



Adex Mining Inc.  
Consolidated Interim Financial Statements  
For the three and nine months ended  
September 30, 2008  
(Unaudited)



**ADEX MINING INC.  
(the "Company")**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 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 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 financial statements.

DATED this 24th day of October, 2008.

**ADEX MINING INC.**

Per: (signed) "Kabir Ahmed"  
Name: Kabir Ahmed  
Title: Chief Executive Officer

Per: (signed) "Errol Farr"  
Name: Errol Farr  
Title: Chief Financial Officer



**ADEX Mining Inc.**  
**Consolidated Balance Sheets**

As at	September 30 2008 \$	December 31 2007 \$
	(Unaudited)	
<b>Assets</b>		
Current		
Cash	4,343,899	5,827,894
Committed cash	106,685	2,757,536
Accounts receivable	547,662	119,048
Prepaid expenses	143,002	169,336
Interest receivable	69,193	27,660
	<b>5,210,441</b>	<b>8,901,474</b>
Mineral properties (note 3)	5,146,976	815,551
Reclamation bond	681,851	687,668
Capital assets net of depreciation of \$9,802 (2007 - \$764)	11,620	17,161
	<b>11,050,888</b>	<b>10,421,854</b>
<b>Liabilities</b>		
Current		
Accounts payable & accruals	507,985	255,805
<b>Shareholders' equity (note 4)</b>		
Share capital	38,859,324	37,070,091
Contributed surplus	1,110,131	678,355
Warrants	318,722	762,210
Deficit	(29,745,274)	(28,344,607)
	<b>10,542,903</b>	<b>10,166,049</b>
	<b>11,050,888</b>	<b>10,421,854</b>

*The accompanying notes are an integral part of these financial statements*

Approved on behalf of the board:

*(signed) "Alan Marshall"*  
 Director

*(signed) "Errol Farr"*  
 Director



**ADEX Mining Inc.****Consolidated Statements of Loss, Comprehensive Loss and Deficit**

(Unaudited)	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Expenses</b>				
Administrative and general	211,562	509,513	741,643	921,618
Stock based compensation (note 4)	137,778	86,825	431,776	558,325
Mineral property expenses	72,296	169,585	336,248	216,851
Depreciation	294	-	882	-
Interest on property tax payable	-	30,451	-	91,887
Interest on convertible debentures	-	986	-	52,963
Interest earned on funds on deposit	(20,026)	(71,435)	(109,883)	(71,435)
	<b>401,904</b>	<b>797,360</b>	<b>1,400,666</b>	<b>1,841,644</b>
<b>Net loss and comprehensive loss</b>	<b>(401,904)</b>	<b>(797,360)</b>	<b>(1,400,666)</b>	<b>(1,841,644)</b>
Deficit, beginning of period	(29,343,370)	(28,140,120)	(28,344,608)	(27,095,836)
<b>Deficit, end of period</b>	<b>(29,745,274)</b>	<b>(28,937,480)</b>	<b>(29,745,274)</b>	<b>(28,937,480)</b>
Weighted average number of shares outstanding	84,107,948	63,111,078	83,349,711	42,263,631
Basic and diluted loss per share	(0.00)	(0.01)	(0.02)	(0.04)

*The accompanying notes are an integral part of these financial statements*



**ADEX Mining Inc.**  
**Consolidated Statements of Cash Flows**

(Unaudited)	For the three months ended September 30		For the nine months ended September 30	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Operating activities</b>				
Net loss for the period	(401,904)	(797,360)	(1,400,666)	(1,841,644)
Items not affecting cash:				
Stock based compensation	137,778	86,825	431,776	558,325
Depreciation of capital assets	2,232	382	6,695	764
Amortization of bond premium	1,939	-	5,817	-
Interest on convertible debentures	-	986	-	52,963
	(259,955)	(709,167)	(956,378)	(1,229,592)
Change in non-cash working capital	(466,658)	(416,453)	(191,634)	105,033
	(726,613)	(1,125,620)	(1,148,012)	(1,124,558)
<b>Investing activities</b>				
Additions to capital equipment	-	-	(1,154)	-
Additions to mineral properties	(2,177,131)	(56,302)	(4,331,425)	(56,302)
	(2,177,131)	(56,302)	(4,332,579)	(56,302)
<b>Financing activities</b>				
Issuance of common shares	-	9,000,000	-	9,000,000
Share issue expense	-	(600,866)	-	(600,866)
Exercise of warrants	-	71,535	1,345,745	71,535
	-	8,470,669	1,345,745	8,470,669
Change in cash	(2,903,744)	7,288,747	(4,134,846)	7,289,808
Cash, beginning of period	7,354,327	67,471	8,585,430	66,410
<b>Cash, end of period</b>	<b>4,450,584</b>	<b>7,356,218</b>	<b>4,450,584</b>	<b>7,356,218</b>
Cash is comprised of:				
Cash	4,343,899	7,356,218	4,343,899	7,356,218
Committed cash	106,685	-	106,685	-

*The accompanying notes are an integral part of these financial statements*



# **Adex Mining Inc.**

## **Notes to the Consolidated Financial Statements**

September 30, 2008

### **1. NATURE OF OPERATIONS**

Adex Mining Inc. (the "Company") holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the "Property" or "Mount Pleasant"). Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine.

