



**Platinex Inc.**

**Consolidated Financial Statements**

**Years ended December 31, 2018 and 2017**

**Expressed in Canadian Dollars**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Platinex Inc.:

### *Opinion*

We have audited the consolidated financial statements of Platinex Inc. and its subsidiaries, (together the “Company”) which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders’ (deficiency) equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matter*

The consolidated financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2018.

### *Other Information*

Management is responsible for the other information.

The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
April 30, 2019

**Platinex Inc.**  
**Consolidated Statements of Financial Position**  
**Expressed in Canadian Dollars**

	<b>As at December 31, 2018</b>	<b>As at December 31, 2017</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 13,797	\$ 510,297
HST receivable	46,052	14,018
Prepaid expenses	10,000	19,592
<b>Total current assets</b>	<b>69,849</b>	<b>543,907</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (notes 5 and 12)	35,000	2,176,173
Equipment	1,372	1,961
<b>Total non-current assets</b>	<b>36,372</b>	<b>2,178,134</b>
<b>Total assets</b>	<b>\$ 106,221</b>	<b>\$ 2,722,041</b>
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 12)	\$ 294,829	\$ 160,635
<b>Total liabilities</b>	<b>294,829</b>	<b>160,635</b>
<b>Shareholders' (deficiency) equity</b>		
Share capital (note 7)	8,165,219	7,860,435
Share warrant reserve (note 8)	557,058	411,476
Contributed surplus (note 9)	1,306,406	1,113,572
Accumulated deficit	(10,217,291)	(6,824,077)
<b>Total shareholders' (deficiency) equity</b>	<b>(188,608)</b>	<b>2,561,406</b>
<b>Total liabilities and shareholders' (deficiency) equity</b>	<b>\$ 106,221</b>	<b>\$ 2,722,041</b>

Nature of operations and going concern (note 1)  
 Commitments and contingencies (note 15)  
 Subsequent events (note 16)

**Approved on behalf of the Board:**

"James Trusler", Director

"Graham Warren", Director

The accompanying notes are an integral part of these consolidated financial statements.

**Platinex Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**Expressed in Canadian Dollars**

	Year Ended December 31,	
	2018	2017
<b>Expenses</b>		
Professional fees (note 12)	\$ 105,354	\$ 113,949
Consulting fees (notes 7 and 8)	349,114	132,200
Depreciation	589	526
Directors fees (note 12)	40,000	62,898
Insurance	11,276	15,695
Investor relations	8,120	87,915
Management fees (note 12)	139,155	133,708
Office and general	20,615	27,707
Rent (note 12)	10,361	13,062
Regulatory and transfer agent fees	21,050	11,146
Share based compensation (notes 9 and 12)	266,000	270,000
Loss on investments (note 6)	232,910	-
Impairment of exploration and evaluation asset (note 5)	2,188,670	12,628
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (3,393,214)</b>	<b>\$ (881,434)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>96,978,181</b>	<b>80,933,811</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Platinex Inc.**  
**Consolidated Statements of Cash Flows**  
**Expressed in Canadian Dollars**

	Year Ended December 31,	
	2018	2017
<b>Operating activities</b>		
Net loss for the year	\$ (3,393,214)	\$ (881,434)
Adjustments to reconcile net loss to net cash used in operating activities:		
Consulting fees	195,000	-
Consulting fees to be settled in shares	74,310	-
Depreciation	589	526
Impairment of exploration and evaluation asset	2,188,670	12,628
Loss on investments	232,910	-
Share based compensation	266,000	270,000
Changes in non-cash working capital items:		
HST receivable	(32,034)	45,508
Prepaid expenses	9,592	(5,092)
Accounts payable and accrued liabilities	59,884	(35,900)
<b>Net cash used in operating activities</b>	<b>(398,293)</b>	<b>(593,764)</b>
<b>Investing activities</b>		
Expenditures for exploration and evaluation assets	(9,497)	(70,928)
Acquisition of equipment	-	(1,468)
Acquisition of investments	(232,910)	-
<b>Net cash used in investing activities</b>	<b>(242,407)</b>	<b>(72,396)</b>
<b>Financing activities</b>		
Share capital issued	-	850,100
Issuance costs	-	(26,401)
Proceeds from exercise of warrants and options	144,200	253,000
Repayment of promissory notes	-	(168,085)
<b>Net cash provided by financing activities</b>	<b>144,200</b>	<b>908,614</b>
<b>Net change in cash</b>	<b>(496,500)</b>	<b>242,454</b>
<b>Cash, beginning of year</b>	<b>510,297</b>	<b>267,843</b>
<b>Cash, end of year</b>	<b>\$ 13,797</b>	<b>\$ 510,297</b>

