Platinex Inc.

Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2012 and 2011
Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors.

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

November ●, 2012

(Unaudited - Expressed in Canadian Dollars)

	Note	As at September 30 2012	As at December 31 2011
Assets			
Current assets			
Cash	7	$ 41,695	$ 745,108
HST receivable		4,665	16,716
Funds held in trust	8	276	0
Prepaid expenses		15,292	26,104
Total current assets		$ 61,928	$ 787,928
Non-current assets			
Exploration and evaluation assets	9	$ 3,741,478	$ 3,427,434
Property, plant and equipment	10	26,802	33,035
Total non-current assets		$ 3,768,280	$ 3,460,469
Total assets		$ 3,830,208	$ 4,248,397
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	17	$ 950,525	$ 905,976
Other liability	11	0	41,450
Total current liabilities		$ 950,525	$ 947,426
Shareholders' equity			
Share capital	12	$ 6,111,049	$ 6,101,049
Share warrants reserve	13a	57,537	427,083
Share options reserve	13b	246,200	251,250
Accumulated deficit		(3,535,103)	(3,478,411)
Total shareholders' equity		$ 2,879,683	$ 3,300,971
Total liabilities and shareholders' equity		$ 3,830,208	$ 4,248,397

Nature of operations and going concern	1
Commitments and contingencies	17

Approved on behalf of the Board of Directors:

Director

Director

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

Platinex Inc.

Condensed Interim Consolidated Statements Changes in Equity
(Unaudited – Expressed in Canadian Dollars)
For the Nine Months Ended September 30, 2012 and September 30, 2011

	Share Capital	Share Option Reserve	Share Warrant Reserve	Accumulated Deficit	Total
Balance at January 1, 2011	$ 5,878,425	$ 150,000	$ 378,613	$ (1,503,116)	$ 4,903,922
Income for the period	0	0	0	(637,044)	(637,044)
Share capital issued	115,000	0	0	0	115,000
Stock options granted	0	129,050	0	0	129,050
Stock options expired	0	(27,800)	0	27,800	0
Warrants issued	0	0	0	0	0
Warrants expired	0	0	0	0	0
Share issue costs	0	0	0	0	0
Balance at Sept. 30, 2011	$ 5,993,425	$ 251,250	$ 378,613	$ (2,112,360)	$ 4,510,928
Balance at December 31, 2011	$ 6,101,049	$ 251,250	$ 427,083	$ (3,478,411)	$ 3,300,971
Loss for the period	0	0	0	(431,288)	(431,288)
Share capital issued	10,000	0	0	0	10,000
Stock options granted	0	0	0	0	0
Stock options expired	0	(5,050)	0	5,050	0
Warrants issued	0	0	0	0	0
Warrants expired	0	0	(369,546)	369,546	0
Share issue costs	0	0	0	0	0
Balance at Sept. 30, 2012	$ 6,111,049	$ 246,200	$ 57,537	$ (3,535,103)	$ 2,879,683

Nature of operations and going concern (note 1)
Commitments and contingencies (note 17)

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

Platinex Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)
For the Three and Nine Months Ended September 30, 2012

	Note	Three Months Ended Sept. 30 2012	Three Months Ended Sept. 30 2011	Nine Months Ended Sept. 30 2012	Nine Months Ended Sept. 30 2011
Expenses					
Audit and legal		$ 0	$ 1,250	$ 9,013	$ 8,961
Depreciation	10	2,078	2,581	6,233	7,746
General exploration		300	900	3,235	56,147
Insurance		4,052	4,052	12,155	11,141
Investor relations		6,000	18,617	48,315	80,576
Management salaries	14	126,533	59,086	299,332	261,247
Office and general corporate		4,008	11,814	18,280	38,141
Rent		20,080	19,563	59,579	57,348
Regulatory fees, Part XII.6 tax, interest and penalties		283	646	16,596	8,539
Share based payments	13	0	0	0	129,050
Total expenses		163,334	118,509	472,738	658,896
Loss before income tax		163,334	118,509	472,738	658,896
Income tax recovery		0	0	(41,450)	(21,852)
Total comprehensive loss for the period		$ 163,334	$ 118,509	$ 431,288	$ 637,044
Loss per common share, basic and diluted	16	$ 0.0032	$ 0.0025	$ 0.0085	$ 0.0134
Weighted average number of shares outstanding, basic and diluted	16	50,959,326	47,895,993	50,870,437	47,431,347

