SULTAN MINERALS INC.
(an exploration stage company)
ANNUAL FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(Expressed in Canadian Dollars)

MORGAN LLP
CHARTERED ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Sultan Minerals Inc.

Report on the financial statements

We have audited the accompanying financial statements of Sultan Minerals Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sultan Minerals Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan LLP"*

March 14, 2013 — Chartered Accountants

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SULTAN MINERALS INC.

(an exploration stage company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31	
	2012	2011
Assets		
Current assets		
Short-term investments (Note 6)	**$ 363,000**	$ 65,000
Receivables	**30,670**	57,155
Prepaid expenses	**14,106**	16,366
Total current assets	**407,776**	138,521
Exploration and evaluation assets (Note 5)	**8,715,249**	9,438,584
Investments (Note 7)	**70**	196
Equipment (Note 8)	**453**	1,868
Credit card deposit (Note 9)	**17,250**	17,250
Reclamation deposits	**21,120**	21,120
Total assets	**$ 9,161,918**	$ 9,617,539
Liabilities and Equity		
Current liabilities		
Cheques written in excess of funds on deposit	**$ 7,450**	$ 19,932
Accounts payable and accrued liabilities	**78,477**	79,983
Deferred revenue	**-**	37,778
Due to related parties (Note 11)	**-**	36,489
Total current liabilities	**85,927**	174,182
Equity		
Share capital (Note 10)	**22,861,534**	22,719,474
Warrants reserve (Note 10)	**429,049**	368,616
Share-based payments reserve	**3,504,469**	3,307,659
Accumulated other comprehensive loss	**(3,847)**	(3,721)
Deficit	**(17,715,214)**	(16,948,671)
Total equity	**9,075,991**	9,443,357
Total liabilities and equity	**$ 9,161,918**	$ 9,617,539

Going concern (Note 2)

Approved on behalf of the Board of Directors:

/s/ "Arthur G. Troup"	/s/ "Robin Merrifield"
Arthur G. Troup, Director	Robin Merrifield, Director

See accompanying notes to financial statements.

SULTAN MINERALS INC.

(an exploration stage company)
Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended December 31, 2012	2011
Expenses		
Depreciation	**$ 1,415**	$ 1,931
Legal, accounting and audit	**78,499**	65,820
Management fees (Note 11(b))	**30,000**	30,000
Office and administration	**118,107**	131,916
Salaries and benefits	**186,946**	187,042
Shareholder communications	**124,658**	160,358
Share-based payments (Note 10)	**196,810**	-
Travel and conferences	**4,484**	9,069
Unrealized loss on short-term investment	**30,000**	-
Interest and other recoveries	**(4,376)**	(1,960)
Total expenses	**766,543**	584,176
Net loss for the year	**(766,543)**	(584,176)
Other comprehensive loss		
Unrealized loss on investments (Note 7)	**(126)**	(159)
Comprehensive loss for the year	**$ (766,669)**	$ (584,335)
Loss per share, basic and diluted	**$ (0.01)**	$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	**134,319,732**	130,464,692

See accompanying notes to financial statements.

SULTAN MINERALS INC.

(an exploration stage company)
Statements of Changes in Equity
Years Ended December 31, 2012 and 2011
(Expressed in Canadian Dollars)

	Common Shares Without Par Value						
	Shares	Amount	Warrants Reserve	Share-based Payments Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance, December 31, 2010	130,446,918	$ 22,715,974	$ 368,616	$ 3,307,659	$ (3,562)	$ (16,364,495)	$ 10,024,192
Shares issued for mineral property interest and other							
Garnet Lead-Zinc Property	100,000	3,000	-	-	-	-	3,000
Daylight Claim Group	12,500	500	-	-	-	-	500
Other comprehensive loss	-	-	-	-	(159)	-	(159)
Net loss for the year	-	-	-	-	-	(584,176)	(584,176)
Balance, December 31, 2011	130,559,418	22,719,474	368,616	3,307,659	(3,721)	(16,948,671)	9,443,357
Private placement, net of share issue cost	4,000,000	126,245	66,748	-	-	-	192,993
Agent's warrants exercised	100,000	11,315	(6,315)	-	-	-	5,000
Shares issued for mineral property interest							
Garnet Lead-Zinc Property	100,000	4,000	-	-	-	-	4,000
Daylight Claim Group	12,500	500	-	-	-	-	500
Stock options granted	-	-	-	196,810	-	-	196,810
Other comprehensive loss	-	-	-	-	(126)	-	(126)
Net loss for the year	-	-	-	-	-	(766,543)	(766,543)
Balance, December 31, 2012	**134,771,918**	**$ 22,861,534**	**$ 429,049**	**$ 3,504,469**	**$ (3,847)**	**$ (17,715,214)**	**$ 9,075,991**

See accompanying notes to financial statements.