**Supplemental information**

Interest paid/received	\$ -	\$ -
Income taxes paid/received	\$ -	\$ -
Common shares issued for services	\$ 25,000	\$ -
Warrants issued for services	\$ 170,000	\$ -
Common shares issued for exploration and evaluation assets	\$ 38,000	\$ 153,475
Fair value of warrants exercised	\$ 24,418	\$ 11,273
Fair value of options exercised	\$ 73,166	\$ 48,108

The accompanying notes are an integral part of these consolidated financial statements.

**Platinex Inc.**  
**Consolidated Statements of Changes in Shareholders' (Deficiency) Equity**  
**Expressed in Canadian Dollars**

	Share Capital	Share Warrant Reserve	Contributed Surplus	Accumulated Deficit	Total
<b>Balance, December 31, 2016</b>	<b>\$ 6,829,380</b>	<b>\$ 169,749</b>	<b>\$ 891,680</b>	<b>\$ (5,942,643)</b>	<b>\$ 1,948,166</b>
Net loss for the year	-	-	-	(881,434)	(881,434)
Common shares issued for cash (note 7(b))	877,580	241,727	(48,108)	-	1,071,199
Common shares issued for exploration and evaluation assets (note 7(b))	153,475	-	-	-	153,475
Share based compensation (note 9(i))	-	-	270,000	-	270,000
<b>Balance, December 31, 2017</b>	<b>7,860,435</b>	<b>411,476</b>	<b>1,113,572</b>	<b>(6,824,077)</b>	<b>2,561,406</b>
Net loss for the year	-	-	-	(3,393,214)	(3,393,214)
Common shares issued for cash (note 7(b))	241,784	(24,418)	(73,166)	-	144,200
Common shares issued for exploration and evaluation assets(note 7(b))	38,000	-	-	-	38,000
Common shares issued for services (note 7(b))	25,000	-	-	-	25,000
Warrants issued (note 8)	-	170,000	-	-	170,000
Share based compensation (note 9(ii))	-	-	266,000	-	266,000
<b>Balance, December 31, 2018</b>	<b>\$ 8,165,219</b>	<b>\$ 557,058</b>	<b>\$ 1,306,406</b>	<b>\$ (10,217,291)</b>	<b>\$ (188,608)</b>

The accompanying notes are an integral part of these consolidated financial statements.

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

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

Until March 22, 2017, the Company was listed on the TSX Venture Exchange, having the symbol PTX-V, as a Tier 2 mining issuer. Effective March 23, 2017, the Company is listed on the Canadian Securities Exchange, having the symbol PTX. The address of the Company's corporate office and principal place of business is 807-20 William Roe Blvd., Newmarket, Ontario, L3Y 5V8, Canada.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2019.

For the year ended December 31, 2018, the Company generated a net loss of \$3,393,214 (2017 - \$881,434), has an accumulated deficit of \$10,217,291 as at December 31, 2018 (2017 - \$6,824,077) and has negative cash flow from operations amounting to \$398,293 for (2017 - \$593,764).

Management estimates that the funds available as at December 31, 2018 may not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2019. 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 consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, the above-noted facts and circumstances are material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, to the reported 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**

These consolidated financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2018. These consolidated financial statements have been prepared on a going concern basis, under the historical cost model, except for certain financial instruments at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries PTX Nevada LLC, Endurance Elements Inc., South Timmins Mining Inc., Cannabis Mall Inc. and Platinex Investment Inc.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

#### b) Foreign Currency Translation

The consolidated financial statements of the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company and its subsidiaries is the Canadian dollar. The presentation currency of the Company is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the consolidated statement of loss.

