



# Platinex Inc.

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**Interim Financial Statements  
Quarter Ended March 31, 2004  
Unaudited - Prepared by Management**

**Q1**

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

**Platinex Inc.**  
**Balance Sheet**

|  | <b>March 31<br/>2004<br/>(unaudited)</b> | <b>December 31<br/>2003<br/>(audited)</b> |
|--|--|---|
| <b>ASSETS</b>                            |  |   |
| <b>Current</b>                           |  |   |
| Cash                                     | \$ 34,039                                | \$ 85,391                                 |
| Accounts receivable (note 3)             | 8,423                                    | 8,653                                     |
| Funds held in trust (note 4)             | 1,250                                    | 1,250                                     |
|  | 43,712                                   | 95,294                                    |
| <b>Mining interests</b> (note 5)         | 872,529                                  | 817,007                                   |
| <b>Capital assets</b> (note 6)           | 3,452                                    | 3,720                                     |
|  | \$ 919,693                               | \$ 916,021                                |
| <b>LIABILITIES</b>                       |  |   |
| <b>Current</b>                           |  |   |
| Accounts payable and accrued liabilities | \$ 378,373                               | \$ 350,014                                |
| <b>SHAREHOLDERS' EQUITY</b>              |  |   |
| Capital stock (note 7)                   | 2,013,493                                | 2,013,493                                 |
| Deficit                                  | (1,472,173)                              | (1,447,486)                               |
|  | 541,320                                  | 566,007                                   |
|  | \$ 919,693                               | \$ 916,021                                |

On behalf of the Board of Directors

“signed”

\_\_\_\_\_  
James R Trusler  
President & CEO

“signed”

\_\_\_\_\_  
Simon Baker  
Director

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

**Platinex Inc.**  
**Statement of Operations and Deficit**  
(unaudited)

Three months ended March 31

**2004**                      **2003**

**Revenue**

|                 |    |   |    |   |
|-----------------|----|---|----|---|
| Interest earned | \$ | - | \$ | - |
|-----------------|----|---|----|---|

**Expenses**

|                                |  |        |  |        |
|--------------------------------|--|--------|--|--------|
| Management fees (note 11)      |  | 13,500 |  | 18,000 |
| Transfer Agent Fees            |  | 176    |  | 61     |
| Office and general             |  | 552    |  | 628    |
| Accounting and legal (note 11) |  | 4,963  |  | 449    |
| Subcontract services (note 11) |  | 915    |  | 5,441  |
| Rent and occupancy (note 11)   |  | 3,000  |  | 3,000  |
| Investor relations             |  | 73     |  | 7,600  |
| Telephone expense              |  | 562    |  | 601    |
| Amortization                   |  | 268    |  | 379    |
| Travel                         |  | 678    |  | 141    |

|  |  |        |  |        |
|--|--|--------|--|--------|
|  |  | 24,687 |  | 36,300 |
|--|--|--------|--|--------|

**Net loss for period**

|  |  |          |  |          |
|--|--|----------|--|----------|
|  |  | (24,687) |  | (36,300) |
|--|--|----------|--|----------|

**Deficit, beginning of period**

|  |  |             |  |             |
|--|--|-------------|--|-------------|
|  |  | (1,447,486) |  | (1,220,768) |
|--|--|-------------|--|-------------|

**Deficit, end of period**

|  |    |             |    |             |
|--|----|-------------|----|-------------|
|  | \$ | (1,472,173) | \$ | (1,220,768) |
|--|----|-------------|----|-------------|

**Net loss per share**

**(weighted average)**

|  |    |          |    |          |
|--|----|----------|----|----------|
|  | \$ | (0.0036) | \$ | (0.0059) |
|--|----|----------|----|----------|

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 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.

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) 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.