SULTAN MINERALS INC.

(an exploration stage company)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended December 31, 2012	Years Ended December 31, 2011
Operating Activities		
Net loss for the year	**$ (766,543)**	$ (584,176)
Items not involving cash:		
Depreciation	**1,415**	1,931
Share-based payments	**196,810**	-
Unrealized loss on short-term investment	**30,000**	-
Changes in non-cash operating working capital		
Receivables	**26,485**	26,550
Due to related parties	**(36,489)**	25,332
Prepaid expenses	**2,260**	3,241
Accounts payable and accrued liabilities	**(4,192)**	(34,280)
Deferred revenue	**(12,778)**	-
Cash used in operating activities	**(563,032)**	(561,402)
Investing Activities		
Exploration and evaluation assets		
Acquisition costs	**(3,750)**	(17,480)
Exploration and evaluation costs	**(44,931)**	(93,227)
Options proceeds and LOI deposit received	**400,000**	50,000
LOI deposit refunded	**(25,000)**	-
Mineral exploration tax credits received	**169,202**	-
Short-term investments (purchased) redeemed	**(118,000)**	415,000
Cash provided by investing activities	**377,521**	354,293
Financing Activities		
Shares issued pursuant to private placement, net of share issue costs	**192,993**	-
Agent's warrants exercised	**5,000**	-
Cash provided by financing activities	**197,993**	-
Increase (decrease) in cash during the year	**12,482**	(207,109)
(Cheques issued in excess of funds on deposit) cash, beginning of year	**(19,932)**	187,177
Cheques issued in excess of funds on deposit, end of year	**$ (7,450)**	$ (19,932)
Supplemental information		
Income tax paid	**$ -**	$ -
Interest paid	**$ 1,129**	$ 1,380
Interest received	**$ 5,505**	$ 3,340
Shares issued for mineral property interests	**$ 4,500**	$ 3,500
Shares received from option proceeds	**$ 210,000**	$ -

See accompanying notes to financial statements.

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Sultan Minerals Inc., incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol SUL. The address of the Company's corporate office and its principal place of business is 1066 West Hastings Street, Suite 2000, Vancouver, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The amounts shown as mineral properties and related capitalized exploration costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issuance by the Board of Directors on March 14, 2013.

b) Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $17,715,214 at December 31, 2012 (2011 - $16,948,671), which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future (see Note 14). These factors may cast significant doubt on the use of the going concern basis of accounting.

c) Measurement Basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

d) Use of Estimates and Critical Judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets, decommissioning liabilities, deferred income tax assets and liabilities, and assumptions used in valuing options and warrants in share-based compensation calculations. Actual results could differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term money market investments that are readily convertible to cash with original maturities of 90 days or less from the original date of acquisition. The Company has designated cash as fair value through profit or loss. All gains and losses are recognized in income in the period in which they arise.

b) Short-term Investments

Short-term investments are classified as fair value through profit or loss and recorded at fair value with realized and unrealized gains and losses recognized in income. All guaranteed investment certificates ("GICs") have original maturity dates ranging from 91 days to 1 year from acquisition.

c) Mineral Exploration and Evaluation Expenditures

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

Option payments received are treated as a reduction of the carrying value of the related mineral property until the Company's option and/or royalty payments received are in excess of costs incurred and then are recognized in income.

All expenditures related to the cost of exploration and evaluation of mineral properties including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned or determined to be impaired.