#### c) Exploration and Evaluation Assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials, surveys, sampling costs, geological expenses, geophysical studies and drilling costs during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as a 'mine under construction'. E&E assets are also tested for impairment before the assets are transferred to mine under construction.

E&E expenditures are classified as intangible assets.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d) Impairment of Non - Financial Assets

Where the carrying amount of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

An impairment loss is recognized in profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

e) Financial Instruments

Effective January 1, 2018, the Company adopted *IFRS 9 Financial instruments* ("IFRS 9"). In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, *Financial Instruments: recognition and measurement* (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance had no impact on the Company's consolidated financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

<b>Classification</b>	<b>IAS 39</b>	<b>IFRS 9</b>
Cash	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

**Financial assets**

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash is measured at amortized cost.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

e) Financial Instruments (continued)

**Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore measured at amortized cost.

**Derecognition**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

f) Provisions

Rehabilitation Provision

The operations of the Company may be affected by changes in environmental regulations, including those relating to future reclamation and site restoration. The likelihood of new regulations and their overall effect upon the Company are unknown and unpredictable. The Company plans to meet and, if possible, surpass standards set by legislation, by applying technically proven and economically feasible measures.

Environmental expenditures relating to environmental and reclamation programs are charged to operations, or are capitalized and amortized, depending on their future economic benefits, over the estimated remaining life of the related business operation, net of expected recoveries. Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future removal and site restoration costs required by environmental law or contracts. As at December 31, 2018 and 2017, the Company had no material rehabilitation obligations.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Onerous Contracts

A provision for onerous contracts would be recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision would be measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company would recognize any impairment loss on the assets associated with the contract.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g) Income Taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred income tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal period.

Deferred income tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred income tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable income will be available against which the deferred income tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

h) Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. For the periods presented, all options and warrants were excluded from the calculation of diluted loss per share because they were anti-dilutive.

i) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **i) Share-based Payments (continued)**

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus or in share warrant reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus or in share warrant reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

#### **j) Equity**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Contributed surplus comprises the cumulative value of share-based compensation where the options have not been exercised. Share warrant reserves comprise the value of the Company's outstanding and expired warrants. The Company's accumulated deficit comprises all current and prior period losses. Equity financing transactions may involve the issuance of units. Units comprise common shares and share purchase warrants. The Company accounts for unit offering financing using the relative fair value method. Under this method, the fair values of the shares and share purchase warrants are determined separately and prorated to the actual proceeds received. The fair value of the shares is determined using the share price at the issue date. The fair value of share purchase warrants is measured using the Black-Scholes valuation model at the issue date.

#### **k) Standards, Amendments and Interpretations Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### k) Standards, Amendments and Interpretations Not Yet Effective (continued)

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

The Company is in the final stages of determining the impact of these standards on its consolidated financial statements.

### **4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

#### **Judgements**

Judgements that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized on the consolidated financial statements include:

#### a) Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgements of management with respect to assumptions surrounding the short and long-term operating budget, investment and financing activities and management’s strategic planning. Should those judgements prove to be inaccurate, management’s continued use of the going concern assumptions would be inappropriate.

#### b) Functional currency

The determination of functional currency for the Company’s subsidiaries requires assessment of the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### c) Impairment of Exploration and Evaluation Assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses, is a subjective process involving judgement and a number of estimates and interpretations in many cases. Determining whether to test for impairment of exploration and evaluation assets requires management’s judgement, among others, regarding the following:

- (i) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (ii) Substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned;

#### **4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**

##### **Judgements (continued)**

- c) Impairment of Exploration and Evaluation Assets and Deferred Exploration Expenditures (continued)
- (iii) Exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
  - (iv) Sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Additional external factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and significant declines in ore prices.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgement. In testing an individual asset or cash generating unit for impairment and identifying a reversal or impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available.

Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and losses may occur during the next period.

d) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

##### **Estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

a) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in notes 8 and 9.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**

**Estimates (continued)**

b) Income Taxes and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgement is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

c) Commitments and Contingencies refer to notes 5 and 15.

**5. EXPLORATION AND EVALUATION ASSETS**

	Shining Tree	Nabish Lake	Total
<b>Balance at December 31, 2016</b>	<b>\$ 1,884,270</b>	<b>\$ 12,628</b>	<b>\$ 1,896,898</b>
Exploration costs	291,903	-	291,903
Impairment	-	(12,628)	(12,628)
<b>Balance at December 31, 2017</b>	<b>2,176,173</b>	<b>-</b>	<b>2,176,173</b>
Exploration costs	47,497	-	47,497
Impairment	(2,188,670)	-	(2,188,670)
<b>Balance at December 31, 2018</b>	<b>\$ 35,000</b>	<b>\$ -</b>	<b>\$ 35,000</b>

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"). In March, 2018, the Company settled a cumulative overdue advance royalty payment by issuance of 292,307 common shares to Skead Holdings Ltd. in connection with the Shining Tree property. The settlement comprised an aggregate amount of \$73,000, which included a \$35,000 cash payment. The Company now holds a 100% interest in the claims subject to a 3% NSR and advance royalty payments of \$10,000 per year commencing in April 2019. Skead Holdings Ltd. has agreed to defer payment of the April 2019 advance royalty payments.

Further Platinex may eliminate the requirement for future advance royalty payments by making a one-time advance royalty payment of \$100,000. Two thirds of the 3% NSR may be reduced by payment of: \$75,000 for each one-quarter percent for the first one-half percent; \$150,000 for each one-quarter percent for the second one-half percent; \$250,000 for each one-quarter percent for the third one-half percent, and; \$400,000 for each one-quarter percent for the final one-half percent (\$1.75 million in aggregate). If Skead Holdings Ltd wishes to sell the residual 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.

**5. EXPLORATION AND EVALUATION ASSETS (Continued)**

a) Shining Tree Property, Ontario (continued)

The Company entered into two agreements in August 2016 and a further five agreements in November, 2016, January, 2017, March, 2017, April, 2017 and June 2017 and staked claims in December, 2016 which significantly expand the size and potential of its Shining Tree gold property. Platinex has entered into an option agreement with Skead Holdings Ltd. and Ashley Gold Mines Limited, with respect to certain claims situated in Churchill, MacMurphy and Asquith Townships, in Ontario. Platinex has the right to acquire a 100% interest in the 54 claim units and a 50% interest in a further 8 claim units (991 ha or 2,480 acres), subject to a 2% NSR, by issuing 200,000 shares of Platinex (issued in 2016), and by making cash payments (or share equivalent) of \$95,000 and by incurring property expenditures of \$500,000 during the ensuing four-year period to August 17, 2020. The option is currently in arrears by \$25,000. Platinex also entered into an agreement with two prospectors to purchase a 100% interest in four claims comprising 20 claim units (320 ha or 800 acres) in Churchill, MacMurphy and Asquith Townships, in Ontario by issuing 400,000 shares of Platinex (issued in 2016). Platinex subsequently entered into five agreements with one prospector to purchase a 100% interest in: ten claims comprising 70 claim units (1,120 ha or 2,800 acres) for 398,000 shares on November 3, 2016 (issued in 2016); four claims comprising 43 claim units (688 ha. or 1,720 acres) for 71,429 shares on January 25, 2017; eight claims comprising 96 claim units (1,536 ha or 3,840 acres) for 86,705 shares on March 30, 2017; 21 claims comprising 267 claim units (4,272 ha or 10,680 acres) for 391,250 shares on April 20, 2017 and 9 claims comprising 127 claim units (2,032 ha or 5,080 acres) for \$5,000 and 436,190 shares on June 20, 2017. Platinex also staked claims comprising 45 claim units (720 ha or 1,800 acres). Six claim units were subsequently included in the Skead Agreement. On December 12, 2017, the Company issued 138,888 shares to Skead Holdings Ltd. and Ashley Gold Mines Limited to satisfy a portion of a \$25,000 option payment on the Skead-Ashley option.

