



**Platinex Inc.**  
(A Development Stage Company)  
Financial Statements  
December 31, 2007 and December 31, 2006

## AUDITOR'S REPORT

### To the Shareholders of Platinex Inc.

I have audited the balance sheets of Platinex Inc. as at December 31, 2007 and 2006 and the statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Navin Mahendra*

Chartered Accountant, Licensed Public Accountant  
Markham, Ontario  
April 16, 2008

**Platinex Inc.**  
**(A Development Stage Company)**  
**Balance Sheets**  
**As at December 31, 2007 and 2006**

2007

2006

**ASSETS**

Current

Cash (note 3)	\$ 1,704,845	\$ 159,603
Accounts receivable	68,432	10,684
Funds held in trust (note 4)	15,607	45,000
Prepaid expenses	43,396	12,371

	1,832,280	227,658
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Property, plant and equipment (note 5)	8,262	3,933
Mineral properties and deferred exploration expenditures (notes 6 & 12)	1,260,360	1,129,319

	\$ 3,100,902	\$ 1,360,910
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**LIABILITIES**

Current

Accounts payable and accrued liabilities (note 13f)	\$ 605,364	\$ 617,960
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**SHAREHOLDERS' EQUITY**

Capital stock (note 7)	4,646,681	3,813,400
Share purchase warrants (note 8)	1,711,179	138,827
Contributed surplus (note 10)	732,027	123,600
Deficit	(4,594,349)	(3,332,877)

	2,495,538	742,950
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	\$ 3,100,902	\$ 1,360,910
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**Contingencies and commitments (note 16)**

On behalf of the Board of Directors

*"Jim Trusler"*

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James R Trusler  
President & CEO

*"John Ross"*

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John D. Ross  
Director

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

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**Platinex Inc.**  
**(A Development Stage Company)**  
**Statements of Deficit**  
**For the years ended December 31, 2007 and December 31, 2006**

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	2007	2006
<b>Balance, beginning of year</b>	\$ 3,332,877	\$ 1,645,837
<b>Loss for the year</b>	<u>1,261,472</u>	<u>1,687,040</u>
<b>Balance, end of year</b>	<u>\$ 4,594,349</u>	<u>\$ 3,332,877</u>

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

**Platinex Inc.**  
**(A Development Stage Company)**  
**Statements of Operations**  
**For the years ended December 31, 2007 and December 31, 2006**

	<b>2007</b>	<b>2006</b>
<b>Expenses</b>		
Accounting and legal (note 13)	\$ 95,340	\$ 46,220
Amortization	2,125	1,111
Consultants fees	21,675	12,965
Filing fees	24,691	4,148
Financing costs	0	4,575
Insurance	15,944	7,875
Interest Income	(7,747)	(13,613)
Interest expense	1,201	(26,532)
Investor relations	105,157	37,514
Management fees (note 13)	146,554	73,104
Meals and entertainment	7,288	560
Office and general	21,268	8,282
Rent and occupancy (note 13)	6,900	9,600
Telephone	3,397	5,048
Transfer agent fees	10,398	7,882
Travel	28,122	3,129
Stock based compensation (note 9)	469,600	123,600
Subcontract services	58,420	36,468
<b>Loss before other items</b>	<b>1,010,333</b>	<b>341,936</b>
Write down of deferred exploration expenditures (note 6)	807,775	1,375,798
<b>Loss for the year before income taxes</b>	<b>1,818,108</b>	<b>1,717,734</b>
<b>Future income tax recoverable</b> (notes 2 & 11)	<b>(556,636)</b>	<b>(30,694)</b>
<b>Loss for the year</b>	<b>\$ 1,261,472</b>	<b>\$ 1,687,040</b>
<b>Basic and fully diluted loss per share</b> (note 14)	<b>\$ 0.084</b>	<b>\$ 0.118</b>
<b>Weighted average number of common shares outstanding</b>	<b>15,017,286</b>	<b>14,287,532</b>

