

PROMINEX RESOURCE CORP.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JULY 31, 2013 AND 2012

(Expressed in Canadian Dollars)

(Unaudited)

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Prominex Resource Corp. trades on the TSX Venture Exchange under the symbol PXR

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NOTICE OF NO REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument Policy 51-102, Part 4, Subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for review of the condensed interim financial statements by an entity's auditor.

"Gordon Barron"

President and Chief Executive Officer

PROMINEX RESOURCE CORP.

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FOR THE THREE MONTHS ENDED JULY 31, 2013 AND 2012

STATEMENTS OF FINANCIAL POSITION



	As at July 31, 2013 \$	As at April 30, 2013 \$
Assets		
Current Assets		
Cash and Cash Equivalents	133,431	196,979
Amounts Receivable (Note 5)	28,495	27,171
Prepaid Expenses	3,474	4,000
	165,400	228,150
Non-current Assets		
Exploration and Evaluation Assets (Note 6)	1,929,550	1,921,019
	1,929,550	1,921,019
Total Assets	2,094,950	2,149,169
Liabilities		
Current Liabilities		
Payables and Accruals (Note 9)	605,673	604,318
	605,673	604,318
Shareholders' Equity		
Share Capital (Note 7)	8,583,554	8,583,554
Warrants (Note 7)	77,146	77,146
Contributed Surplus (Note 7)	2,737,319	2,737,319
Reserve	33,720	32,156
Deficit	(9,942,462)	(9,885,324)
	1,489,277	1,544,851
Total Equity	1,489,277	1,544,851
Total Liabilities and Shareholders' Equity	2,094,950	2,149,169

See Nature of Operations and Going Concern (Note 1)

See Commitments and Contingencies (Note 10)

See Subsequent Events (Note 12)

On behalf of the Board

"Gordon Barron"

Director

"Liliana Hartwig"

Director

The accompanying notes form an integral part of these condensed interim financial statements

PROMINEX RESOURCE CORP.

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STATEMENTS OF LOSS AND COMPREHENSIVE LOSS



	For The three months ended July 31	
	2013	2012
	\$	\$
REVENUE:		
Interest revenue	-	6
EXPENSES:		
Accounting fees	-	3,375
Automobile expenses	-	377
Bank charges and interest	6	239
Consulting wages and benefits (Note 9)	39,000	26,500
Legal fees	624	150
Marketing	82	300
Meals and entertainment	180	127
Office	7,016	1,081
Regulatory fees	1,123	-
Rent (Note 9)	3,864	3,866
Salaries and benefits	186	-
Shareholder information	1,547	9,843
Share-based payments	1,564	-
Training	35	-
Transfer agent and shareholder	1,911	485
	<u>57,138</u>	<u>46,343</u>
Net loss and total comprehensive loss	<u>(57,138)</u>	<u>(46,337)</u>
Weighted average number of shares outstanding, basic and diluted	<u>83,690,890</u>	<u>62,320,890</u>
Loss per share, basic and diluted	<u>(0.001)</u>	<u>(0.001)</u>

The accompanying notes form an integral part of these condensed interim financial statements

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STATEMENTS OF CHANGES IN EQUITY



	Common Share Without Par Value			Contributed Surplus \$	Stock Option Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Shares No.	Amount \$	Warrants \$				
Balance, April 30, 2012	62,320,890	8,342,503	13,900	2,723,419	-	(9,638,561)	1,441,261
Comprehensive Loss for the Period	-	-	-	-	-	(46,337)	(46,337)
Balance, July 31, 2012	62,320,890	8,342,503	13,900	2,723,419	-	(9,684,898)	1,394,924
Private Placement at \$0.015 per Unit	21,370,000	243,404	77,146	-	-	-	320,550
Share Issuance Costs	-	(2,353)	-	-	-	-	(2,353)
Expiry of Warrants	-	-	(13,900)	13,900	-	-	-
Share-based Payments	-	-	-	-	32,156	-	32,156
Comprehensive Loss for the Period	-	-	-	-	-	(200,426)	(200,426)
Balance, April 30, 2013	83,690,890	8,583,554	77,146	2,737,319	32,156	(9,885,324)	1,544,851
Share-based Payments	-	-	-	-	1,564	-	1,564
Comprehensive Loss for the Period	-	-	-	-	-	(57,138)	(57,138)
Balance, July 31, 2013	83,690,890	8,583,554	77,146	2,737,319	33,720	(9,942,462)	1,489,277