In January and March 2019, the following amendments were made to option agreement with Skead Holdings Ltd. and Ashley Gold Mines Limited:

- (i) The \$25,000 option in arrears was increased to \$30,000 and due on January 18, 2019 through the issuance of shares (see note 16(i));
- (ii) Final option payment of \$30,000 (payable in cash) due August 1, 2019;
- (iii) Year 3 expenditures of \$150,000 due on or before August 17, 2020;
- (iv) Year 4 expenditures of \$200,000 due on or before August 17, 2021.

For the year ended December 31, 2018, the Company assessed the impairment indicators under IFRS 6 and has recorded a write-down of \$2,188,670 due to the lack of budgeted resources available and committed to the property.

b) Nabish Lake, Ontario

The Nabish Lake property comprises 10 claims totalling 94 claim units, in the Kenora Mining District of Ontario. The Company has not made any option payments required under the agreement since 2014, but has maintained the claims in good standing by restaking the expired claims. During the year ended December 31, 2017, the Company recorded a write-down of \$12,628.

**6. INVESTMENTS IN INTERGALACTIC FOODS, LLC AND DAVE'S SPACE CAKES LLC**

In January 2018, the Company entered into an agreement to acquire a 51% interest in Intergalactic Foods, LLC ("IGF"), an entity incorporated in Oregon for cash consideration of \$94,418 (US\$75,000) of which \$15,809 (US\$12,250) had been advanced at December 31, 2017. The Company subsequently advanced cash of \$41,150 to IGF for operating expenses. The Company concluded it did not have control as the 49% shareholder managed the operations and made all decisions. During the year IGF was unable to commence operations. The Company entered into a separate royalty agreement with the principal of IGF, Dave McNicoll, for cash consideration of \$93,262 (US\$75,000), under which the Company acquired a five (5%) gross revenue royalty of Dave's Space Cakes LLC. No royalties have been received under the agreement and in considering the investments the Company has determined that there are indicators of impairment and has reflected a loss on investment of \$232,910 in net loss.

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**7. SHARE CAPITAL**

a) Authorized: Unlimited number of common shares.

b) Issued:

	Number of common shares	Amount
<b>Balance, December 31, 2016</b>	<b>72,227,326</b>	<b>\$ 6,829,380</b>
Common share issuances (i) to (vi)	22,377,962	1,060,456
Share issue costs	-	(29,401)
<b>Balance, December 31, 2017</b>	<b>94,605,288</b>	<b>7,860,435</b>
Common share issuances (vii) to (x)	2,876,307	304,784
<b>Balance, December 31, 2018</b>	<b>97,481,595</b>	<b>\$ 8,165,219</b>

**For the year ended December 31, 2017**

- (i) During the year ended December 31, 2017, 1,950,000 options having a weighted average exercise price of \$0.05 were exercised for 1,950,000 common shares of the Company.
- (ii) During the year ended December 31, 2017, 7,203,500 warrants having a weighted average exercise price of \$0.06 were exercised for 7,203,500 common shares of the Company.
- (iii) In fiscal 2017, the Company entered into various claim purchase agreements for certain mining claims (note 5(a)). The Company issued 1,124,462 common shares of the Company with a total value of \$147,975 based on the quoted market price of the Company's shares on the dates of the purchase.
- (iv) On October 24, 2017, 100,000 common shares of the Company were issued to Mattagami First Nation ("MFN"), pursuant to an exploration agreement dated January 20, 2009, in consideration of assistance provided by MFN in facilitating the permitting process during exploration and the provision of a written report identifying traditional knowledge in reference to the Shining Tree property. These shares were valued at \$5,500 based on the quoted market price of the Company's shares on the date of issuance.
- (v) On November 15, 2017, the Company completed a private placement of 8,550,000 units at \$0.05 per unit to raise \$427,500. Each unit was composed of one common share and one warrant. Each warrant is exercisable for a common share of the Company at an exercise price of \$0.15 and expires on November 15, 2019. The warrants provide that, if the average closing price of the common shares on the Canadian Securities Exchange is at least \$0.25 for 20 consecutive trading days and the 20th trading day is at least four months after the first closing of the offering, the Company may elect to change the expiry of the warrants to a date which is at least 30 days following notice of that change given the warrant holders.