Nature of operations and going concern	1
Commitments and contingencies	17

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

Platinex Inc.
Condensed Interim Consolidated Statements of Cash Flow
(Unaudited - Expressed in Canadian Dollars)
For The Nine Months Ended September 30, 2012 and September 30, 2011

	Note	Nine Months Ended Sept. 30 2012	Sept. 30 2011
Operating activates			
Loss for the period		$ (431,288)	$ (637,044)
Add (deduct) items not involving cash:			
Depreciation	10	6,233	7,746
Income tax expense		(41,450)	(21,852)
Share based payments	13b	0	129,050
Changes in non-cash working capital:			
HST/Accounts receivable		12,051	150,535
Funds held in trust	8	(276)	0
Prepaid expenses		10,812	4,934
Accounts payable		44,549	(106,226)
Net cash used in operating activities		$ (399,369)	$ (472,857)
Investing activities			
Exploration and evaluation assets	9	$ (304,044)	$ (1,228,738)
Property, plant and equipment	10	0	0
Net cash used in investing activities		$ (304,044)	$ (1,228,738)
Financing activities			
Share capital issued		$ 0	$ 0
Cost of issue of shares		0	0
Net cash from financing activities		$ 0	$ 0
Decrease in cash during the period		(703,413)	(1,701,595)
Cash at beginning of period	7	745,108	2,511,273
Cash at end of period	7	$ 41,695	$ 809,678
Supplementary information			
Options granted	13(b)	$ 0	$ 0
Interest paid		$ 0	$ 0
Income tax paid		$ 0	$ 0
Cash and cash equivalents are comprised of			
Cash in bank		$ 36,695	$ 779,678
Cash equivalents		$ 5,000	$ 30,000
Nature of operations and going concern	1		
Commitments and contingencies	17		

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Platinex Inc. (the "Company") is a Canadian company whose business activity is the exploration and evaluation of mineral properties in Canada. The Company was incorporated under the Ontario Business Corporations Act on August 12, 1998.

The Company is listed on the TSX Venture Exchange, having the symbol PTX-V, as a Tier 2 mining issuer. The address of the Company's corporate office and principal place of business is 114-445 Apple Creek Blvd., Markham, Ontario, Canada.

These condensed consolidated interim financial statements of the Company and its subsidiary for the three and nine months ended September 30, 2012 and September 30, 2011 were approved and authorized for issue by the Audit Committee and the Board of Directors on November ●, 2012.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of mineral 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 operations 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 and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

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 and a working capital deficiency, 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. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiary were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the year ended December 31, 2011 were consistently applied to all the periods presented unless otherwise noted below.

The preparation of condensed interim financial statements in accordance with IAS 34 required the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Exploration and Evaluation Assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

a) Exploration and Evaluation Assets cont'd

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

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

As the Company currently has no operating income, any incidental revenues earned in connection with exploration activities are applied as a reduction of capitalized exploration costs.

Mineral E&E expenditures are classified as intangible assets.

b) Property, Plant and Equipment

Property, plant and equipment ("PP&E") are recorded at cost net of any landlord leasehold allowances. Amortization is provided at one half annual rates in the year of acquisition. Depreciation is provided at the following rates:

Computer equipment	30%	declining balance method
Computer software	100%	declining balance method
Furniture and equipment	20%	declining balance method
Leasehold improvements		term of the lease straight line basis

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net in other income in the consolidated statement of loss and comprehensive loss.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

c) Impairment of Non-Financial Assets

Exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

e) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire. At initial recognition, the Company classifies its financial instruments depending on the purpose for which the instruments were acquired. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Cash and cash equivalents are measured at fair value, with changes in fair value being recorded in net earnings (loss) at each reporting period end.

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-For-Sale Investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in the statement of loss and comprehensive loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to the statement of loss and comprehensive loss.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

e) Financial Instruments cont'd

Impairment on Financial Assets

Financial assets other than those carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset, in which the cash flows can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses, if any, are recognized in the accompanying statements of loss and comprehensive loss and are reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss would be reversed through the same financial statements.

f) Provisions

Rehabilitation Provision

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

Environmental expenditures relating to environmental and reclamation programs are charged to operations, or are capitalized and amortized, depending on their future economic benefits, over the estimated remaining life of the related business operation, net of expected recoveries. Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future removal and site restoration costs required by environmental law or contracts.

