

**PLATINEX INC.**

**FINANCIAL STATEMENTS**

**December 31, 2001 and December 31, 2000**

## **AUDITORS' REPORT**

### **To the Shareholders of Platinex Inc.**

We have audited the balance sheets of Platinex Inc. as at December 31, 2001 and 2000 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 audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those 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.

In our opinion, these financial statements present fairly, in all material respects, the financial positions of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Unionville, Ontario  
February 18, 2002

“Bolton & Bolton”  
Chartered Accountants

**PLATINEX INC.**  
**Balance Sheets**  
**As at December 31, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
Current		
Cash	\$ 84,329	\$ 525,188
Accounts receivable (Note 3)	41,121	44,567
Funds held in trust (Note 4)	12,703	7,063
Prepaid expenses (Note 5)	379,802	183,073
	<u>517,955</u>	<u>759,891</u>
Mining interests (Note 6)	964,037	850,564
Capital assets (Note 7)	<u>7,822</u>	<u>9,065</u>
	<u><u>\$ 1,489,814</u></u>	<u><u>\$ 1,619,520</u></u>
<b>LIABILITIES</b>		
Current		
Accounts payable	<u>\$ 157,963</u>	<u>\$ 102,367</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 8)	1,806,804	1,784,304
Deficit	<u>(474,953)</u>	<u>(267,151)</u>
	<u>1,331,851</u>	<u>1,517,153</u>
	<u><u>\$ 1,489,814</u></u>	<u><u>\$ 1,619,520</u></u>

On behalf of the Board of Directors

"signed"  
 \_\_\_\_\_  
 James R. Trusler

"signed"  
 \_\_\_\_\_  
 Simon L. Baker

The accompanying notes form an integral part of these financial statements

**PLATINEX INC.**  
**Statements of Deficit**  
**For the years ended December 31, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Balance, beginning of year</b>	\$ 267,151	\$ 90,987
Net loss for the period	<u>207,802</u>	<u>176,164</u>
<b>Balance, end of year</b>	<u><u>\$ 474,953</u></u>	<u><u>\$ 267,151</u></u>

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**PLATINEX INC.**  
**Statements of Loss**  
**For the years ended December 31, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Revenue</b>		
Interest earned	<u>\$ 11,544</u>	<u>\$ 3,830</u>
<b>Expenses</b>		
Management fees (Note 12)	64,500	71,500
Transfer agent fees	466	250
Office and general	25,493	19,564
Accounting and legal (Note 12)	25,547	12,458
Subcontract services (Note 12)	58,441	55,537
Rent and occupancy (Note 12)	13,500	12,207
Investor relations	1,034	-
Meals and entertainment	3,179	824
Telephone expense	5,321	2,003
Amortization	5,234	3,445
Travel	16,631	2,206
	<u>219,346</u>	<u>179,994</u>
<b>Net loss for the year</b>	<u><u>\$ 207,802</u></u>	<u><u>\$ 176,164</u></u>
<b>Net loss per share (weighted average)</b>	<u><u>\$ 0.034</u></u>	<u><u>\$ 0.035</u></u>

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**PLATINEX INC.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Operating activities</b>		
Net loss	\$ (207,802)	\$ (176,164)
Add back: amortization	5,234	3,445
	<u>(202,568)</u>	<u>(172,719)</u>
Decrease (increase) in accounts receivable	3,446	(35,829)
Increase in funds held in trust	(5,640)	(7,063)
Increase in prepaid expenses	(196,729)	(171,503)
Increase in accounts payable	55,596	73,518
	<u>(345,895)</u>	<u>(313,596)</u>
<b>Investing activities</b>		
Purchase of capital assets	(3,991)	(12,510)
Acquisition of mineral properties	(400)	(54,700)
Deferred exploration expenditures	(113,073)	(284,556)
	<u>(117,464)</u>	<u>(351,766)</u>
<b>Financing activities</b>		
Common shares issued for cash	22,500	739,865
	<u>22,500</u>	<u>739,865</u>
<b>Change in cash</b>	(440,859)	74,503
<b>Cash, beginning of year</b>	<u>525,188</u>	<u>450,685</u>
<b>Cash, end of year</b>	<u><u>\$ 84,329</u></u>	<u><u>\$ 525,188</u></u>