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

**Platinex Inc.**  
**(A Development Stage Company)**  
**Statements of Cash Flows**  
**For the years ended December 31, 2007 and December 31, 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating activities</b>		
Loss for the year	\$ (1,261,472)	\$ (1,687,040)
Non-cash items		
Tax benefits renounced - flow-through shares	(556,636)	(30,694)
Amortization	2,125	1,111
Stock based compensation (note 9)	469,600	123,600
	(1,346,383)	(1,593,023)
Increase (decrease) in accounts receivable	(57,748)	16,268
Increase (decrease) in funds held in trust	29,393	(33,202)
Increase (decrease) in prepaid expenses	(31,025)	56,392
Increase in accounts payable and accrued liabilities	50,124	505,330
	(1,355,639)	(1,048,235)
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(6,454)	(164,804)
Purchase of mineral properties and deferred exploration expenses	(131,041)	0
	(137,495)	(164,804)
<b>Financing Activities</b>		
Common shares issued net of financing costs	3,038,376	111,400
Subscriptions receivable	0	598,000
	3,038,376	709,400
<b>Change in cash</b>	1,545,242	(503,639)
<b>Cash, beginning of year</b>	159,603	663,242
<b>Cash, end of year</b>	\$ 1,704,845	\$ 159,603
<b>Supplemental information:</b>		
Common shares issued for services rendered	\$ 62,720	\$ 0
Common shares issued for interest in mineral properties	\$ 0	\$ 150,000

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

## 1. Nature of Operations and Going Concern

The Company was incorporated on August 12, 1998 under the laws of the Province of Ontario. The Company which is a development stage entity as defined by the Canadian Institute of Chartered Accountants ("CICA") *Accounting Guideline 11*, is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The recovery of the amounts shown for the mineral properties and the related deferred expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration, and upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of development of such properties these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to 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 and commitments in other than the normal course of business and at amounts different from those presented in these financial statements.

The company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

## 2. Summary of Significant Accounting Policies

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

### a) Exploration and development properties and deferred expenditures

Exploration and development properties and deferred expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit of production method based on proven and probable reserves. If a property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to their net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of exploration and development properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews its exploration and development properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration and development properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. An impairment loss is recognized when the carrying amount of the exploration and development properties is not recoverable and exceeds its fair value. It is reasonably possible, based on existing knowledge, that any change in future conditions in the near term could require a change in the determination of the need for and amount of any write down.

**2. Summary of Significant Accounting Policies**

b) Property, plant and equipment

Property, plant and equipment 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.

c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from those estimates

d) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes assets and liabilities are determined based on differences between the financial statement carrying value of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

e) Flow through financing

The Company has financed a portion of its exploration activities through the issue of flow through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

f) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation, excludes any potential conversions of options and warrants that would increase earnings per share or decrease loss per share.

g) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to share capital

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

h) Asset retirement obligations

The Company will record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mining properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to interest in mineral properties and amortized over the useful life of the properties. As the Company does not currently have any legal obligations relating to the reclamation of its interest in mineral properties, this standard has had no impact on the accounts of the Company. The Company did not have any asset retirement obligations as at December 31, 2007 and 2006.

i) Accounting changes 2007

On January 1, 2007, the Company adopted the CICA Handbook Sections 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3865, *Hedges*.

i) Financial instruments

Under the new standards, financial assets and liabilities, including derivative instruments are initially recognized and subsequently measured based on their classification as “held-for-trading”, “available-for-sale” financial assets, “held-to-maturity”, “loans and receivables”, or “other” financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

ii) Comprehensive income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholder's equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designed as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented as a new category in shareholder's equity.

iii) Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently has no hedges.

As at January 1, 2007 and during 2007, there was no impact on the Company's financial statements as a result of adopting these new accounting pronouncements. As a result, no statement of other comprehensive income has been presented.

j) Future accounting changes

On December 1, 2006 the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures*, Handbook Section 3862 *Financial Instruments – Disclosures*, and Handbook Section 3863, *Financial Instruments – Presentation*. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008.

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

j) Future accounting changes cont'd

i) Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirement; and (iv) if it has not complied, the consequences of such non-compliance.

ii) Financial Instruments – Disclosures and Presentation

The new sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company is currently assessing the impact of these new accounting standards on its financial statements.

iii) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As a part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

**3. Cash**

Included in cash as at December 31, 2007 is \$1,199,061 of monies received from the issue of flow-through shares (\$159,603 – 2006). The use of these funds is restricted to exploration expenditures.

**4. Funds Held in Trust**

Funds held in trust represent monies advanced to lawyers.