The fair value of the warrants was estimated at \$180,263 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 213%; risk-free interest rate of 1.44% and an expected life of two years.

**7. SHARE CAPITAL (continued)**

- (vi) On November 30, 2017, the Company completed private placement of 3,450,000 units at \$0.05 per unit to raise \$172,500. Each unit was composed of one common share and one warrant. Each warrant is exercisable for a common share of the Company at an exercise price of \$0.15 and expires on November 15, 2019. The warrants provide that, if the average closing price of the common shares on the Canadian Securities Exchange is at least \$0.25 for 20 consecutive trading days and the 20th trading day is at least four months after the first closing of the offering, the Company may elect to change the expiry of the warrants to a date which is at least 30 days following notice of that change given the warrant holders.

The fair value of the warrants was estimated at \$72,737 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 213%; risk-free interest rate of 1.44% and an expected life of two years.

The Company paid commissions of 8% based on gross proceeds financed and issued 216,000 broker warrants. Upon exercise of a broker warrant, the holder can acquire a common share of the Company at an exercise price of \$0.05. The broker warrants expire on November 15, 2019. The value of the broker warrants was estimated at \$3,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 168%; risk-free interest rate of 1.44%; and expected average life of one year.

A director of the Company subscribed for 200,000 units for gross proceeds of \$10,000.

**For the year ended December 31, 2018**

- (vii) During the year ended December 31, 2018, 2,000,000 options having a weighted average exercise price of \$0.05 were exercised for 2,000,000 common shares of the Company for gross proceeds of \$105,000. Options were exercised during a period when the Company's market share price was \$0.23.
- (viii) During the year ended December 31, 2018, 484,000 warrants having a weighted average exercise price of \$0.08 were exercised for 484,000 common shares of the Company for gross proceeds of \$39,200. Warrants were exercised during a period when the Company's market share price was \$0.14.
- (ix) On January 31, 2018, 100,000 common shares at a price of \$0.25 were issued as a finder's fee in connection with the investment in IGF (note 6) and was recognized as consulting fees expense. The fair value of the shares issued was determined based on the market price at the date of the issuance.
- (x) On March 13, 2018, the Company executed a shares-for-debt settlement transaction of cumulative overdue advance royalty payments in which Platinex issued 292,307 common shares at a price of \$0.13 per share to Skead Holdings Ltd., in connection with the Shining Tree property. The fair value of the shares issued was determined based on the market price at the date of the issuance. The advance royalty settlement comprised an aggregate amount of \$73,000, which is comprised of a \$35,000 cash payment and the \$38,000 fair value of the common shares issued.
- c) Commitment to issue shares:

During the year ended December 31, 2018, the Company entered into an agreement to settle \$74,310 of consulting fees in common shares of the Company. The amount is included in accounts payable and accrued liabilities as at December 31, 2018.

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**8. WARRANTS**

The following table reflects the continuity of warrants for the years ended December 31, 2018 and 2017:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2016</b>	<b>16,473,200</b>	<b>0.12</b>
Granted (note 7(v)(vi))	12,216,000	0.15
Exercised	(7,203,500)	(0.06)
<b>Balance, December 31, 2017</b>	<b>21,485,700</b>	<b>0.15</b>
Granted <sup>(1)</sup>	750,000	0.24
Exercised	(484,000)	(0.08)
Expired	(480,200)	(0.12)
<b>Balance, December 31, 2018</b>	<b>21,271,500</b>	<b>0.15</b>

<sup>(1)</sup> On January 9, 2018, the Company issued 750,000 compensation warrants, with an exercise price of \$0.24 per warrant and a warrant expiration date, five years from date of issue, to arm's length parties for consulting services rendered to the Company. These warrants were measured at their fair value of \$0.23 per warrant for a total value of \$170,000.

