2,380,000 of the issued shares are held in escrow.

9. Prior Period Adjustment

The Company has adopted a policy of capitalizing and deferring only the exploration and development costs directly related to mineral projects. Exploration expenditures that are general in nature and cannot be associated with a specific mining claim and general administrative expenses are written off in the year in which they are incurred. As a result, expenditures in the amount of \$6,328 that were capitalized in 1998 are being written off in accordance with the current accounting policy.

10. Income Taxes

At December 31, 2000, the Company had federal non-capital loss carry forwards of approximately \$270,362 for Canadian income tax purposes, to reduce future taxable income. These non-capital loss carry forwards expire as follows:

2005	\$ 6,328
2006	84,659
2007	179,375

The benefits of these losses have not been recorded in the financial statements.

The Company reports a total of \$863,075 of various classes of exploration expenses available for carry forward to apply against taxable income of subsequent taxation years.

11. 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.

December 31, 2000 and 1999

12. Contingencies and Commitments

The Company's mining and exploration activities are subject to various governmental laws and regulations. These environmental regulations are continually changing and are generally becoming more restrictive. The Company believes its operations comply, in all material respects, with all applicable laws and regulations. When estimated costs are reasonably determinable, the Company will record a provision for environmental and reclamation obligations based on management's estimates of such costs. Such estimates are, however, subject to change based on negotiations with regulatory authorities, changes in laws and regulations and as new information becomes available.

The Big Trout Lake First Nations Band ("Band") has informed the Company that it is 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 has confirmed that the Company has the right to quiet possession of the property and the obligation to pursue exploration. The Company has initiated consultations with the Band, which are continuing, and is hopeful that a mutually acceptable accommodation of each party's interest will be reached. The Band has consented to low impact exploration, continuing consultations and employment opportunities as the project progresses. The Company does not feel that the actions of the Band will have an adverse affect on the Company's financial condition.

13. Related Parties

1. During the year ended December 31, 2000 the Company paid management fees of \$72,000 (\$4,500 being allocated to deferred expenditures) and reimbursement of rent and utilities of \$12,000 to a company owned and operated by an officer/director and during the year ended December 31, 1999 the Company paid management fees of \$18,000 (1998 - nil) and reimbursement of rent and utilities of \$12,000 (1998 - \$5,000) to a company owned and operated by an officer/director.
2. During the year ended December 31, 2000, the Company paid management fees of \$36,250 (\$32,250 being allocated to deferred expenditures) to a company owned and operated by an officer/director and during the year ended December 31, 1999 the Company paid subcontract services of \$5,000 (\$2,500 being allocated to deferred expenditures) to an officer/director.
3. During the year ended December 31, 2000, the Company paid legal fees of \$15,600 (11,500 being allocated to prepaid expenses and \$400 being allocated to deferred expenditures) to a legal firm where one of the firm's partners is a director of the company and during the year ended December 31, 1999 the Company paid legal fees of \$6,546 (\$1,850 being allocated to deferred expenditures) to a legal firm where one of the firm's partners is a director of the company.

14. Fair Value of Financial Instruments

At December 31, 2000 and 1999, the Company estimates that the fair value of all financial instruments approximates the carrying value.

December 31, 2000 and 1999

15. Accounts receivable

Accounts receivable comprise an advance against in expenses in the amount of \$5,000 a provision for recovery of Goods and Services taxes paid and payable in the amount of \$35,908 and an accrual for interest earned on investments in the amount of \$3,659.

16. Financing agreements

1. On February 4, 2000 (amended December 1, 2000), the Company entered into an Agency Agreement pertaining to the distribution of up to 800,000 flow-through units (each unit consisting of one flow-through common share and one-half of one non-flow-through common share purchase warrant "warrant") at a price of \$1.00 per unit and up to 500,000 non-flow-through units (each unit consisting of one non-flow-through common share and one-half of one warrant) at a price of \$0.85 per unit and 130,000 Agents warrants. Each full warrant entitles the holder to purchase one additional non-flow-through common share for a period of two years exercisable at a price of \$1.05 per share during the first year and at a price of \$1.20 per share during the second year. See Note 16(1).

The costs relating to this issue are the agent's commission of 9% of the gross proceeds, a corporate finance and sponsorship fee of \$10,000 (which has already been paid to the agent, and other expenses estimated not to exceed \$175,000).

The agent has the right to sell up to an additional 15% of the units sold under this offering for a period of 45 days following the closing date.

17. Subsequent events

1. The company issued a prospectus (related to the financing agreement in note 16(1)) dated February 8, 2001 and amended March 13, 2001 relating to the issue of up to 1,250,000 flow-through common shares at a price of \$0.65 per share and up to 700,000 non-flow-through units (each unit comprising one non-flow-through common share and one-half of one warrant) at a price of \$0.65 per share and 125,000 agent's warrants to purchase shares and 70,000 agent's warrants to purchase units. Each full warrant entitles the holder to purchase one additional non-flow-through common share for a period of eighteen months exercisable at a price of \$0.80 per share.
2. On May 9, 2001, the company received notice from the agents of the termination of the agency agreement for the distribution of flow-through units and non-flow-through units referred to in Note 16(1) and 17(1).