The accompanying notes form an integral part of these condensed interim financial statements

PROMINEX RESOURCE CORP.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2013 AND 2012

STATEMENTS OF CASH FLOWS



	For the three months ended July 31	
	2013	2012
	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Operating		
Net loss and comprehensive loss	(57,138)	(46,337)
Non-cash items		
Share-based payments	1,564	-
Net Change In Non-Cash Working Capital		
Amounts receivable	(2,374)	162,764
Prepaid expenses	526	(30)
Payables and accruals	1,355	(78,496)
	<u>(56,067)</u>	<u>37,901</u>
Investing		
Exploration and evaluation expenditures	(8,531)	(37,370)
Financing		
Share subscriptions receivable	1,050	-
Increase (Decrease) in Cash and Cash Equivalents	(63,548)	531
Cash and Cash Equivalents, Beginning of period	196,979	400
Cash and Cash Equivalents, End of period	<u>133,431</u>	<u>931</u>

See Supplemental Cash Flow Information (Note 8)

PROMINEX RESOURCE CORP.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS JULY 31, 2013 AND 2012



1. NATURE OF OPERATIONS AND GOING CONCERN

Prominex Resource Corp. (the "Company") is continued under the Canada Business Corporations Act and its principal business activity is the exploration and evaluation of mineral assets. The address of the Company's head office is 1001-1010 Howe Street, Vancouver, British Columbia, Canada V6Z 1P5.

The Company's shares are publicly traded on the TSX Venture Exchange under the ticker symbol PXR. These condensed interim financial statements were authorized for issue in accordance with a resolution of the Directors on September 24, 2013.

The Company's condensed interim financial statements as at July 31, 2013 and for the period then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a net loss of \$57,138 for the period ended July 31, 2013 (2012 - \$46,337) and has a negative working capital of \$440,273 at July 31, 2013 (April 30, 2013 - \$376,168).

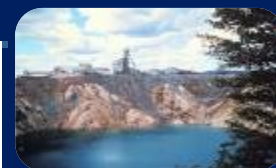
The Company had cash and cash equivalents of \$133,431 as at July 31, 2013 (April 30, 2013 - \$196,979), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or to be able to raise additional debt and/or equity capital. If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms, pursue other remedial measures and/or cease operations. These financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 8, and are presented in Canadian dollars, except where otherwise indicated.

2.1 Statement of Compliance

The condensed interim financial statements of the Company, including comparative have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the three month period ended July 31, 2013.



2.2 Accounting Standards Issued but not yet Effective

At the date of authorization of these condensed interim financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the three month period ended July 31, 2013:

- IFRS 11 '*Joint Arrangements*', which replaces IAS 31 and SIC-13.
- IFRS 12 '*Disclosure of Interests in Other Entities*', which replaces disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31.
- IFRS 13 '*Fair Value Measurement*', which replaces fair value measurement guidance in other IFRSs.
- IAS 1 (Amendment) '*Presentation of Financial Statements*', which includes amendments regarding Presentation of Items of Other Comprehensive Income.
- IAS 19 (Amendment) '*Employee Benefits*', which revises recognition and measurement of post-employment benefits.
- IAS 27 (Amendment) '*Separate Financial Statements*', which prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 (Amendment) '*Investments in Associates and Joint Ventures*', which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- IFRIC 20 '*Stripping Costs in the Production Phase of a Surface Mine*' is a new interpretation effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting for stripping costs in the production phase of a surface mine.

The adoption of the above standards did not have a material impact on the Company's condensed interim consolidated financial statements.

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the relevant reporting periods.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' is a new financial instruments standard effective for annual periods beginning on or after 1 January 2015 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.
- IAS 32 (Amendment) '*Financial Instruments: Presentation*' is effective for annual periods beginning on or after 1 January 2014 that establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.



The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies for the Company:

(a) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the recoverability and measurement of exploration and evaluation properties and deferred tax assets and liabilities, and the ability to continue as a going concern. Actual results may differ from those estimates and judgments.