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

d) Impairment of Non-financial Assets

Equipment and exploration and evaluation assets are regularly tested for recoverability or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment of an exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Impairment of Non-financial Assets (Continued)

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

e) Government Assistance and Tax Credits

Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits related. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

f) Investments

Long-term investments are classified as available-for-sale, and are carried at quoted market value, where applicable, or at an estimate of fair value. Resulting unrealized gains, net of applicable deferred income taxes, or losses, are reflected in other comprehensive income while realized gains, net of income taxes, or losses are recognized in income.

g) Equipment and Depreciation

Equipment is recorded at cost. Depreciation is recorded using a straight-line method based on the estimated future lives of the assets at rates ranging from two to five years. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

h) Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share Capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods or services received is determinable.

k) Loss per Common Share

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

l) Share-based Payments

The Company records all share-based payments at their fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the granted date. The grant date fair value is recognized in the statement of operations over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of operations. Options or warrants granted 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.

Warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to the Company's reserve accounts. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

m) Flow-through Shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability, which is reversed into the statement of operations within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

n) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. All transactions related to financial instruments are recorded on a trade date basis.

o) Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

a) New Accounting Standards Effective January 1, 2013

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

b) New Accounting Standards Effective January 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2012
Acquisition costs					
As at December 31, 2011	$ 535,841	$ 696,447	$ -	$ 1	**$ 1,232,289**
Incurred during the year	4,250	4,000	-	-	**8,250**
Option proceeds and LOI deposit received	(500,000)	(12,778)	-	-	**(512,778)**
As at December 31, 2012	40,091	687,669	-	1	**727,761**
Exploration and evaluation costs					
Incurred during the year					
Assays and analysis	-	-	-	-	-
Geological and geophysical	-	462	-	-	**462**
Site activities	17,248	42,685	-	-	**59,933**
Travel and accommodation	-	-	-	-	-
Mineral exploration tax credits received	-	(169,202)	-	-	**(169,202)**
Option proceeds received	(110,000)	-	-	-	**(110,000)**
	(92,752)	(126,055)	-	-	**(218,807)**
As at December 31, 2011	3,280,407	4,899,040	26,708	140	**8,206,295**
As at December 31, 2012	3,187,655	4,772,985	26,708	140	**7,987,488**
Balance, December 31, 2012	$ 3,227,746	$ 5,460,654	$ 26,708	$ 141	**$8,715,249**

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2011
Acquisition costs					
As at December 31, 2010	$ 527,861	$ 695,669	$ -	$ 1	$1,223,531
Incurred during the year	7,980	13,000	-	-	20,980
LOI deposit received	-	(12,222)	-	-	(12,222)
As at December 31, 2011	535,841	696,447	-	1	1,232,289
Exploration and evaluation costs					
Incurred during the year					
Assays and analysis	5,069	134	-	-	5,203
Geological and geophysical	18,470	-	-	-	18,470
Site activities	8,458	51,472	1,649	-	61,579
Travel and accommodation	3,065	4,910	-	-	7,975
Tax credits recovered	(10,604)	(20,329)	-	-	(30,933)
	24,458	36,187	1,649	-	62,294
As at December 31, 2010	3,255,949	4,862,853	25,059	140	8,144,001
As at December 31, 2011	3,280,407	4,899,040	26,708	140	8,206,295
Balance, December 31, 2011	$ 3,816,248	$ 5,595,487	$ 26,708	$ 141	$9,438,584

The impairment assessment of exploration and evaluation assets did not result in amounts being written off in the Company’s properties.

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Kena Property, Ymir, British Columbia, Canada

The Kena Property is comprised of the original Kena claims and additional properties under option. The properties are contiguous. The Kena property is located near the community of Ymir in southeastern British Columbia.

Kena Claims

The Company holds 100% of the original Kena Property claims. The property is subject to a 3.0% net smelter returns royalty ("NSR") on gold and silver and 1.5% on other metals. The Company has the right to purchase 50.0% of the NSR for the greater of 7,000 ounces of gold or $2,000,000 and must issue an additional 100,000 common shares on commencement of commercial production.

Daylight Claim Group

The Company holds 87.5% of the Daylight Claim Group, consisting of 8 crown grants. To exercise the option, the Company made total cash payments of $52,500 and issued 175,000 common shares. In addition, the agreement provides for the issuance of an additional 175,000 common shares to the optionors upon completion of a positive feasibility study recommending commercial production on the property. The properties are subject to royalties payable to the optionors of a 3.0% NSR from production of gold and silver and 1.5% NSR from the production of other metals. The Company has the right to reduce the NSR to 1.0% from the production of gold and silver and 0.5% from the production of other metals by a payment of $1,000,000 on or prior to the commencement of commercial production.