Other Provisions

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

Onerous Contracts

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

g) Income Taxes

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

g) Income Taxes cont'd

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

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

h) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share 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 derecognizes the liability and recognizes a deferred income tax liability for the amount of tax reduction renounced to the shareholders. The premium and the related deferred tax are recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian Exploration Expenditures ("CEE") within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

i) Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

j) Share-Based Payments

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

j) Share-Based Payments cont'd

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

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

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

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

k) Basis of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary PTX Nevada LLC which has been inactive since its incorporation on November 23, 2009.

l) Equity

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Share option reserves comprise the cumulative value of stock-based compensation where the options have not been exercised. Share warrant reserves comprise the fair value of the Company's outstanding warrants. The Company's deficit comprises all current and prior period income and losses.

m) Comprehensive Income (Loss)

Comprehensive income (loss) comprises net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) represents changes in shareholders' equity and includes foreign exchange gains and losses on the translation of the financial statements of the Company's foreign operations and would be presented as accumulated other comprehensive income (loss). The Company's earnings per share presented on the accompanying statements of operations and comprehensive loss are based upon its net income (loss) and not its comprehensive income (loss), however the Company has not had material income or losses from these sources and, accordingly, has made no adjustments to the accompanying financial statements.

n) Standards, Amendments and Interpretations Not Yet Effective

There are certain pronouncements issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods and that have not been early adopted in these interim condensed consolidated financial statements. These new standards, amendments and interpretations that will or may have an effect on the Company's future results and financial position include:

IFRS 7 Financial Instruments – Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

n) Standards, Amendments and Interpretations Not Yet Effective cont'd

IRFS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

On June 16, 2011, the IASB issued amendments to two previously released standards. These are as follows:

1) IAS 1, 'Presentation of Financial Statements," amends IAS 1 to require additional disclosures for items presented in other comprehensive income (''OCI'') on a before-tax basis and requires items to be grouped and presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently (i.e. items that may be reclassified and those that will not be reclassified to profit or loss). This amendment is effective for annual periods beginning on or after July 1, 2012 and requires full retrospective application. The Company will apply this amendment beginning of its 2013 fiscal year and is currently assessing the impact to its financial statements.

2) IAS 19, "Employee Benefits," amends IAS 19 to eliminate the option to defer the recognition of gains and losses (known as the 'corridor approach'), to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to require enhanced disclosures. This amendment is effective for annual periods beginning on or after January 1, 2013. The Company does not believe that adoption of this standard will have a material effect.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS cont'd

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are discussed below:

a) Capitalization of Exploration and Evaluation Costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 9 for details of capitalized exploration and evaluation costs.

b) Impairment of Mineral Properties and Deferred Exploration Expenditures

While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted futures after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecast, increases in estimated future production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and deferred exploration expenditures.

c) Title to Mineral Property Interests

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

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the income tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

e) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS cont'd

e) Share-Based Payment Transactions cont'd

options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 13.

f) Contingencies

Refer to note 17.

5. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2012 and September 30, 2011.

6. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company has designated its cash as held-for-trading, measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at September 30, 2012 and December 31, 2011, the carrying value of the Company's financial instruments represent their fair value.

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

Fair Value Hierarchy and Liquidity Risk Disclosure

The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of these amendments resulted in additional disclosures in the notes to the consolidated financial statements.

At September 30, 2012 and as at December 31, 2011, the Company's financial instruments that are carried at fair value, consisting of cash have been classified as Level 2 within the fair value hierarchy.

Credit Risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. 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 management believes bear minimal risk.

6. FINANCIAL INSTRUMENTS AND RISK FACTORS cont'd

Liquidity Risk

As at September 30, 2012, the Company had a cash balance of $41,695 (December 31, 2011 - $745,108) to settle current liabilities of $126,114 (December 31, 2011 - $81,565) (note 17). The deficiency is expected to be addressed in the near term by completing one or more equity and/or debt financings. Alternatively, if completion of an additional financing in the near term is delayed, the Company may consider the sale of non-core assets to assist it in meeting its ongoing capital requirements.

Market Risk

a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has no loans and consequently is not required to hedge against interest rate risk.

b) Foreign Currency risk

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

c) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. See note 4 (a) and (b).

d) Fair values

The estimated fair value of the Company's financial instruments has been determined based on the Company's assessment of available market information and appropriate valuation methodologies. However, these estimates may not necessarily be indicative of the amounts that the Company could realize in a current market exchange. The Company's cash, funds held in trust and accounts payable and accrued liabilities are considered financial instruments. The estimated fair values of these financial instruments approximate their carrying amounts because of the limited terms of these instruments.