**5. Property, Plant and Equipment**

Property, plant and equipment comprise computer equipment and software and furniture and fixtures.

	2007	2006
Cost	\$ 26,563	\$ 20,109
Accumulated amortization	(18,301)	(16,176)
Net book value	\$ 8,262	\$ 3,933

**Platinex Inc.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
**December 31, 2007 and December 31, 2006**

**6. Mineral Properties and Deferred Development Expenditures**

<b>2006</b>	<b>Big Trout Lake</b>	<b>Muskox</b>	<b>Total</b>
Property acquisition costs:			
Balance at December 31, 2005	\$ 413,492	\$ 0	\$ 413,492
Incurred during the year	312,312	0	312,312
	<u>725,804</u>	<u>0</u>	<u>725,804</u>
Exploration expenditures:			
Balance at December 31, 2005	403,515	0	403,515
Consulting	21,939	0	21,939
Core storage and processing	9,833	0	9,833
Drilling mobilization	580,221	0	580,221
Environmental	9,247	0	9,247
Field and office support (note 13)	8,807	0	8,807
Filing and assessments	6,547	0	6,547
Geological	138,009	540	138,549
Legal fees (note 13)	503,959	0	503,959
Management fee (note 13)	86,568	0	86,568
Mapping	4,180	0	4,180
Travel and transportation	5,949	0	5,949
	<u>1,778,774</u>	<u>540</u>	<u>1,779,314</u>
Balance before write-downs	1,778,774	540	1,779,314
Written down during the year	(1,375,259)	(540)	(1,375,799)
	<u>403,515</u>	<u>0</u>	<u>403,515</u>
Total deferred exploration expenditure	403,515	0	403,515
Balance at December 31, 2006	<u>\$ 1,129,319</u>	<u>\$ 0</u>	<u>\$ 1,129,319</u>
<b>2007</b>			
Property acquisition costs:			
Balance at December 31, 2006	\$ 725,804	\$ 0	\$ 725,804
Incurred during the year	0	0	0
	<u>725,804</u>	<u>0</u>	<u>725,804</u>
Exploration expenditures:			
Balance at December 31, 2006	403,515	0	403,515
Consulting	29,755	0	29,755
Core Storage and processing	24,482	0	24,482
Environmental	6,280	0	6,280
Field and office support (note 13)	7,305	0	7,305
Filing and assessments	4,579	0	4,579
Geological	46,119	54,454	100,573
Legal fees (note 13)	649,347	927	650,274
Management fee (note 13)	97,326	0	97,326
Mapping	211	259	470
Travel and transportation	17,762	0	17,762
	<u>1,286,691</u>	<u>55,640</u>	<u>1,342,331</u>
Balance before write-downs	1,286,691	55,640	1,342,331
Written down during the year	(807,775)	0	(807,775)
	<u>478,916</u>	<u>55,640</u>	<u>534,556</u>
Total deferred exploration expenditure	478,916	55,640	534,556
Balance at December 31, 2007	<u>\$ 1,204,720</u>	<u>\$ 55,640</u>	<u>\$ 1,260,360</u>

**Platinex Inc.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
**December 31, 2007 and December 31, 2006**

**6. Mineral Properties and Deferred Development Expenditures cont'd**

- a) Mineral property descriptions: Big Trout Lake, Ontario

During 1999, the Company acquired a 100% interest in 221 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 12). The Company has received approval of assessment work filed and these claims are in good standing until the legal proceedings are resolved (note 16b).

On February 10, 2006 the Company acquired a 100% unencumbered interest in 81 mining leases, expiring from April 1, 2010 to April 1, 2011, from a joint venture operated by Inco Limited for \$162,312 cash and the issuance of \$150,000 worth of the Company's common shares (428,751 common shares issued) (notes 7c & 12).

- b) Muskox Property, Nunavut

In November, 2007, Platinex completed the staking of 38 mining claims totaling 87,058 acres (35,246 ha.) on the Muskox intrusion. The Muskox property is located 25 km south of Kugluktuk and 350 km north of Yellowknife.