The accompanying notes form an integral part of these financial statements

**PLATINEX INC.**  
**Schedule of Deferred Exploration Expenditures**  
**For the years ended December 31, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Balance, beginning of year</b>	<u>\$ 376,625</u>	<u>\$ 92,069</u>
<b>Expenditures during year</b>		
Accounting and legal	474	1,709
Computer supplies	-	8,579
Core sampling, logging	385	8,770
Delivery	60	223
Fees, dues and licences	1,985	3,300
First Nations relations	16,966	8,048
Geologist fees	17,220	94,746
Geological supplies and services	-	2,322
Geophysical survey	188	77,656
Camp cleanup and refurbishing	-	24,489
Assay	-	2,121
Project management	26,656	-
Map generation	3,330	-
Other sub-contract services	2,329	435
Management fees	1,500	25,933
Office and general	334	601
Qualifying report	15,644	-
Reference materials	1,187	-
Compilation	12,790	-
Remote sensing	8,063	9,862
Travel and entertainment	3,962	15,762
	<u>113,073</u>	<u>284,556</u>
<b>Balance, end of year</b>	<u><u>\$ 489,698</u></u>	<u><u>\$ 376,625</u></u>

The accompanying notes form an integral part of these financial statements

**PLATINEX INC.**  
**Notes to the Financial Statements**  
**December 31, 2001 and December 31, 2000**

**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 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, 2001 and December 31, 2000**

**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

Balances 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. Accounts Receivable**

As at December 31, 2001, accounts receivable comprise an advance against expenses in the amount of \$10,000, a provision for recovery of Goods and Services Taxes paid and payable in the amount of \$30,809 and an accrual for interest earned on investments in the amount of \$313.

**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.

**PLATINEX INC.**  
**Notes to the Financial Statements**  
**December 31, 2001 and December 31, 2000**

**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:

	<u>2001</u>	<u>2000</u>
Legal fees	\$ 290,428	\$ 138,773
Accounting fees	52,550	34,300
Agents' fees	30,000	10,000
Investor relations	3,000	-
Miscellaneous	3,824	-
	<u>\$ 379,802</u>	<u>\$ 183,073</u>

**6. Mining Interests**

	<u>2001</u>	<u>2000</u>
Big Trout Lake, Ontario		
Property	\$ 413,492	\$ 413,492
Exploration	390,967	311,458
Duluth, Minnesota, USA		
Property	22,385	21,985
Exploration	51,096	48,206
Muskox, Nunavut		
Property	38,462	38,462
Exploration	47,635	16,961
Total		
Property	474,339	473,939
Exploration	489,698	376,625
	<u>\$ 964,037</u>	<u>\$ 850,564</u>

**PLATINEX INC.**  
**Notes to the Financial Statements**  
**December 31, 2001 and December 31, 2000**

**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 8c). The Company is required to make minimum assessment work totaling \$88,236 by July 17, 2002.

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 31, 2000 with an 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% with 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. In order to hold the claims, the Company must perform work valued at \$346,675 and have the work approved for assessment by September 1, 2002. If less than the \$346,675 is expended the claims comprising the Muskox Property will be reduced proportionately.

**7. Capital Assets**

Capital assets comprise computer equipment and software and furniture and fixtures.

	<u>2001</u>	<u>2000</u>
Cost	\$ 16,502	\$ 12,510
Accumulated amortization	8,680	3,445
	<u>\$ 7,822</u>	<u>9,065</u>

**PLATINEX INC.**  
**Notes to the Financial Statements**  
**December 31, 2001 and December 31, 2000**

**8. Capital Stock**

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

	<u>Number of shares</u>	<u>Amount</u>
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
Issued pursuant to exercise of warrants	90,000	22,500
Balance at December 31, 2001	<u>6,102,177</u>	<u>\$ 1,806,804</u>

- 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 were exercised on October 19, 2001 resulting in the issuance of 90,000 common shares for net proceeds of \$22,500.
- 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 expired on December 31, 2001.

**PLATINEX INC.**  
**Notes to the Financial Statements**  
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**8. Capital stock (continued)**

- h) 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.
- i) 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.
- j) As of December 31, 2001, 2,380,000 of the issued shares are held in escrow.
- k) On August 2, 2001, options to purchase 574,500 common shares were granted to employees and directors at \$0.50 per share. These options will 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.