7. CASH AND CASH EQUIVALENTS

Included in cash as at September 30, 2012 is $0 ($207,250 - December 31, 2011) of proceeds received from the issue of flow-through shares. The use of these funds is restricted to exploration expenditures.

8. FUNDS HELD IN TRUST

Funds held in trust represent monies advanced to lawyers.

(Unaudited - Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

	Shining Tree $	North McFaulds Lake $	South McFaulds Lake $	Awkward Lake $	Core Zone $	Norton Lake $	Tib Lake $	Big Trout Lake $	Muskox $	Total $
Balance at January 1, 2011	1,722,257	170,402	213,138	25,243	58,576	42,133	31,609	0	0	2,263,358
Exploration costs	1,182,132	4,126	309,907	0	0	4,344	0	0	0	1,500,509
Write-off of unsuccessful exploration expenditure	0	(174,528)	0	(25,243)	(58,576)	(46,477)	(31,609)	0	0	(336,433)
Balance at December 31, 2011	2,904,389	0	523,045	0	0	0	0	0	0	3,427,434
Exploration costs	283,432	0	30,612	0	0	0	0	0	0	314,044
Balance at September 30, 2012	3,187,821	0	553,657	0	0	0	0	0	0	3,741,478

9. EXPLORATION AND EVALUATION ASSETS cont'd

a) Shining Tree Property, Ontario

In 2011 the Company vested an option agreement with Skead Holdings Ltd., with respect to 139 claim units (5,680 acres or 2,299 ha), situated in Churchill, MacMurchy and Asquith Townships in Ontario (the "Shining Tree property"). The Company now holds a 100% interest in the claims subject to a 3% NSR and subject to advance royalty payments of $10,000 per year commencing in April 2013. The 3% NSR may be reduced by payment of $400,000 for each 0.5% NSR purchased to a maximum of 1.5% NSR. If the optionor wishes to sell the royalty interest the Company retains a right of first refusal to purchase the NSR. On May 10, 2012 the Company acquired a lease (40 acres, 16 ha) from Gary John McBride for 200,000 shares of the Company. The lease is central to the Shining Tree property.

The Company SEDAR-filed its NI 43-101 technical report dated October 2, 2008, by J.G. Bryant and D. Jamieson (the "Report") which examines the Herrick gold deposit on Shining Tree property and seven other known gold prospects, some of which have been explored underground. The Report qualifies the sampling and drilling work by Unocal (1989) and Fort Knox (1990) compliant with NI 43-101 standards.

In October 2010, the Company entered into an agreement with Canadian Prospecting Ventures ("CPV") to acquire an option on twelve claim units for 474 acres (192ha) adjoining the Shining Tree claims acquired from Skead Holdings Ltd. The CPV option was allowed to lapse in the second quarter of 2012.

Since commencement of exploration in 2008 an airborne geophysical survey, stripping, trenching, sampling, induced polarization and magnetometer surveys, glacial till sampling and the drilling of 64 holes for a total of 8,393 m have been completed.

A provincially significant anomaly comprising high counts of gold grains and nuggets has been defined covering a large portion of the property and the geological interpretation of this feature is that it has been generated by nearby sources, not necessarily but probably, underlying the Shining Tree property.

Channel and composite grab sampling of 72 sections covering a length of 361 m of the Herrick deposit averages 6.98 g/t Au / 1.9 m average true width. Fifty nine qualified drill holes along the same length to a depth of 300m returned average grades from the Central Zone of 2.16 g/t Au / 2.9 m true width. One of the deeper holes returned a 46.1 m mineralized section indicating that the zone is thickening with depth.

b) Ivanhoe Property, Ontario

In December of 2010 and January of 2011, the Company staked 363 claim units comprising approximately 5,808 hectares in Sandy, Crockett, Chewitt, Hellyer, Carty, Pinogami and Ivanhoe Townships near Chapleau in northern Ontario. The properties (Ivanhoe One and Two) were staked to cover a favorable geological trend that extends from Probe Mines, Borden Lake Discovery. A key aspect of the acquisition is that it includes coverage of a drill hole in Sandy Twp by Keevil Mining Group in 1964 which obtained low grade copper mineralization in a fragmental rock of no indicated origin. No gold assays were conducted. The mineralization and rock description are comparable to results achieved on the Probe Borden Lake deposit.