**7. Capital Stock**

- a) Authorized: Unlimited number of common shares

- b) Issued:

	Number of shares	Amount
Balance at December 31, 2005	13,842,592	\$ 3,583,594
Shares issued for cash	625,000	115,000
Shares issued in exchange for trade debt	428,571	150,000
Share purchase warrants		(900)
Financing costs of share issue		(3,600)
Tax benefits renounced (note 11)		(30,694)
		(30,694)
Balance at December 31, 2006	14,896,163	3,813,400
Shares issued for cash	10,631,785	3,418,500
Shares issued in exchange for trade debt	313,600	62,720
Share purchase warrants		(1,711,179)
Financing costs of share issue (note 13e)		(380,124)
Tax benefits renounced (note 11)		(556,636)
		(556,636)
Balance at December 31, 2007	25,841,548	\$ 4,646,681

- c) In February 2006, the Company completed the exchange for debt to acquire the interest in the 81 mining leases (note 6a) for 428,571 common shares at a price of \$0.35 per share, for net proceeds of \$150,000 (note 12).

- d) In December 2006, the Company completed the sale by private placement of 200,000 common shares at a price of \$0.15 per share, for net proceeds of \$30,000.

**7. Capital Stock cont'd**

- e) In December 2006, the Company completed the sale by private placement of 200,000 flow-through common shares at a price of \$0.20 per share, for net proceeds of \$40,000.
- f) In December 2006, the Company completed the sale by private placement of 225,000 flow-through common shares at a price of \$0.20 per share for gross proceeds of \$45,000. Agents were paid a cash commission of 8% of the gross proceeds plus 22,500 broker warrants exercisable into one non-flow-through common share of the Company at an exercise price of \$0.20 per common share until the expiry date of December 30, 2007.
- g) In March 2007, the Company completed the exchange of 313,600 common shares at a price of \$0.20 per share for trade debt obligations of \$62,720 (note 12 & 13c).
- h) In May 2007, the Company completed the sale by private placement of 87,500 common shares at a price of \$0.40 per share, for net proceeds of \$35,000.
- i) On August 8, 2007, the Company completed the sale by private placement of 2,142,668 non-flow through units at a price of \$0.30 per unit and 850,000 flow-through common shares at a price of \$0.35 per share for gross proceeds of \$940,300. Each non-flow through unit consists of one common share and one share purchase warrant. Each full warrant will be exercisable into one non-flow through common share at an exercise price of \$0.35 per common share until the expiry date of August 8, 2009. Agents were paid a cash commission of \$46,520 plus 68,000 broker warrants exercisable into one non-flow through common share of the Company at an exercise price of \$0.35 per common share until the expiry date of August 8, 2009 and 75,733 broker warrants exercisable into one non-flow through common share of the Company at an exercise price of \$0.30 per common share until the expiry date of August 8, 2009.
- j) On August 10, 2007, the Company completed the sale by private placement of 2,142,856 flow-through units at a price of \$0.35 per unit for gross proceeds of \$750,000. Each flow through unit consists of one flow-through common share and one share purchase warrant. Each full warrant will be exercisable into one non-flow through common share at an exercise price of \$0.60 per non-flow through common share until August 10, 2008 and \$0.75 per non-flow through common share until the expiry date of August 10, 2009. Agents were paid a cash commission of \$75,000 representing 10% of the gross proceeds plus 214,287 broker warrants exercisable into one non-flow-through common share of the Company at an exercise price of \$0.35 per common share until the expiry date of August 10, 2009 and one additional warrant exercisable into one non-flow through common share of the Company at an exercise price of \$0.60 until August 10, 2008 or at an exercise price of \$0.75, if not exercised by August 10, 2008, until the expiry date of August 10, 2009.
- k) On August 29, 2007, the Company completed the sale by private placement of 2,878,333 non-flow through units at a price of \$0.30 per unit and 820,000 flow-through common shares at a price of \$0.35 per share for gross proceeds of \$1,150,500. Each non-flow through unit consists of one common share and one share purchase warrant. Each full warrant will be exercisable into one non-flow through common share at an exercise price of \$0.35 per common share until the expiry date of August 8, 2009. Agents were paid a cash commission of \$98,194 plus 202,667 broker warrants exercisable into one non-flow through common share of the Company at an exercise price of \$0.30 per common share until the expiry date of August 8, 2009 and 65,600 broker warrants exercisable into one non-flow through common share of the Company at an exercise price of \$0.35 per common share until the expiry date of August 8, 2009.
- l) On October 3, 2007, the Company completed the sale by private placement of 1,119,000 non-flow through units at a price of \$0.30 per unit and 591,428 flow-through common shares at a price of \$0.35 per share for gross proceeds of \$542,700. Each non-flow through unit consists of one common share and one share purchase warrant. Each full warrant will be exercisable into one non-flow through common share at an exercise price of \$0.35 per common share until the expiry date of August 8, 2009. Agents were paid 19,000 broker warrants exercisable into one flow-through common share of the Company at an exercise price of \$0.30 per common share until the expiry date of August 8, 2009 and 47,314 broker warrants exercisable into one flow-through common share of the Company at an exercise price of \$0.35 per common share until the expiry date of August 8, 2009.
- m) As at December 31, 2007, 1,155,014 (2,310,036 – December 31, 2006) of the issued shares are held in escrow.