On August 22, 2011, the Company entered into an agreement with Ms. Janet Lynn Wirth (the "Optionor") to option the remaining 12.5% interest in the Daylight Claim Group which was approved by the TSX-V on November 9, 2011. As per the agreement, the Company received the exclusive right and option to acquire the 12.5% interest in the property by making cash payments of $7,500 and issuing 25,000 common shares to the Optionor over a one-year period. During the year ended December 31, 2011, the Company made a payment of $3,750 in cash and issued 12,500 common shares of the Company with a fair value of $500 to acquire the remaining 12.5% interest in the Daylight Claim Group. During the year ended December 31, 2012, the Company made the remaining payment of $3,750 in cash and issued the final 12,500 common shares of the Company with a fair value of $500 to complete the option payment. The property is subject to royalties payable to the Optionor's 12.5% interest of a 3.0% NSR from production of gold and silver and 1.5% NSR from the production of other metals. The Company has the right to reduce the NSR to 1.0% from the production of gold and silver and 0.5% from the production of other metals by a payment of $125,000 on or prior to the commencement of commercial production. The property is also subject to a share payment to the Optionor of 25,000 common shares upon completion of a positive feasibility study recommending commercial production on the property.

Great Western Claim Group

The Company acquired 100% of the Great Western claim group, consisting of 3 claim units contiguous to the Kena property by making cash payments of $20,000 and issuing 356,250 common shares. In addition, the agreement provides for the issuance of a further 200,000 common shares on receipt of a positive feasibility study. The property is subject to a 3.0% NSR from production of gold and silver and 1.5% from production of other metals. The Company has the right to purchase 66.67% of the NSR for $1,000,000 on commencement of commercial production.

Tough Nut Claim Group

The Company holds 100% in three Tough Nut Claim Group claims, located on the north end of the Kena Property. The claims are subject to a 3.0% NSR from gold and silver. The Company has the right to purchase 66.67% of the NSR from the optionors for $2,000,000 at any time prior to commencement of commercial production.

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Kena Property, Ymir, British Columbia, Canada (continued)

Starlight Claim Group

The Company holds 100% of 4 claim units, known as the Starlight Claim Group, consisting of 3 crown grants and one mineral claim contiguous with the Kena Property. The property is subject to a 1.0% NSR from production of gold and silver and other metals. The Company has the right to purchase the NSR for $1,000,000 on commencement of commercial production.

Option Agreement with Altair Gold Inc. (formerly Altair Ventures Inc.)

On December 30, 2011, the Company entered into an option Letter Agreement with Altair Gold Inc. (“Altair”), whereby Altair has an option to earn a 60% interest in 7,000 hectares of mineral claims that comprise the Kena and Toughnut portions of the Company’s Kena Gold-Copper Property (the "Project") in British Columbia by completing $7,500,000 in Project related exploration expenditures over four years. The Altair Option has a term of 4 years commencing from December 30, 2011 (the “Effective Date”).

To exercise the Option and earn its (60%) interest in the Project, Altair will:

i) make the following cash option payments to the Company:

(A) within 5 business days of receiving the TSX-V acceptance, $195,000 (received);
(B) within six months from the Effective Date, an additional $200,000 (received);
(C) within eighteen months from the Effective Date, an additional $300,000;
(D) within thirty months from the Effective Date, an additional $300,000;
(E) within forty-two months from the Effective Date, an additional $400,000; and
(F) within forty-eight months from the Effective Date, an additional $600,000;

for total cash option payments of $2,000,000 including $5,000 received on signing of Letter Agreement;

ii) issue common shares of Altair to the Company as follows:

(A) within 5 business days of receiving the TSX-V acceptance, 500,000 shares (received);
(B) within six months from the Effective Date, an additional 500,000 shares (received);
(C) within eighteen months from the Effective Date, an additional 500,000 shares;
(D) within thirty months from the Effective Date, an additional 500,000 shares; and
(E) within forty-eight months from the Effective Date, an additional 666,667 shares;

for a total of 2,666,667 shares; and

iii) incur exploration expenditures as follows:

(A) within twelve months from the Effective Date, $1,500,000 (renegotiated to $1,350,000 and incurred);
(B) within twenty-four months from the Effective Date, an additional $2,000,000;
(C) within thirty-six months from the Effective Date, an additional $2,000,000; and
(D) within forty-eight months from the Effective Date, an additional $2,000,000 (renegotiated to $2,150,000);

for total exploration expenditures of $7,500,000.