Limited till sampling has been carried out on the claims in 2011 with 19 samples processed by Overburden Drilling Management for gold grains. The best results were three samples that had 6 gold grains two of which contained one pristine grain. These are considered anomalous results in this area. Five of those samples were processed for Kimberlite Indicator Minerals of which one sample contained 1 grain of sperrylite (a platinum ore mineral), and one contained 3 grains of pyrite.

c) North McFaulds, Ontario

The North McFaulds property is located 22 km north of Noront Resources' Eagle One and Double Eagle nickel-copper-PGE discoveries and 30 km southeast of the recent White Pine Resources/Metalex Ventures VMS discoveries. This property comprises 609 contiguous claim units covering 9,862 ha (24,360 acres). The property adjoins on the south and east a claim block held by MacDonald Mines and Temex Resources, and on the west blocks held by Noront Resources/Bold Resources option and Renforth Resources. It was staked to cover a layered intrusion coupled with magnetic anomalies which was recently revealed in survey publications by the Ontario government. A strong linear magnetic anomaly coincident with a strong regional gravity anomaly underlies the property. A qualifying report on the property was filed in May 2011. These mining claims lapsed in the first quarter of 2012.

9. EXPLORATION AND EVALUATION ASSETS cont'd

d) South McFaulds, Ontario

The South McFaulds property is located 25 km southwest of Noront Resources' Eagle One and Double Eagle nickel-copper-PGE and Black Bird chromitite discoveries. This property comprises 696 claim units in nine blocks covering 11,271 ha (27,840 acres). The property adjoins a block held by MacDonald Mines, Temex and Ring of Fire Resources on the southeast. James Bay Resources holds blocks of claims within and to the north of the Company holdings. The Company's property was staked to cover a layered intrusion that is coupled with magnetic anomalies and the projected strike extension to the southwest of the host environment for the Noront discoveries evidenced in outcrop on the property; all of which have been recently revealed in survey publications by the Ontario government. The property is also centered on, and in part marginal to, a regional gravity anomaly. A qualifying report was filed on this property in May, 2011 and an airborne geophysical program was carried out in September, 2011. After filing the report low priority portions of the property were allowed to lapse but 158 claim units comprising 2,528 ha (6,320 acres) were retained.

e) Awkward Lake, Ontario

The Awkward Lake property is located 175 km north of Thunder Bay. This property comprises 88 contiguous claim units covering 1,425 ha (3,520 acres). The property adjoins the Navigator Minerals Inc property on the south and the Precious Metals Inc and Vale Canada Limited properties on the east. It was staked to cover the northern portion of the Awkward Lake intrusion which is believed to be the same age and style as the producing Lac des Iles intrusion belonging to North American Palladium Ltd. and contains known nickel-copper-PGE mineralization. These mining claims lapsed in the first quarter of 2012.

f) Core Zone, Ontario

The Core Zone property is located 174 km north of Thunder Bay and to the south of the previously mentioned Navigator Minerals Inc. property. The Company's property covers 306 claim units comprising 4,896 ha (12,240 acres) and was staked to cover a layered intrusion believed genetically related to the chromium-bearing Puddy Lake ultramafic intrusion. Nickel-copper-PGE mineralization has been found within the area described. These mining claims lapsed in the first quarter of 2012.

g) Norton Lake, Ontario

The Norton Lake property is located 413 km north of Thunder Bay and 50 km northeast of Fort Hope in Ontario. This property comprises 56 claim units for 907 ha (2,240 acres). The property covers a magnetic anomaly to the south and west of a 2.46 million-tonne resource of nickel, copper, cobalt, and palladium held by White Tiger Mining Corp, Rainy Mountain Royalty Corp. and Trillium North Minerals. Lake sediment anomalies in the area suggest an environment promising for these metals on the Norton Lake prospect. A qualifying report was filed on the property in May 2011. These mining claims lapsed in the first quarter of 2012.

h) Tib Lake, Ontario

The Tib Lake property is located 60 km northwest of Thunder Bay. This property comprises 49 claim units covering 793.5 ha (1960 acres). The property adjoins the Tib Lake property of Houston Lake Resources to the south and was staked to cover the northern portion of the Tib Lake layered intrusion. The intrusion is known to be related to the producing Lac des Iles intrusion and is mineralized on the adjacent property with nickel-copper-PGEs. The Company performed initial till sampling on the property. In October 2012, the property was sold to Lac des Iles Mines Ltd., a wholly owned subsidiary of North American Palladium for $25,000 plus a 0.5% net smelter royalty (note 18).

i) 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. On February 10, 2006 the Company acquired a 100% unencumbered interest in 81 renewable 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). 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") restricted access to the property preventing commencement of the drill program. In April 2006, the Company commenced a lawsuit against KI for damages and sought unobstructed access to its mining claims and leases. In February 2008, the Company delivered written notice to the Province of Ontario of its intention to proceed with legal action for recovery from Ontario of damages suffered by the Company arising from the dispute with KI. The claims and leases were surrendered in December 2009 to the Ontario government in return for a payment of $5,000,000 plus additional mediation and negotiation costs totaling $377,056 and a 2.5% Net Smelter Royalty.