(b) Joint Venture

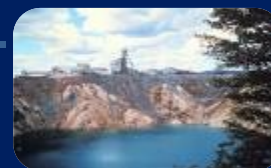
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Company's joint venture consists of a jointly-controlled asset. A jointly-controlled asset involves joint control and offers joint ownership by the Company and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. Where the Company's activities are conducted through jointly-controlled assets, the Company recognized its share of the jointly-controlled assets and liabilities it has incurred, its share of liabilities incurred jointly with other venturers, and exploration and evaluation costs in the condensed interim financial statements.

(c) Cash and Cash Equivalents

Cash and cash equivalents consists of cash, deposits in banks and highly liquid investments with an original maturity of ninety days or less.

(d) Foreign Currency Translation

In preparing the condensed interim financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the statement of loss and comprehensive loss.



(e) Revenue Recognition

The Company currently has no revenue from active mining operations. Interest revenue is recognized in the period in which it is earned.

(f) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time, they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgement that none of the Company's exploration and evaluation assets has reached the development stage and as a result are all considered exploration and evaluation assets.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, 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.



(g) Decommissioning, Restoration and Similar Liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

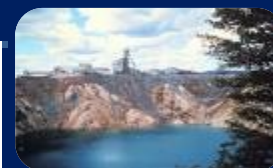
Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties.

(h) Impairment of Non-Financial Assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.



(i) Share-based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to exploration and evaluation assets as appropriate, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(j) Income Taxes

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable regarding previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the condensed interim financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

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The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Loss per Share

Loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(l) Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss, components of other comprehensive income and cumulative translation adjustments are presented in the statements of comprehensive loss and the statements of changes in equity.

(m) Flow-through Shares

The Company issues, from time to time, flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that qualifying deferred tax assets are available.



(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense (notional interest).

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

(o) Financial instruments

Financial Assets

Initial Recognition and Measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not classified as fair value through profit or loss, directly attributable transaction costs.

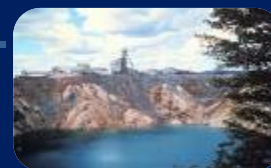
The Company's financial assets include cash and cash equivalents, and receivables, which are classified as loans and receivables.

Subsequent Measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cash and cash equivalents and receivables are recorded through this category. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

De-recognition

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that has been recognized directly in equity is recognized in profit or loss.



Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, plus directly attributable transaction costs.

The Company's financial liabilities include payables.

Subsequent measurement

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized.

Payables are classified as other financial liabilities.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

4. CAPITAL MANAGEMENT

The Company manages its capital to maintain adequate levels of funding to support the acquisition of exploration and evaluation assets and to maintain the necessary corporate and administrative functions to support these activities. The capital structure consists of shareholders' equity comprised of share capital, contributed surplus, warrants and deficit. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and therefore, does not have a numeric target for its capital structure. There were no changes to the Company's approach to capital management during the three month period ended July 31, 2013. The Company does not have any covenants respecting its capital ratios.

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5. AMOUNTS RECEIVABLE

The Company's amounts receivable are as follows:

	As at July 31, 2013	As at April 30, 2013
	\$	\$
GST/HST receivable	5,853	3,480
Expense advances (Note 9)	5,517	5,517
Share subscriptions receivable (Notes 7 and 12)	8,000	9,050
Tulks Hill Joint Venture Receivable (Note 6)	3,290	3,290
Other receivables	5,835	5,834
	<u>28,495</u>	<u>27,171</u>
Total amounts receivables	<u>28,495</u>	<u>27,171</u>

Amounts receivable includes \$5,517 (April 30, 2013 - \$5,517) due from a director related to operating expense advances (Note 9). The amount is unsecured, interest-free and repayable upon written notice given from the Company.

During the 2013 fiscal year, the Company closed a non-brokered private placement by the issuance of 21,370,000 units at a price of \$0.015 per unit for gross proceeds to the Company of \$320,550, of which \$1,050 was received during the period ended July 31, 2013 and \$8,000 was a receivable as at July 31, 2013 (Notes 7 and 12).

6. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets are all located in Newfoundland and Labrador, Canada. The Company has investigated title to all of its exploration and evaluation assets and all of its properties are in good standing.