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Kena Property, Ymir, British Columbia, Canada (continued)

Option Agreement with Altair Ventures Inc. (continued)

After Altair has earned its 60% interest in the Project, Altair may elect to extend the option (the "First Option Extension Notice") and earn a 70% interest in the Project by completing a Feasibility Report within 72 months following the Effective Date. If Altair completes a Feasibility Report within 72 months of the Effective Date, then Altair may elect to earn an additional 5% interest in the Project (the "Second Option Extension Notice"), making Altair's aggregate interest in the Project 75% by electing to continue funding all of the Project development expenditures up to the achievement of Commercial Production from the Project.

In addition to the other payments provided for in the agreement, Altair will make bonus payments to the Company as follows:

(A) If, at the end of 51 months following the Effective Date, Altair has elected not to give the First Option Extension Notice, and the Parties have then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off, then Altair will pay a one-time lump sum $2.0 million Reported Resource Bonus to the Company.

(B) If, Altair elects to give the First Option Extension Notice, then at the end of 76 months following the Effective Date, Altair will pay a Reported Resource Bonus to the Company equal to the greater of:
  (i) $5.00 per ounce of probable and proven mineral reserves on the Project, determined at a 0.3 gram/tonne cut-off; or
  (ii) a one-time lump sum amount of $2.0 million, provided that the Parties have by then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off.

As at December 2012, $610,000 in option payments from Altair were deducted from the acquisition and exploration costs for the Kena and Toughnut portions of the Company's Kena Property.

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is subject to a 3.0% NSR that can be reduced to 1.5% by making payments of $500,000 and issuing 50,000 common shares. Annual advance royalty payments of $50,000 were to commence in October 2000. In October 2000, an amendment to the agreement extended the commencement of these royalty payments to 2004. In consideration for the extension, 200,000 common shares were issued to the royalty holders. In October 2004, the agreement was further amended to defer commencement of the royalty payments to October 2009, by the issuance of 200,000 common shares to the royalty holders.

In May 2009, the Company entered into an additional amendment to the option agreement to defer the commencement date of the annual royalty payments of $50,000 due to commence in October 2009 by further four years, in exchange for a one-time payment of 250,000 common shares, and the right to collect mineral specimens from an exposure in the Jersey F Zone workings of the Jersey-Emerald property up to October 20, 2013, for the sole purpose of specimen collection.

Additional claims forming part of the properties include the Tungsten King Prospect, comprised of 17 crown-granted mineral claims. The Company acquired a 100% interest in these claims by issuing 100,000 shares of the Company. The Company also holds a 100% interest in the Truman Hill and Leroy North properties, additional properties in the Jersey and Emerald property group. The Truman Hill and Leroy north properties are subject to a NSR of 1.5% of which 50.0% can be purchased by issuing 25,000 shares of the Company. The Company also holds a 100% interest in the Summit Gold Property consisting of 4 mineral units and one reverted crown grant. The property is subject to a 2.0% NSR, which the Company has the right to purchase for $500,000. The Company holds a 100% interest in the Jumbo 2 and Boncher crown granted mineral claims.

5. EXPLORATION AND EVALUATION ASSETS (continued)

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada (continued)

In June 2006, the Company entered into a purchase agreement to acquire 100% of the rights, title and interest in the surface rights over 28 crown granted mineral claims, four 2-post claims and 80 mineral units located near Salmo, British Columbia. Under the terms of the agreement, the Company made a payment of $10,000 in cash, and agreed to make share payments in the aggregate value of $200,000. Share payments of 200,000 common shares were made annually on a value date four months after the date of issue, until the related liability was extinguished.

In November 2006, the Company acquired the surface rights on a section of the Jersey Claim Group at a cost of $100,000, inclusive of the initial option payment made on the property.