(Unaudited - Expressed in Canadian Dollars)

9 EXPLORATION AND EVALUATION ASSETS cont'd

j) Muskox Property, Nunavut

In November, 2007, the Company completed the staking of 38 mining claims totaling 87,058 acres (35,246 ha.) on the Muskox intrusion. The Muskox property is located 30 km south of Kugluktuk and 350 km north of Yellowknife and has been staked to cover a portion of the Muskox layered intrusion. The feature is one of the largest mafic layered intrusions in the world and is prospective for PGE's. The Company posted a qualifying report on this property in October 2008. As the Company chose not to complete the necessary assessment work to maintain the Muskox property claims, the claims expired in November 2010 and the property has accordingly been written off.

10. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance at January 1, 2011	$ 31,764	$ 55,507	$ 7,782	$ 92,898
Additions	0	0	0	0
Disposals	0	0	0	0
Balance at December 31, 2011	$ 31,764	$ 55,507	$ 7,782	$ 95,053
Additions	0	0	0	0
Disposals	0	0	0	0
Balance at September 30, 2012	$ 31,764	$ 55,507	$ 7,782	$ 95,053
Depreciation and impairment losses				
Balance at January 1, 2011	$ 23,106	$ 24,501	$ 4,082	$ 51,689
Depreciation	2,597	6,201	1,531	10,329
Impairment loss	0	0	0	0
Disposals	0	0	0	0
Balance at December 31, 2011	$ 25,703	$ 30,702	$ 5,613	$ 62,018
Depreciation	1,364	3,721	1,148	6,233
Impairment loss	0	0	0	0
Disposals	0	0	0	0
Balance at September 30, 2012	$ 27,067	$ 34,423	$ 6,761	$ 68,251
Carrying amounts				
At January 1, 2011	$ 8,658	$ 31,006	$ 3,700	$ 43,364
At December 31, 2011	$ 6,061	$ 24,805	$ 2,169	$ 33,035
At September 30, 2012	$ 4,697	$ 21,084	$ 1,021	$ 26,802

(Unaudited - Expressed in Canadian Dollars)

11. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

Flow-through Shares		Flow-through Share Liability
Balance at January 1, 2011	$	21,852
Liability incurred on flow-through shares issued		41,450
Settlement of flow-through share liability on incurring expenditures		(21,852)
Balance at December 31, 2011	$	41,450
Liability incurred on flow-through shares issued		0
Settlement of flow-through share liability on incurring expenditures		(41,450)
Balance at September 30, 2012	$	0

On December 22, 2011 the Company completed a private placement of 2,763,333 flow-through units at $0.075 per unit. Each unit consisted of one flow-through common share and 1/2 of one common share purchase warrant. For further details refer to note 13h. The Company recorded a premium of $41,450 on these shares generating a liability.

On December 16, 2010, the Company completed a private placement of 364,200 flow-through units at $0.19 per unit. Each unit consisted of one flow-through common share and 1/2 of one common share purchase warrant. For further detail refer to note 13f. The Company recorded a premium of $21,852 on these shares, generating a liability which was recorded as a credit on the statement of operations on renunciation in February 2012.

12. SHARE CAPITAL

a) Authorized: Unlimited number of common shares

b) Issued:

		Number of shares		Amount
Balance at January 1, 2011		46,850,539	$	5,878,425
Share issue per property option agreement (note 12c)		1,045,454		115,000
Shares issued via private placement (note 12d)		100,000		6,000
Flow-through shares issued for cash (note 12d)		2,763,333		207,250
Share purchase warrants				(42,950)
Premium on flow-through shares				(41,450)
Value of broker warrants				(5,520)
Financing cost of share issue				(15,706)
Balance at December 31, 2011		50,759,326		6,101,049
Share issue per property lease (note 12e)		200,000		10,000
Balance at September 30, 2012	$	50,959,326	$	6,111,049