	Balance April 30, 2013	Exploration Expenditures	Balance July 31, 2013
	\$	\$	\$
Tulks Hill	1,782,326	3,155	1,785,481
Lake Bond	138,693	5,376	144,069
	<u>1,921,019</u>	<u>8,531</u>	<u>1,929,550</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS JULY 31, 2013 AND 2012



	Balance July 31, 2012	Exploration Expenditures	Balance April 30, 2013
	\$	\$	\$
Tulks Hill	1,785,307	(2,981)	1,782,326
Lake Bond	109,889	28,804	138,693
	<u>1,895,196</u>	<u>25,823</u>	<u>1,921,019</u>

	Balance April 30, 2012	Exploration Expenditures	Balance July 31, 2012
	\$	\$	\$
Tulks Hill	1,781,240	4,067	1,785,307
Lake Bond	76,586	33,303	109,889
	<u>1,857,826</u>	<u>37,370</u>	<u>1,895,196</u>

6.1 Tulks Hill

On December 15, 2005, the Company entered into an option agreement to acquire a 51% interest in a property known as Tulks Hill located in central Newfoundland. On November 7, 2007, the Company earned a 51% interest by completing the requirements under the option agreement and since then has been the operator of an unincorporated joint venture with Buchans Minerals Corporation (TSX: V-BMC). On July 22, 2008, the joint venture received an NI 43-101 Technical Report on the Tulks Hill property. The property is subject to Net Smelter Return royalties ranging from 2% to 2.25% on certain of the claims.

The mining lease application is 60 hectares (ha) in size and covers the Tulks Hill volcanogenic massive sulphide ("VMS") deposit, including National Instrument 43-101 (NI 43-101) compliant mineral resources, located on the Tulks Hill Mineral Licence 10212M. Newfoundland and Labrador Mineral Regulations require a legal survey of the area covered by the application be submitted to the Department of Natural Resources by November 1, 2013.

Included in amounts receivable from Buchans Minerals Corporation is \$3,290 (April 30, 2012 - \$3,290) related to exploration expenditures of Tulks Hill spent by the Company on behalf of Buchans Minerals Corporation (Note 5).

6.2 Lake Bond

On December 28, 2006, the Company entered into an option agreement (the "Reid Option Agreement"), as amended on July 7, 2012 to acquire a 100% interest (the "Option") in a property known as Reid Lot 50, Lake Bond (the "Reid Property") located in central Newfoundland. Under the terms of the original Reid Option Agreement, in order to acquire the Option, the Company had to expend \$50,000 on exploration and development of the Reid Property by October 17, 2010 (extended to September 30, 2012).

The Company completed the terms of the option agreement and now holds an undivided 100% interest in the Reid Property. The property is subject to a Net Smelter Return royalty of 2%, of which the Company can purchase 1% for \$1,000,000.



On September 3, 2013, the Company announced that it had received approval from the Department of Natural Resources for an exploration program on its Reid Property in Newfoundland (Note 12).

The exploration program includes a detailed compilation of all previous diamond drill results in addition to a detailed geochemical soil sampling and prospecting survey. The area of interest is at least 1,000 m wide and approximately 1,000 m long. The purpose of the geochemical survey is to assess past induced polarization (IP) anomalies and outline possible coincident anomalous zones in preparation for further drilling programs. There are coincident ground geophysical (Max-Min EM) anomalies associated with the Main Zone of mineralization. Subject to suitable financing, the Company plans a 2,000 m diamond drill program for the winter/spring 2014 exploration program. Going forward the size, scope, and objective(s) of the exploration activity is dependent upon access to additional funds and subject to the objective of limiting shareholder dilution, among other factors.

7. SHARE CAPITAL

7.1 Authorized

The Company is authorized to issue unlimited common shares without par value.

7.2 Issued and Outstanding

Common shares issued	83,690,890
Options outstanding	4,900,000
Warrants outstanding	21,370,000

The Company did not complete any private placements during the three months period ended July 31, 2013.

During the 2013 fiscal year, the Company closed a non-brokered private placement by the issuance of 21,370,000 units at a price of \$0.015 per unit for gross proceeds to the Company of \$320,550, of which \$1,050 was received during the period ended July 31, 2013 and \$8,000 was a receivable as at July 31, 2013 (Notes 5 and 12). Each unit comprises one common share and one non-transferable common share purchase warrant of the Company. Each warrant, expiring on April 12, 2014 entitles the holder to purchase one common share of the Company at a price of \$0.05. No finders' fees were paid.