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

	2018	2017
Expected dividend yield	0.00 %	0.00 %
Expected volatility	218 %	213 %
Risk free rate	2.19 %	1.44 %
Expected life	5 years	2 years
Share price	\$ 0.23	\$ 0.11
Exercise price	\$ 0.24	\$ 0.15

The following table reflects the warrants issued and outstanding as of December 31, 2018:

Date of Expiry	Number of warrants outstanding	Exercise price (\$)
January 9, 2023	750,000	0.24
November 25, 2021	3,938,500	0.20
June 28, 2021	4,583,000	0.10
November 15, 2019	12,000,000	0.15
	<b>21,271,500</b>	<b>0.15</b>

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**9. STOCK OPTIONS**

In October 2005, the Company's Board of Directors approved a stock option plan. Under the terms of the Company's stock option plan, a maximum of 10% of the issued and outstanding common shares are reserved for issuance to the Company's directors, officers, employees and eligible consultants. The stock option plan was approved by the Company's non-participatory shareholders on May 24, 2006 and is re-approved each successive year at the Annual General Meeting.

The following summarizes the stock option activity for the following years:

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, December 31, 2016</b>	<b>6,300,000</b>	<b>0.09</b>
Granted (i)	3,050,000	0.10
Exercised	(1,950,000)	(0.05)
<b>Balance, December 31, 2017</b>	<b>7,400,000</b>	<b>0.07</b>
Granted (ii)	3,800,000	0.07
Exercised	(2,000,000)	(0.05)
<b>Balance, December 31, 2018</b>	<b>9,200,000</b>	<b>0.07</b>

(i) On September 18, 2017, the Company granted an aggregate of 3,050,000 options with a five-year term at an exercise price of \$0.10 to the directors, officers and consultants of the Company. The options vested immediately and were valued at their grant date fair value of \$0.09 per option for a total of \$270,000 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 218.68%; share price of \$0.09; exercise price of \$0.10; risk-free interest rate of 1.79% and an expected life of 5 years.

(ii) On August 1, 2018 and August 17, 2018, the Company granted an aggregate of 3,800,000 options with a five-year term at an exercise price of \$0.07 to the directors and officers of the Company. The options vested immediately and were valued at their grant date fair value of \$0.07 per option for a total of \$266,000 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 170%; share price ranging from \$0.075 to \$0.085; exercise price of \$0.07; risk-free interest rate ranging from 2.19% to 2.25% and an expected life of 5 years.

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2018:

Expiry date	Options outstanding	Options exercisable	Exercise price (\$)	Weighted average remaining contractual life (years)
May 14, 2019	600,000	600,000	0.05	0.39
September 7, 2021	1,850,000	1,850,000	0.05	2.92
September 18, 2022	2,950,000	2,950,000	0.10	3.72
August 1, 2023	3,200,000	3,200,000	0.07	4.59
August 17, 2023	600,000	600,000	0.07	4.63
	<b>9,200,000</b>	<b>9,200,000</b>	<b>0.07</b>	<b>3.65</b>

## **10. FINANCIAL INSTRUMENTS AND RISK FACTORS**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### **Fair Value of Financial Instruments**

The fair value hierarchy is comprised of three levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at December 31, 2018 and 2017, the Company had no financial instruments valued using the fair value hierarchy.

As at December 31, 2018 and 2017, the carrying value of the Company's cash and accounts payable and accrued liabilities represent their fair values due to their short-term nature.

### **Credit Risk**

The Company's credit risk is attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is maintained at a major financial institution with reputable credit and therefore management believes credit risk to be minimal.

### **Liquidity Risk**

As at December 31, 2018, the Company had a cash balance of \$13,797 (2017 - \$510,297) to settle current liabilities of \$294,829 (2017 - \$160,635). If additional financing in the near term is delayed, the Company may consider the sale of non-core assets to assist it in meeting its ongoing capital requirements. The Company's accounts payable and accrued liabilities are generally due in 30 days and are subject to normal trade terms.

### **Market Risk**

#### **(a) Interest Rate Risk**

The Company has cash balances subject to nominal interest rate. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has no loans and consequently is not exposed to interest rate risk on liabilities.