(Unaudited - Expressed in Canadian Dollars)

12. SHARE CAPITAL cont'd

c) On May 14, 2011, the Company issued 1,045,454 common shares with a determined value per share of $0.11 as final consideration under the option agreement with Skead Holdings Ltd. for the Shining Tree property (note 9a).

d) On December 22, 2011 the company completed a non-brokered private placement of 2,763,333 flow-through units at $0.075 per unit, and 100,000 working capital units at $0.06 per unit, to raise $213,250. Each flow-through unit consisted of one flow-through common share and 1/2 of one warrant. Each working capital unit consisted of one common share and 1/2 of one warrant.

Each whole warrant is exercisable for a common share of the Company at an exercise price of $0.10 on or before September 22, 2012 and thereafter at an exercise price of $0.15. The warrants expire on June 22, 2013; provided that if the average closing price of the Company's common shares is over $0.20 per share for 20 consecutive trading days ending more than four months after the closing of this offering, the Company may give written notice to the holders of the warrants changing the expiry date to a date which is not less than 30 days following that written notice.

The Company paid finder's fees of $9,200 and issued 122,667 broker warrants in connection with this closing. The broker warrants may be exercised on or before June 22, 2013 at an exercise price of $0.075 per warrant. Upon exercise of a broker warrant, the holder will receive one common share and 1/2 of one warrant on the same terms as the warrant issued in the offering.

e) On March 30, 2012 the Company entered into an agreement to acquire a lease (40 acres, 16 ha) in exchange for 200,000 common shares of the Company @ $0.05 per share; the transaction closed on May 10, 2012.

13. SHARE BASED PAYMENTS

a) Share Purchase Warrants

	Number of warrants	**Weighted average Exercise price**	**Value of warrants**
Balance, January 1, 2011	5,067,136	$ 0.15	$ 378,613
Granted, private placements	1,615,667	0.13	48,470
Exercised	0	0	0
Expired or cancelled	0	0	0
Balance, December 31, 2011	6,682,803	$ 0.15	$ 427,083
Granted, private placements	0	0	0
Exercised	0	0	0
Expired or cancelled	(4,885,036)	0.15	(369,546)
Balance, September 30, 2012	1,797,767	$ 0.14	$ 57,537

(Unaudited - Expressed in Canadian Dollars)

13. SHARE BASED PAYMENTS cont'd

a) Share Purchase Warrants cont'd

Number of Warrants	Exercise Price	Grant Date Fair Value Of Warrants	Date of Expiry
182,100	$ 0.27	$ 12,747	16-Dec-12
1,431,667	0.13	42,950	22-Jun-13
184,000	0.07	1,840	22-Jun-13
1,797,767		$ 57,537	

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

	2011	2010
Expected dividend yield	0	0
Expected volatility	159%	136%
Risk free interest rate	0.92%	1.53%
Expected life	1.5 years	1.5 to 2 years

b) Share Purchase 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 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 has been charged to the statement of loss and comprehensive loss and has been offset to contributed surplus. During the year ended December 31, 2010, 120,000 (December 31, 2009 325,000) of these options were cancelled.

In March 2009, the Company granted options to purchase 220,000 shares at an option price of $0.20 per share to certain employees and eligible consultants. In March 2009, the Company approved and in June 2009, the non participatory shareholders ratified, the re-pricing of 2,180,000 options issued in prior periods having a weighted average exercise price of $0.35 per share to $0.20 per share.

On June 1, 2010, the Company granted to an investor relations firm 120,000 options with an exercise price of $0.20 per share.

On June 25, 2010, the Company granted to certain of the Company's directors, officer and eligible consultants 1,020,000 options with an exercise price of $0.20 per share.

On January 5, 2011, the Company granted to an investor relations firm 170,000 options with an exercise price of $0.20 per share.