**Platinex Inc.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
**December 31, 2007 and December 31, 2006**

**8. Warrants**

Summary of warrant activity:

	2007		2006	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average Exercise price
Balance, beginning of year	1,618,863	\$ 0.94	1,596,363	0.95
Granted, private placements	9,189,745	0.43	22,500	0.20
Exercised	0	0	0	0
Expired or cancelled	(1,618,863)	0.94	0	0
Balance, end of year	9,189,745	\$ 0.43	1,618,863	0.94

Summary of warrants and broker warrants outstanding at December 31, 2007:

Number of Warrants	Exercise Price	Grant Date Fair Value Of Warrants	Date of Expiry
2,357,143	0.67	413,572	August 10, 2009
6,320,915	0.35	1,201,645	August 8, 2009
297,400	0.30	59,533	August 8, 2009
214,287	0.35	36,429	August 10, 2009
9,189,745		\$ 1,711,179	

On November 20, 2007, the company issued 500,000 warrants in trust for the Kitchenuhmaykoosib Inninuwug ("KI") (note 16b). These warrants were issued under a memorandum of understanding which formed part of a declaratory order made by Mr. Justice Smith in his decision of May 22, 2007. The warrants have an exercise price of 40 cents and they expire on November 20, 2009. The warrants vest in four equal installments of 125,000 each whereby one installment vests after the completion of every six test holes in the 24-drill hole program proposed for the Company's Big Trout Lake property. The warrants, and any shares issued upon their exercise, have a four-month hold period which expires on March 21, 2008. Platinex has established a trust fund for KI for which the securities counsel to Platinex will act as trustee. The warrants have been issued to the trustee in trust and they will be released to KI upon request or as directed by the court. As at December 31, 2007, none of the KI warrants have vested.

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

	2007	2006
Expected dividend yield	0	0
Expected volatility	100%	70%
Risk free interest rate	4.45%	4.02%
Expected life	2 years	1 year

**9. Stock Options**

In October 2005, the Company's Board of Directors approved a new stock option plan. Under the terms of the Company's new stock option plan, a maximum of 10% of the issued and outstanding common shares have been reserved for issuance to the Company's directors, officers, employees and eligible consultants. The new stock option plan was approved by the Company's non participatory shareholders on May 24, 2006.

In December 2005, the Company's Board of Directors granted an option to purchase 240,000 common shares at an option price of \$0.50 per share to the Company's investor relations firm, subject to non participatory shareholder approval of the stock option plan as disclosed above.

In 2007, the company granted 1,460,000 options (1,165,000 – 2006, 240,000 of which were granted in 2005 subject to shareholder approval which was obtained on May 24, 2006). The fair value of \$469,600 (2006 - \$123,000) has been charged to the statement of operations and has been offset to contributed surplus.

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**9. Stock Options cont'd**

Summary of stock option activity:

	Number of stock options	2007 Weighted average exercise price	Number of stock options	2006 Weighted average exercise price
Balance, beginning of year	1,606,000	\$ 0.42	526,000	\$ 0.50
Granted, private placements	1,460,000	0.33	1,165,000	0.39
Exercised	0	0	0	0
Expired or cancelled	(501,000)	0.50	(85,000)	0.41
Balance, end of year	<u>2,565,000</u>	<u>\$ 0.36</u>	<u>1,606,000</u>	<u>\$ 0.42</u>

As at December 31, 2007, the following stock options were outstanding:

Date of Expiry	Number of Options Exercisable	Number of Options Outstanding	Exercise Price	Grant Date Fair Value of Options Granted
December 1, 2010	240,000	240,000	\$ 0.50	\$ 21,600
January 25, 2011	805,000	805,000	0.38	96,600
August 8, 2011	60,000	60,000	0.14	5,400
May 14, 2012	60,000	60,000	0.45	20,400
June 18, 2012	160,000	160,000	0.36	44,800
October 16, 2012	1,180,000	1,180,000	0.32	389,400
November 19, 2012	60,000	60,000	0.33	15,000
	<u>2,565,000</u>	<u>2,565,000</u>		<u>\$ 593,200</u>

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

	2007	2006
Expected dividend yield	0%	0%
Expected volatility	100%	70%
Risk-free interest rate	4.35%	4.15%
Expected life	5 years	5 years

**10. Contributed Surplus**

	2007	2006
Balance, beginning of year	\$ 123,600	\$ 0
Stock options granted and vested during the year	469,600	123,600
Exercise of stock options, reallocation of valuation	0	0
Expiry of warrants, reallocation of valuation	138,827	0
Balance, end of year	<u>\$ 732,027</u>	<u>\$ 123,600</u>

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**11. 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 36.11% (36.11% - 2006) are as follows:

	<b>2007</b>	<b>2006</b>
Loss before income taxes	\$ 1,818,108	\$ (1,717,734)
Income tax (recovery) at the statutory rate	(656,519)	(620,274)
Adjustments:		
Non-deductible exploration expenditures	291,688	496,800
Renounced mineral expenditures on flow through shares	(556,636)	(30,694)
Stock based compensation	169,572	44,632
Non capital losses not utilized	193,760	78,671
Other	1,499	170
	\$ (556,636)	\$ (30,694)

b) Future tax balances

The effects on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes are as follows:

	<b>2007</b>	<b>2006</b>
Future income tax liability		
Renounced mineral expenditures on flow-through shares	\$ (556,636)	\$ (30,694)
Future income tax assets		
Non - capital losses carried forward	792,535	662,239
Canadian development and exploration expenditures	4,488	84,667
	797,023	746,906
Total future tax assets	(240,387)	(716,212)
Valuation allowance for future tax assets		
	556,636	30,694
Future income tax assets		
	\$ 0	\$ 0

The Company provided a valuation allowance equal to the future tax assets (except for the amount of the non-capital losses equal to offset the future income tax liability in accordance with CICA Handbook EIC-146) because it is not presently more likely than not that they will be realized.

c) Tax Loss Carry Forwards

As at December 31, 2007, the Company has federal non-capital loss carry forwards of approximately \$2,194,779 for Canadian income tax purposes and approximately \$1,272,789 of various classes of exploration expenditures, which under certain circumstances can be used to reduce the taxable income of future years. These non-capital loss carry forwards expire as follows:

<b>Year of Expiry</b>	<b>Amount</b>
2008	\$ 207,802
2009	\$ 620,205
2010	\$ 160,501
2014	\$ 127,544
2015	\$ 324,279
2026	\$ 217,865
2027	\$ 536,583

## 12. Non-Cash Transactions

During fiscal 1999, the Company acquired mining claims in exchange for 1,600,000 common shares having a value of \$0.25 per share. During fiscal 2005, the Company issued 1,953,362 common shares in exchange for trade debt of \$488,423. In fiscal 2006, the company issued common shares in exchange for trade debt as described in note 7c. In fiscal 2007, the Company issued common shares in exchange for trade debt as described in note 7g.