**9. Income Taxes**

At December 31, 2001, the Company had federal non-capital loss carry forwards of approximately \$473,000 for Canadian income tax purposes, to reduce future taxable income. These non-capital loss carry forwards expire as follows:

2005	\$ 6,000
2006	84,000
2007	175,000
2008	208,000

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

At December 31, 2001, the Company reports a total of approximately \$689,000 of various classes of exploration expenses available for carry forward to apply against taxable income of subsequent taxation years.

**10. 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.

**PLATINEX INC.**  
**Notes to the Financial Statements**  
**December 31, 2001 and December 31, 2000**

**11. 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.

**12. Related Parties**

1. On October 19, 1999, the company entered into a management agreement with J. R. Trusler & Associates to provide management services at the rate of \$6,000 per month and to supply office space and related services at the rate of \$1,000 per month effective October 1, 1999 and until April 19, 2000. This agreement was extended to April 19, 2001 on December 19, 2000 and until April 19, 2002 on July 5, 2001. Effective September 1, 2001, J. R. Trusler & Associates has waived the management fees due under the agreement. During the year ended December 31, 2001 the Company paid management fees of \$48,000 and reimbursement of rent and utilities of \$12,000 to a company owned and operated by an officer/director. During the year ended December 31, 2000, the Company paid management fees of \$72,000, of which \$4,500 was allocated to deferred expenditures, and reimbursement of rent and utilities of \$12,000.

James R. Trusler, promoter, President and CEO and director of the Company is a principal partner of J R Trusler & Associates.

2. On January 2, 2000, the company signed an engagement letter with Telecorp Inc. to provide geological and management services for a minimum of 6 days per month at a per diem rate of \$500 until December 31, 2000. This agreement was extended to December 31, 2001 on December 15, 2000 and to December 31, 2002 on February 5, 2002. Effective September 1, 2001, Telacorp Inc. has waived the geological and management fees due under this agreement. During the year ended December 31, 2001, the Company paid management fees of \$24,000 (\$4,500 being allocated to deferred expenditures as First Nations Relations) to a company owned and operated by an officer/director. During the year ended December 31, 2000, the Company paid management fees of \$36,250, of which \$32,250 was allocated to deferred expenditures.

Simon Baker, Vice-President Corporate Development and director of the Company is the president and principal owner of Telecorp Inc.

**PLATINEX INC.**  
**Notes to the Financial Statements**  
**December 31, 2001 and December 31, 2000**

**12. Related Parties (continued)**

3. During the year ended December 31, 2001, the Company paid legal fees of \$17,170, of which \$10,400 was allocated to prepaid expenses, to a legal firm where one of the firm's partners is a director of the company. During the year ended December 31, 2000, the Company paid legal fees of \$15,600, of which \$11,500 was allocated to prepaid expenses and \$400 was allocated to deferred expenditures.
4. During the year ended December 31, 2001, the Company paid accounting fees of \$16,690, of which \$2,021 was allocated to prepaid expenses, to an officer of the Company.

**13. Fair Value of Financial Instruments**

At December 31, 2001 and 2000, the Company estimates that the fair value of all financial instruments approximates the carrying value.

**14. Financing Agreements**

On October 29, 2001, the Company entered into an Agency Agreement pertaining to the distribution of up to 2,000,000 units at a price of \$1.00 per unit (each unit consisting of one non-flow-through common share, one flow-through common share and two warrants (each warrant entitling the holder to purchase one non-flow-through share at a price of \$0.75 per share in the first 18 months after closing)).

The costs relating to this issue are the agent's commission of 8% plus an option to purchase units equal to 10% of the number of units issuant pursuant to this offering, a corporate and finance sponsorship fee of \$25,000 and 50,000 common shares and expenses of the agent estimated not to exceed \$20,000.

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.

**15. Subsequent event**

On February 18, 2002, the Company filed a preliminary prospectus with the securities commission in the Provinces of Ontario, British Columbia, Alberta and Nova Scotia qualifying the financing arrangements as described in Note 14.

**16. Comparative figures**

The comparative figures have been restated to conform to the presentation adopted in the current year.