On April 1, 2011, the Company granted to certain employees, directors and eligible consultants options to purchase 1,560,000 shares with an exercise price of $0.12 per share

(Unaudited - Expressed in Canadian Dollars)

13 SHARE BASED PAYMENTS cont'd

b) Share Purchase Options

Summary of stock option activity:

	Number of Stock Options	Weighted Average Exercise Price	Value of Options
Balance, January 1, 2011	3,420,000	$ 0.20	$ 150,000
Granted	1,730,000	0.13	129,050
Exercised	0	0	0
Expired or cancelled	(1,180,000)	0.20	(27,800)
Balance, December 31, 2011	3,970,000	$ 0.16	$ 251,250
Granted	0	0	0
Exercised	0	0	0
Expired or cancelled	(210,000)	0.20	(5,050)
Balance, September 30, 2012	3,760,000	$ 0.18	$ 246,200

As at September 30, 2012, 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
October 16, 2012	780,000	780,000	0.20	$ 15,600
November 19, 2012	60,000	60,000	0.20	1,200
March 11, 2014	220,000	220,000	0.20	11,000
May 31, 2015	120,000	120,000	0.20	12,000
June 25, 2015	1,020,000	1,020,000	0.20	81,600
April 1, 2016	1,560,000	1,560,000	0.12	124,800
	3,760,000	3,760,000		$ 246,200

Black-Scholes Option Pricing Assumptions	2011	2010
Expected dividend yield	0%	0%
Expected volatility	96.58%	135.85%
Risk-free interest rate	2.56%	2.35%
Expected life	5 years	5 years

(Unaudited - Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

Remuneration of directors and key management personnel during the nine months ended September 30, 2012 and September 30, 2011 was:

	September 30 2012	September 30 2011
Management salaries and fees	$ 316,715	$ 360,000
Share-based payments	0	109,600
	$ 316,715	$ 469,600

For the nine months ended September 30, 2012, $57,518 ($150,400 – 2011) of the management fees and salaries were allocated to exploration and evaluation assets. Share based payments are the fair value of options granted to directors and key management personnel which vested during the period. At September 30, 2012, accounts payable included $112,250 (December 31, 2011 - $0) due to related parties.

15. SEGMENTAL REPORTING

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

16. 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 and warrants was not included in the calculation of diluted loss per share since the calculation would be anti-dilutive.

17. COMMITMENTS AND CONTINGENCIES

Pursuant to the issuance of 2,763,333 flow-through shares in December 2011, the Company renounced $207,250 of qualified exploration expenditures in the first quarter of fiscal 2012. As at September 30, 2012, the Company has met its expenditure commitment.

The Company has agreed to indemnify certain subscribers of current and previous flow-through share offerings against any income tax payable by the subscriber in the event the Company does not meet its expenditure commitments.

During the years 2005 to 2008, the Company issued flow-through common shares for gross proceeds of $1,550,000 from private placement offerings of securities. In accordance with the terms of these flow-through share offerings and pursuant to certain provisions of the Income Tax Act (Canada) (the “Act”), the Company renounced for income tax purposes these exploration expenditures and was obligated to spend these funds on Qualifying Canadian Exploration Expenditures (“CEE”).

Following an audit by Canada Revenue Agency (“CRA”) of the Company’s CEE for 2005 to 2008 which was substantially completed prior to December 31, 2011, the CRA has taken the position that only $590,801 of flow-through proceeds was spent on CEE. On this basis, the remainder of $959,199 is potentially subject to tax in accordance with Part XII.6 of the Act and, together with related penalties and interest, $191,340 has been included in accrued liabilities as at December 31, 2011. On April 4, 2012, CRA issued Notices of Assessment and Reassessment to the Company totaling $191,340 including penalties and interest which has been included in accrued liabilities. The Company has filed Notices of Objection to dispute CRA’s interpretation and the validity of the Notices of Assessment and Reassessment.

In accordance with the terms of subscription agreements with certain purchasers of flow-through shares, the Company has agreed to indemnify such investors for an amount equal to the amount of any income tax payable, or income tax that may become payable, by the purchaser, under the Act, as a result of any reduction of previously renounced CEE. The Company has also estimated the potential liability resulting from any claims which may arise as a result of possible

(Unaudited - Expressed in Canadian Dollars)

17. COMMITMENTS AND CONTINGENCIES cont'd

reassessments denying CEE claimed by investors in 2005 to 2008 to be $633,071 which has been included in accrued liabilities as at September 30, 2012 and December 31, 2011. The actual liability will depend upon a number of factors including the personal tax income tax positions of the investors and the Company's success in its objection proceedings with CRA. The outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favour.

Lease Commitments

The company is committed to the following minimum payments under operating leases for office space:

2012	$	78,135
2013	$	32,841

18. Subsequent Events

On September 26, 2012, the Company entered into an agreement to sell the Tib Lake property to Lac des Iles Mines Ltd., a wholly owned subsidiary of North American Palladium for $25,000 plus a 0.5% net smelter royalty; the transaction closed on October 2, 2012.