#### **(b) Foreign Currency Risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

#### **(c) Price Risk**

The Company is indirectly exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

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**11. CAPITAL MANAGEMENT**

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company expects to spend its existing working capital and raise additional amounts as needed primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financing requires the approval of the Board of Directors. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it determines there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended December 31, 2018 and December 31, 2017.

**12. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors and other key management personnel, close family members and enterprises that are controlled by these individuals. Related party transactions are conducted in the normal course of operations and are measured at the exchange value (the value amount established and agreed to by the related parties).

The following summarizes the Company's related party transactions for the years:

	Year Ended December 31,	
	2018	2017
Rent paid	\$ 9,000	\$ 12,000
Exploration and evaluation assets	\$ -	\$ 2,069

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Company's key management personnel include the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary.

Remuneration of key management personnel of the Company for the periods are presented below:

	Year Ended December 31,	
	2018	2017
Directors fees	\$ 40,000	\$ 62,898
Management fees	138,870	78,000
Professional fees	11,424	-
Stock based compensation	266,000	181,810
	<b>\$ 456,294</b>	<b>\$ 322,708</b>

As at December 31, 2018, related parties were owed \$40,078 (December 31, 2017 - \$nil) recorded in accounts payable and accrued liabilities.

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**13. INCOME TAXES**

a) Provision for income taxes

Major items causing the Company's tax rate to differ from the combined federal and provincial statutory rate of 27% (26.50% - 2017) are as follows:

	Year Ended December 31,	
	2018	2017
Loss before income taxes	\$ (3,393,214)	\$ (881,434)
Income tax recovery at the statutory rate - 27% (2017 - 26.5%)	916,000	234,000
Adjustments:		
Change in statutory income tax rates and other	43,000	-
Non-deductible expenses	(135,000)	(76,000)
Benefit of tax assets not recognized	(824,000)	(158,000)
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

b) Deferred income tax balances

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2018	As at December 31, 2017
Non-capital loss carry-forwards	\$ 2,012,000	\$ 1,781,000
Canadian development and exploration expenditures	924,000	324,000
Share issuance costs	17,000	24,000
<b>Deferred tax assets</b>	<b>\$ 2,953,000</b>	<b>\$ 2,129,000</b>

As at December 31, 2018, the Company has federal non-capital loss carry forwards of approximately \$7,454,000 for Canadian income tax purposes which expire between 2027 and 2038 and approximately \$3,423,000 of various classes of exploration expenditures, which under certain circumstances can be used to reduce the taxable income of future years.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

**14. SEGMENTED REPORTING**

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

## **15. COMMITMENTS AND CONTINGENCIES**

### Environmental

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### Contracts with Management and Directors

The Company is party to certain contracts with a former officer and former director to pay approximately \$48,000 in the event that the Company completes a financing after a change of business has been accepted by the appropriate regulatory body. This amount may be settled in shares of the Company for 75% of the amount due or in cash for 50% of the amount due. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

## **16. SUBSEQUENT EVENTS**

(i) On January 24, 2019, Platinex issued 600,000 common shares to Skead Holdings Ltd. and Ashley Gold Mines Limited to cover a required payment of \$30,000 to maintain an interest in the Shining Tree property. In addition in March 2019, the agreement with Skead Holdings Ltd. and Ashley Gold Mines Limited was amended in order to enable segregation of the underlying claim units.

(ii) On April 12, 2019, the Company closed a transaction for the assignment of its ownership rights, under an option agreement with Skead Holdings Ltd and Ashley Gold Mines Limited with respect to a 50% interest in claim L4212960, to Goldeye Explorations Ltd., a subsidiary of Treasury Metals Inc. The terms include proceeds of \$25,000 of which \$10,000 is receivable in cash and \$15,000 is receivable in shares of Treasury Metals Inc. and a 1% NSR royalty on 50% of the claim.

(iii) The Company has granted an aggregate of 200,000 stock options under its stock option plan to a director. The options are exercisable at a price of \$0.05 per share and has a term of 5 years.