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7.3 Share Purchase Warrants

The change in warrants during the three months period ended July 31, 2013 and 2012 is as follows:

	Number	Weighted Average Exercise Price (\$)
Outstanding at April 30, 2012	4,000,000	0.10
Issued	-	-
Expired	-	-
Outstanding at July 31, 2012	4,000,000	0.10
Issued	21,370,000	0.05
Expired	(4,000,000)	0.10
Outstanding at April 30, 2013	21,370,000	0.05
Issued	-	-
Expired	-	-
Outstanding at July 31, 2013	21,370,000	0.05

The following table provides detailed information about share purchase warrants outstanding as at July 31, 2013:

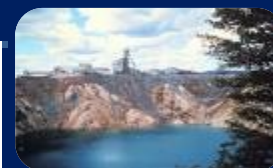
Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
21,370,000	0.05	April 12, 2014	0.70

The weighted average fair value of the private placement warrants issued during the year ended April 30, 2013 was \$77,146. The fair value of these share warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	-
Expected stock price volatility	110%
Risk-free interest rate	1.02%
Expected warrant life in years	1

The weighted average fair value of the private placement warrants issued during the year ended April 30, 2012 was \$13,900. The fair value of these share warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	-
Expected stock price volatility	66%
Risk-free interest rate	0.94%
Expected warrant life in years	1



7.4 Share Based Payments

Share Purchase Options

The Company has adopted a formal stock option plan, which follows the TSX Venture Exchange (TSX-V) policy under which it is authorized to grant options to directors and employees to acquire up to 10% of issued and outstanding common stock. Under the plan, the exercise price of each option equals the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years and options issued are subject to a vesting provision whereby 25% become exercisable every three months over a period of 12 months.

The Company granted 1,200,000 stock purchase options to the independent directors on July 9th, 2012. These share purchase options vest 25% every 90 days and to date none of the share purchase options granted on July 9, 2012 have vested.

The Company will recognize an expense at each financial position reporting date to reflect the actual number of share purchase options that are expected to vest during that financial period. The fair value for share purchase options granted to non-employees is measured in that financial reporting period using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest during that financial reporting period. The Company recognized an expense during the quarter ended July 31, 2013 of \$1,564 (2012 - \$Nil) that was charged to the statement of loss and comprehensive loss for the share purchase options vested during the year.

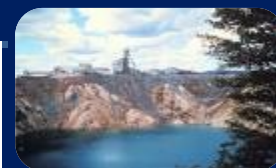
The change in share purchase options during the three months ended July 31, 2013 and 2012 is as follows:

	Number of Options	Weighted-Average Exercise Price \$
At April 30, 2012	3,700,000	0.10
Expired	-	-
Issued	1,200,000	0.10
At July 31, 2012	4,900,000	0.10
Expired	-	-
Issued	-	-
At April 30, 2013	4,900,000	0.10
Expired	-	-
Issued	-	-
At July 31, 2013	4,900,000	0.10

The fair value of the share purchase options issued during the year ended April 30, 2013, was estimated using a Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 187%, risk-free interest rate of 1.17% and expected life of five years.

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The following table summarizes information about share purchase options outstanding at July 31, 2013

Date	Exercise Price \$	Options Outstanding and Exercisable	Options Not Vested	Remaining Contractual Life (in years)
January 19, 2011	0.10	3,700,000	Nil	2.47
July 7, 2012	0.10	1,200,000	Nil	3.94

8. SUPPLEMENTAL CASH FLOW INFORMATION

Set out below is a comparison by class of the carrying amount and fair value of the Company's financial instruments that are carried in the condensed interim financial statements.

	Fair value hierarchy	FVTPL, at fair value	Loans and receivables, at amortized cost	Other liabilities, at amortized cost
As at July 31, 2013				
Cash and Cash Equivalents	Level 1	133,431	-	-
Amounts Receivable	N/A	-	22,642	-
Payables and Accruals	N/A	-	-	588,173
As at April 30, 2013				
Cash and Cash Equivalents	Level 1	196,979	-	-
Amounts Receivables	N/A	-	23,691	-
Payables and Accruals	N/A	-	-	136,268

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, receivables, and payables approximate their carrying amounts largely due to the short-term maturities of these instruments.



Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company's financial instruments are measured at fair value using level 1 valuation.

9. RELATED PARTY TRANSACTIONS

The Company's related parties consist of executive officers and directors, the spouse of an executive officer, and companies controlled by executive officers and directors.

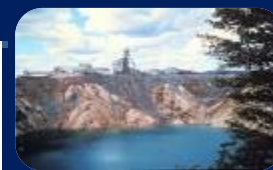
During the three months ended July 31, 2013, the Company paid or accrued the following amounts to related parties:

- \$3,864 in head office rent to an officer and director (2012 - \$3,866), which was charged to statement of loss and comprehensive for the period;
- \$31,500 in consulting fees to key management personnel, (2012 - \$31,500 of which \$26,500 was charged to statement of loss and comprehensive loss for the period and \$5,000 was charged to exploration and evaluation assets)

Included in amounts receivable is \$5,517 (April 30, 2013 - \$5,517) due from a director related to operating expense advances (Note 5). The amount is unsecured, interest-free and repayable upon written notice given from the Company.

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$443,274 (2012 - \$354,103)

These transactions, which were incurred in the normal course of operations, have been recorded at their exchange amounts, being the amounts agreed to by the related parties.



10. COMMITMENTS AND CONTINGENCIES

10.1 Flow-through Shares

The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian Exploration Expenditures (“CEE”), even if the Company has committed to take all the necessary measures for this purpose.

The issuance of flow-through common shares requires the renunciation of CEE in the amount of equal value to the common shares issued for the benefit of those shareholders that purchased those flow-through common shares. In accordance with income tax legislation of Canada, the Company must incur CEE in the year of renunciation or in the subsequent year, otherwise a tax penalty may apply.

Under the terms of the Company’s flow-through share agreements, the Company is required to spend and renounce expenditures for exploration that are qualifying CEE as defined by the Income Tax Act Canada and has undertaken to warrant to shareholders that these expenditures qualify as CEE.

The Company has undertaken to guarantee to flow through shareholders that these expenditures qualify as CEE, if not, is subject to reassessment and tax penalties may apply.

The Company has a liability for subscriber indemnification including \$87,062 (April 30, 2012 -\$87,062) related to the shortfall in required expenditures related to a flow-through shares financing agreement in 2007 (Note 6). Under the terms of the Company’s flow through share agreement, the Company is required to spend and renounce qualifying CEE as defined by the Income Tax Act Canada.

11. FINANCIAL RISK MANAGEMENT

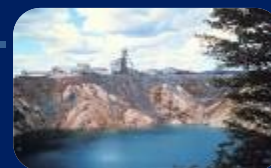
The Company’s activities expose it to a variety of financial risks: credit risk and liquidity risk.

11.1 Credit Risk

The Company’s financial assets are cash and cash equivalents and receivables. The Company holds its cash and cash equivalents with a Canadian chartered bank and the risk of default is considered to be remote. Receivables include a receivable from a joint exploration partner from which management believes the risk of loss to be limited based on historical experience.

11.2 Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.



12. SUBSEQUENT EVENTS

The following event occurred during the period from the year ended April 30, 2013 to the date the condensed interim financial statements were available to be issued on September 23, 2013:

- i. On August 14, 2013, the Company received \$8,000 in relation to 21,370,000 units issued during the year ended April 30, 2013 at a price of \$0.015 per unit (Notes 5 and 7).
- ii. On September 3, 2013, the Company announced that it had received approval from the Department of Natural Resources for an exploration program on its Reid Property in Newfoundland. The exploration program includes a detailed compilation of all previous diamond drill results in addition to a detailed geochemical soil sampling and prospecting survey. The area of interest is at least 1,000 m wide and approximately 1,000 m long. The purpose of the geochemical survey is to assess past induced polarization (IP) anomalies and outline possible coincident anomalous zones in preparation for further drilling programs. There are coincident ground geophysical (Max-Min EM) anomalies associated with the Main Zone of mineralization. Subject to suitable financing, the Company plans a 2,000 m diamond drill program for the winter/spring 2014 exploration program.