## 13. Related Parties

- a) During the year ended December 31, 2007, the Company paid \$120,000 in management fees (\$75,000 - 2006) and reimbursed rent and utility costs of \$12,000 (\$12,000 - 2006) paid to a partnership owned by James R. Trusler, who is director and also acts as the President and CEO of the Company. Of the management fees, \$72,600 was allocated to exploration (engineering services) on the Big Trout Lake property (\$39,000 - 2006) and of the rent, \$5,100 was allocated to exploration on the Big Trout Lake property (\$2,400 - 2006). James R. Trusler, President and CEO and director of the Company is a principal partner of J R Trusler & Associates.
- b) During the year ended December 31, 2007, the Company paid \$32,000 in management fees (\$51,945 - 2006) paid to a company which is owned by Simon Baker, who is director and also acts as the Vice-President of the Company. Of the management fees, \$15,500 was allocated to exploration expenditures on the Big Trout Lake property (\$50,750 - 2006). Simon Baker, Vice-President Corporate Development and director of the Company is the president and principal owner of Telacorp Inc.
- c) During the year ended December 31, 2007, the Company incurred consulting fees of \$128,222 (\$30,000 - 2006) paid to a legal firm where one of the firm's partners is a director of the Company. Of the legal fees \$102,449 was allocated to exploration expenditures on the Big Trout Lake property (\$30,000 - 2006). During the year ended December 31, 2007 a partner of the legal firm, who is a director of the Company, received 250,000 shares in consideration for outstanding debt by the corporation of \$50,000 (\$0 - 2006).
- d) During the year ended December 31, 2007, the Company incurred accounting fees of \$82,654 (\$35,729 - 2006) paid to an officer of the Company.
- e) During the year ended December 31, 2007, the Company incurred \$29,500 (\$0 - 2006) of costs paid to a director of the Company related to the issuance of shares.
- f) Included in accounts payable at December 31, 2007 is an amount of \$17,979 (\$710 - 2006) that is due to related parties.

## 14. Basic and Diluted Loss per Share

The basic and diluted loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. The conversion of stock options was not included in the calculation of diluted loss per share since the calculation would be anti-dilutive.

## 15. Financial Instruments

### a) Fair Value

The carrying value of the Company's financial instruments consisting of cash, accounts receivable, funds held in trust, accounts payable and accrued liabilities, approximates fair value due to their immediate or short-term maturity.

### b) Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash.

Cash is maintained at a major financial institution. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

## 16. Contingencies and Commitments

### a) Flow-Through Expenditures

As at December 31, 2007, the Company is committed to incur prior to December 31, 2008, on a best efforts basis \$687,683 in qualifying Canadian exploration expenditures pursuant to private placements for which flow-through proceeds had been received prior to December 31, 2007 and renounced to subscribers effective as at that date.

### b) Big Trout Lake Project

The Company attempted to commence its exploratory drill program on the Big Trout Lake property in February, 2006. Members of the First Nation, Kitchenuhmaykoosib Inninuwug ("KI") barricaded the winter access road, bulldozed the Company airstrip and removed camp buildings, fuel and equipment and prevented the commencement of the drill program.

In April, 2006, Platinex commenced a lawsuit against KI for damages and sought unobstructed access to its mining claims and leases on the Big Trout Lake property to conduct low impact exploration through a motion for injunctive relief against KI. KI sought an order preventing Platinex from engaging in any exploration activities pending the trial of the main action between the parties.

Under subsection 129(4) of the Mining Act RSO 1990 c.M.14, as amended, the Mining and Lands Commissioner ordered that, effective April 18, 2006, Platinex's mining claims will remain in good standing until the legal proceedings are resolved.

In late July 2006, the Ontario Superior Court dismissed the company's motion and granted interim interim injunctive relief to KI conditional on it establishing a consultation committee to engage in tripartite discussions with Platinex and the Provincial Crown with the objective of developing an agreement to allow Platinex to conduct its exploratory drilling on the Big Trout Lake property.

Management was concerned that the Court's July 2006 decision sanctioned the KI unilateral "moratorium" on prospecting and exploration on KI's traditional territory. Minister Ramsay of the Ministry of Natural Resources has stated publicly that the KI "moratorium" has no legal standing. Further, Platinex's activities were based on assurances from the Provincial Government that the Company has the right and the obligation to explore its claims, and the obligation to keep those claims in good standing. Platinex's support in principle for good faith consultations with KI and the Crown notwithstanding, Management determined that it was obliged to continue to preserve and pursue its full legal rights by way of an appeal. Due to subsequent events, that appeal was not argued.

The Court-mandated tripartite discussions were initiated in August. At KI's insistence, those discussions focused on the development of a consultation protocol and the lead for KI was their litigation attorney in an attempt to render the consultation protracted and adversarial. The court later deemed the participation by KI counsel in the consultation to be in conflict of interest and improper. Although Platinex agreed in October 2006 to the terms of the KI-proposed protocol, such a document was never executed and substantive discussions concerning Platinex's exploratory drill program did not take place prior to the Court ordered re-appearance in January 2007. In January 2007, the parties agreed to extend the interim interim injunction order until April 2007 in a further effort to conclude a protocol and reach an agreement on the Platinex drilling. Largely because KI and the Provincial Government could not come to an agreement on certain issues including the quantum of funding for KI's participation in the consultation, a protocol was not executed and substantive discussions did not commence.