The Company has interests in resource properties which it is in the process of exploring and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

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

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2007 (except as noted below) and should be read in conjunction with those statements as they do not contain all information or disclosure to be accordance with Canadian generally accepted accounting principles for annual financial reporting. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. Operating results for the three and nine months ended September 30, 2008 may not be indicative of the results that may be expected for the full year ending December 31, 2008.

#### **Cash and cash equivalents**

Cash and cash equivalents represent cash and short-term deposits with original maturity dates of less than three months or which are readily convertible into known amounts of cash. Cash and cash equivalents at December 31, 2007 and September 30, 2008 consists solely of bank deposits.

#### **Use of estimates and assumptions**

The preparation of the unaudited interim period consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited interim period consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Actual results could differ from these estimates.

#### **Change in accounting policy – Capital Disclosures**

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 - Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new section places increased emphasis on disclosures about the nature and extent of risks and as such did not have an impact on the Company's financial results or position.

#### **Change in accounting policy – Financial Instruments – Disclosure and Presentation**

CICA Handbook Sections 3862 - Financial Instruments – Disclosure and 3863 - Financial Instruments – Presentation have been adopted for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. The new Sections 3862 and 3863 replace Handbook Section 3861 - Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures



about the nature and extent of risks arising from financial instruments and how the entity manages those risks and as such did not have an impact on the Company's financial results or position.

#### **Change in accounting policy - General Standards of Financial Statement Presentation**

The CICA amended CICA Handbook Section 1400 - General Standards of Financial Statement Presentation to include requirements to assess and disclose an entity's ability to continue as a going concern. The main features of the changes are as follows:

- Management is required to make an assessment of an entity's ability to continue as a going concern;
- In making its assessment, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date;
- Financial statements must be prepared on a going concern basis unless management intends to liquidate the entity, to cease trading or cease operations, or has no realistic alternative but to do so;
- Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern; and
- When financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason the entity is not regarded as a going concern.

The adoption of this change in accounting policy had no impact on the Company's financial results or position.

#### **Future changes in accounting policy – Goodwill and Other Intangible Assets and Financial Statement Concepts**

In November 2007, the CICA:

- Issued amendments to CICA Handbook Section 1000 - Financial Statement Concepts and AcG 11 - Enterprises in the Development Stage;
- Issued a new Handbook Section 3064 - Goodwill and Intangible Assets to replace Handbook Section 3062 - Goodwill and Other Intangible Assets; and
- Withdrew Handbook Section 3450 - Research and Development Costs and amended EIC 27 - Revenues and Expenditures During the Pre-operating Period to not apply to entities that have adopted Section 3064.

These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and, therefore, the Company will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

### **3. MINERAL PROPERTIES**

<b>Mount Pleasant Property, New Brunswick</b>	Exploration & development \$	Tailings dam upgrade \$	Total \$
Balance, December 31, 2007	815,551	-	815,551
Additions	457,655	-	457,655
Balance, March 31, 2008	1,273,206	-	1,273,206
Additions	1,471,752	224,887	1,696,639
Balance, June 30, 2008	2,744,958	224,887	2,969,845
Additions	1,784,952	392,179	2,177,131
Balance, September 30, 2008	4,529,910	617,066	5,146,976

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land. Expenditures to September 30, 2008 relate to the drilling, consulting and other activities



associated with the ongoing preparation of two new National Instrument ("NI 43-101") technical reports and, associated scoping studies. Tailings impoundment facility expenditures relate to the repair and rehabilitation of the Mount Pleasant tailings dam in order to comply with government regulations and in anticipation of future production requirements.

#### 4. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. The following table provides the details of changes in the number of issued common shares over the three and nine months ended September 30, 2008:

	Number of shares	Amount \$
Balance, December 31, 2007	74,659,015	37,070,091
Warrants exercised	2,696,550	359,824
Balance, March 31, 2008	77,355,565	37,429,915
Warrants exercised	10,761,796	1,429,409
Balance, June 30, 2008 and September 30, 2008	88,117,361	38,859,324

#### Stock options

On January 30, 2008, the Company granted 50,000 common share options with an exercise price of \$0.33 to a consultant providing project management services to the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on January 30, 2013.

On June 11, 2008, the Company granted an aggregate of 1,600,000 common share options with an exercise price of \$0.30 to directors, officers and certain employees and consultants of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on June 11, 2013.

On August 8, 2008, 190,000 common share stock options expired unexercised.