**2. Summary of Significant Accounting Policies (continued)**

f) Income taxes

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to be recovered or settled.

g) Accounting for stock-based compensation

The Company has adopted the accounting recommendations relating to stock-based compensation and other stock-based payments as detailed in the Canadian Institute of Chartered Accountants handbook section 3870. CICA 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services applying the fair value method of accounting. The Company expenses stock options in the financial statements as a component of compensation expense. Direct awards of stock granted to employees are recorded at fair value on the date granted and the associated expense is amortized over the vesting period. The application of CICA 3870 had no impact on the Company's financial statements. No stock options were granted during the year.

**3. Accounts Receivable**

As at March 31, 2004, accounts receivable represents a provision of recovery of Goods and Services taxes paid and payable.

**4. Funds Held In Trust**

Funds held in trust represent monies advanced to lawyers.

**5. Mining Interests**

|                         | <b>March 31<br/>2004<br/>(unaudited)</b> | <b>December 31<br/>2003<br/>(audited)</b> |
|-------------------------|--|---|
| Big Trout Lake, Ontario |  |   |
| Property                | \$ 413,492                               | \$ 413,492                                |
| Exploration             | 459,037                                  | 403,515                                   |
|                         | <u>\$ 872,529</u>                        | <u>\$ 817,007</u>                         |

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 has received approval of assessment work filed and these claims are in good standing until February 2005.

**6. Capital Assets**

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

|                          | <b>March 31<br/>2004<br/>(unaudited)</b> | <b>December 31<br/>2003<br/>(audited)</b> |
|--------------------------|--|---|
| Cost                     | \$ 16,591                                | \$ 16,591                                 |
| Accumulated amortization | 13,139                                   | 12,871                                    |
|                          | <u>\$ 3,452</u>                          | <u>\$ 3,720</u>                           |

**Platinex Inc.**  
**Notes to Financial Statements**  
**(unaudited)**  
**For the three months ended March 31, 2004**

**7. Capital Stock**

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

|  | <b>Number of<br/>shares</b> | <b>Amount</b> |
|--|-----------------------------|---------------|
| 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 and 2002              | 6,102,177                   | 1,806,804     |
| Issued for cash                                    | 826,757                     | 206,689       |
| Balance at December 31, 2003 and March 31, 2004    | 6,928,934                   | \$ 2,013,493  |

- 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 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 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.
- 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.

## 7. Capital stock (continued)

- j) 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 March 27, 2007.
- k) On May 14, 2003, the Company completed the sale by private placement of 446,757 common shares at a price of \$0.25 per share, for net proceeds of \$111,689.
- l) On December 2, 2003, 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.
- m) On December 31, 2003, the Company completed the sale by private placement of 340,000 common shares (flow-through) at a price of \$0.25 per share, for net proceeds of \$85,000.
- n) As of December 31, 2003, 2,380,000 of the issued shares are held in escrow.

## 8. Income Taxes

At December 31, 2003, the Company had federal non-capital loss carry forwards of approximately \$1,343,000 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 | 176,000  |
| 2008 | 208,000  |
| 2009 | 709,000  |
| 2010 | 160,000  |

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

At December 31, 2003, the Company reports a total of approximately \$809,000 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.

## 10. 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 have 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.

**11. Related Parties**

- a) 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 and up to December 31, 2002, J. R. Trusler & Associates waived the management fees due under the agreement.

During the period ended March 31, 2004 the Company paid management fees and reimbursement of rent and utilities of \$18,000 to a company owned and operated by an officer/director. During the period ended March 31, 2003, the Company paid management fees and reimbursement of rent and utilities of \$21,000.

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

- b) On January 2, 2000, the company signed an engagement letter with Telacorp 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 and up to December 31, 2003, Telacorp Inc. waived the geological and management fees due under this agreement.

During the period ended March 31, 2004, the Company paid \$1,000 of management fees to Telacorp Inc.. During the period ended March 31, 2003, the Company paid no management fees to Telacorp Inc..

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

**12. Fair Value of Financial Instruments**

At March 31, 2004 and December 31, 2003, the Company estimates that the fair value of all financial instruments approximates the carrying value.