On April 2, 3 and 4, 2007, KI argued its motion for an order prohibiting Platinex from conducting any drilling on the Big Trout Lake property until the trial of the main action. Platinex opposed KI's motion. The Provincial Government proposed a Court-supervised process that would allow Platinex to commence its drilling while consultation continued. Platinex supported this proposal. The Court reserved its judgment. On May 1, 2007, the Court dismissed KI's motion and made certain declaratory orders. Among other things Justice Smith found that KI was attempting to claw back rights they had signed away in the treaty or in other words trying to usurp Platinex's claims. On May 22, 2007 Mr. Justice Smith permitted Platinex to commence phase one (24 holes) of its drill program on June 1, 2007. In order to guide the on-going relationship among the Company, KI and Ontario, the Court imposed upon the parties a Consultation Protocol, a Memorandum of Understanding ("MOU") and a Timetable. The May 2007 decisions recognize an on-going supervisory role for the court and contemplated potential further stages of exploration and/or development on the property.

## 16. Contingencies and Commitments cont'd

### b) Big Trout Lake Project cont'd

Among other things, the MOU contemplates the possible one-time issuance to KI of warrants for up to 500,000 shares of Platinex stock exercisable at \$0.40 per share at any time for up to two years, subject to shareholder and regulatory approval, and/or appointment of one nominee to the Platinex board of directors. It also contemplates a possible benefit fund equivalent to 2% of Platinex expenditures on exploration of the Big Trout Lake property. Stock exercised from the warrants would have a hold period of four months and one day from the date of issuance of the warrants. The issuance of the warrants to KI was approved by the TSX-V and the warrants were issued to the Company's securities counsel, Beard Winter, in trust for KI, in November, 2007.

As contemplated in the MOU, Platinex retained an archaeologist to pre-screen the drill hole sites. On September 24, 2007, Platinex representatives and the archaeologist travelled to Big Trout Lake to discuss and plan the archaeological work. They were not permitted to leave the airport apron area and were prevented from entering the community.

On October 25, 2007, the court enjoined KI from interfering with Platinex's drilling program. KI representatives, however, made several statements that KI intended to continue to prevent Platinex from returning to the Big Trout Lake property.

Platinex thereafter commenced proceedings to declare KI to be in contempt of Court. On December 7, 2007, after offering no defense to the charge, the KI leaders and certain KI members were held to be in contempt of Court. The Court was advised, for the first time, that KI was asserting sovereignty over its traditional lands, was not aware of the previous intensive efforts to finalize a consultation protocol or the MOU and would not meet with Platinex to resolve the dispute until issues as between KI and Ontario had been resolved.

On March 17, 2008, Chief Morris, four council members and one KI employee were sentenced to six months in jail for contempt of Court. The Court held that in order to ensure the supremacy of the rule of law and respect for the administration of justice, a period of incarceration, as opposed to fines, was necessary and appropriate.

## 17. Subsequent Events

### a) Option Agreement with Skead Holdings Ltd.

On April 11, 2008, Platinex entered into an option agreement with Skead Holdings Ltd., subject to board and regulatory approval, with respect to certain claims situated in Churchill, MacMurchy and Asquith Townships, in Ontario (the "Shiningtree property"). Platinex has the right to acquire a 100%-interest in the 133 claim units (5,320 acres or 2,153 ha), subject to a 3% NSR, by issuing 250,000 shares of Platinex, by making cash payments (or share equivalent) of \$250,000 and by incurring property expenditures of \$850,000 during the ensuing four-year period to April 11, 2012.

### c) Exploration Activities

In 2008, six PGE prospects have been staked and filed in Ontario, which comprise a total of 1,750 claim units for 28,340 ha (70,000 acres). The 2008 exploration costs related to these projects have totaled \$148,721 and the estimated cost to completion of this phase of exploration of these projects is projected to be \$250,000.

## 18. Comparative Figures

Certain figures in the 2006 financial statements have been reclassified to conform to the basis of presentation used in 2007.