The following summary sets out the activity in outstanding common share stock options over the three and nine months ended September 30, 2008:

	Options #	Weighted-average exercise price \$
Outstanding, December 31, 2007	4,240,000	0.31
Granted January 30, 2008	50,000	0.33
Granted June 11, 2008	1,600,000	0.31
Expired August 8, 2008	(190,000)	0.34
Outstanding, September 30, 2008	5,700,000	0.31
Options exercisable at September 30, 2008	4,452,500	0.31

The details of stock options outstanding at September 30, 2008 are as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
2,050,000	2,050,000	3.76 years	\$0.30	June 29, 2012
1,510,000	1,510,000	3.76 years	\$0.30	June 29, 2012
250,000	250,000	3.85 years	\$0.40	August 2, 2012
140,000	105,000	3.90 years	\$0.35	August 20, 2012
150,000	112,500	4.18 years	\$0.45	November 28, 2012
50,000	37,500	4.35 years	\$0.33	January 30, 2013
1,550,000	387,500	4.71 years	\$0.30	June 11, 2013



The weighted average fair value of the options granted is \$0.31 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 3.45% to 4.70%, expected dividend yield of nil, average expected volatility ranging from 91.8% to 100% and expected life term of five years. Under this method of calculation, the Company has recorded \$137,778 (2007 - \$86,825) as stock based compensation, being the fair value of the options vested during period, for the three months ended September 30, 2008 and \$431,776 (year ended December 31, 2007 - \$558,325) for the nine months ended September 30, 2008. Options that have been issued and remain outstanding vest in one of three ways: (1) immediately on date of grant; (2) over one year from the date of grant, in equal quarterly installments commencing three months following the date of grant; or (3) over a period of eighteen months in quarterly installments commencing three months following the date of grant of 12.5%, 12.5%, 25%, 25%, 12.5% and 12.5%.

## Warrants

The following summary sets out the activity in the Company's outstanding common share purchase warrants over the three and nine months ended September 30, 2008:

	Warrants	Exercise Price Range
Outstanding, December 31, 2007	15,858,350	\$0.10 to \$0.60
Exercised	(2,696,550)	\$0.10
Outstanding, March 31, 2008	13,161,800	\$0.10 to \$0.60
Exercised	(10,761,800)	\$0.10
Expired	(1,800,000)	\$0.30
Outstanding, June 30, 2008 and September 30, 2008	600,000	\$0.10 to \$0.60

The details of the Company's outstanding common share purchase warrants at September 30, 2008 are as follows:

Number of warrants	Remaining contractual life	Exercise price per share	Expiry date
350,000	0.75 years	\$0.60	March 13, 2009
250,000	0.88 years	\$0.10-0.30	June 30, 2009

## 5. RELATED PARTY TRANSACTIONS

During the three month period ended September 30, 2008, the Company incurred expenses of \$73,500 (three month period ended September 30, 2007 - \$49,500) with directors and officers of the Company for director's fees and consulting and administrative services in the normal course of operations. During the nine month period ended September 30, 2008, the Company incurred expenses of this nature of \$220,500 (nine month period ended September 30, 2007 - \$126,500). These amounts were expensed in the period incurred as administrative and general expenses. Expenses and amounts owing are measured at the exchange amount.

In the nine month period ended September 30, 2008, the Company has paid bonuses of an aggregate of \$90,000 (nine month period ended September 30, 2007 - \$410,000) to certain of the senior officers of the Company as a special bonus in recognition of their efforts with regard to the Company's progress.

There are no amounts payable to these related parties at September 30, 2008. The amounts paid and owing are measured at the exchange amount, are non-interest bearing and due on demand.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Categories of financial assets and liabilities

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale on the consolidated balance sheet are classified into the following categories:



	September 30 2008 \$	December 31 2007 \$
Held for trading <sup>(1)</sup>	4,450,584	8,585,430
Loans and receivables <sup>(2)</sup>	616,817	146,708
Held to maturity <sup>(3)</sup>	681,851	687,668
Other financial liabilities <sup>(4)</sup>	507,947	255,805

(1) Includes cash and committed cash

(2) Includes accounts receivable.

(3) Reclamation bond

(4) Includes accounts payable and accrued liabilities.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying value.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

**(a) Market risk**

*(i) Price risk*

*Commodity price risk*

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecast future sales of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

*Sensitivity*

At September 30, 2008, a change in the value of tungsten, molybdenum, tin or indium would not change the recognized value of any of the Company's financial instruments.

*(ii) Cash flow fair value interest rate risk*

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.



**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

**(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the closing price.

**7. MANAGEMENT OF CAPITAL**

The Company's objective when managing capital is to maintain adequate levels of funding to support exploration and development of its Mount Pleasant property and to maintain corporate and administrative functions.

The Company manages its capital structure in a manner that provides sufficient funding for mineral exploration and operational activities. Funds are primarily secured through issuance of common share capital. There can be no assurance that the Company will be able to continue to adequately fund its business in this manner.