The Company completed a purchase agreement to acquire 100% of the rights, title and interest for the surface rights over 150 acres of land. Under the terms of the agreement, the Company made a cash payment of $50,000 and issued 150,000 common shares to the sellers for the purchase of the property. The acquisition is included in mineral property costs in Jersey-Emerald.

The Company entered into a purchase agreement to acquire 100% of the rights, title and interest in the surface rights to 22 acres of land. Under the terms of the agreement, the Company made a cash payment of $18,100 and issued 30,000 common shares to the sellers.

Invincible Tungsten Mine

The Company acquired a 100% interest in the now decommissioned 7.4-hectare Invincible Tungsten Mine located south of Salmo, British Columbia. Under the agreement, the Company paid $3,000 and issued 9,000 common shares, subject to a 2.0% NSR, which the Company may, at its discretion, reduce to a 0.5% NSR by the payment of $150,000 after the completion of a positive feasibility study and by the payment of advance royalties of $3,000 per annum, commencing in 2010.

Victory Tungsten Property

In May 2009, the Company acquired a 100% interest in the Victory Tungsten Property, consisting of six reverted crown grants, located approximately six kilometres south of Salmo, British Columbia, Canada. Under the terms of the agreement, the Company made a cash payment of $12,000 and issued 200,000 common shares for the purchase of the property. The property is subject to a 2.0% NSR, payable to the optionor, which the Company has the right to reduce to 0.5% by making a one-time payment of $150,000 at any time up to and including the commencement of commercial production. If at any time the optionor wishes to sell or assign its NSR, the optionor has agreed to give the Company a 60-day right of first purchase to acquire the NSR, provided that the optionor shall not thereafter offer its NSR to a third party on terms less favourable to the optionor than those offered to the Company.

Option Agreement with Tunxsten Resources Ltd.

On November 17, 2011, the Company signed a Letter of Intent (“LOI”) with Tunxsten Resources Ltd. (“Tunxsten”) granting Tunxsten the exclusive option to acquire up to an undivided 65% interest in the Jersey Emerald Property (the “Property”) located near Salmo, British Columbia, over a three year period from the Closing Date. Tunxsten had the exclusive right to acquire up to an undivided 65% interest in the Property under the terms of the LOI.

Upon execution of the LOI in November 2011, the Company received a deposit of $50,000 from Tunxsten. $25,000 of such $50,000 was refundable to Tunxsten in the event that the LOI terminates or Tunxsten decides not to proceed with this agreement. In September 2012, Tunxsten decided to terminate the agreement and the Company returned the $25,000 deposit to Tunxsten.

5. EXPLORATION AND EVALUATION ASSETS (continued)

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada (continued)

Garnet Lead-Zinc Property

In September 2009, the Company entered into an agreement to acquire a 100% interest in the Garnet Lead-Zinc Property, comprised of five mineral claims, Tenure Numbers 544860, 544861, 607011, 607013 and 607015, located approximately five kilometers south of Salmo, British Columbia, Canada. Under the terms of the agreement, the Company has an option to earn a 100% interest by making cash payments of $75,000 ($5,000 paid in 2010 and $10,000 paid in 2011) and issuing 500,000 common shares (100,000 issued in 2009, 100,000 issued in 2010, 100,000 issued in 2011, and 100,000 issued in 2012) to the optionors over four years. During the year ended December 31, 2012, the Company issued 100,000 common shares of the Company with a fair value of $4,000 in relation to acquiring 100% interest in the Garnet Lead-Zinc Property. During the same year, the Company deferred a payment of $20,000 in cash to June 2013. The Company is required to make a final payment of $40,000 and issue 100,000 common shares to the property vendors by November 2013.

Upon making the cash payments and associated share issuances, the Company will acquire 100% right, title and interest in the property subject only to a 3.0% NSR, payable to the optionors and a further 200,000 common shares due on commencement of commercial production. The Company may, at its discretion, have the exclusive right to reduce the NSR to 1.0% by making a one-time payment of $1,000,000 to the optionors exercisable within 90 days after commencement of commercial production. If at any time either of the optionors wishes to sell or assign this interest in the NSR in the property the optionors agree to give to the Company a 30-day right of first purchase to acquire such interest provided that the optionors shall not thereafter offer their NSR to a third party on terms more favorable than those offered to the Company.

HB and HB2 Lead-Zinc Property

In October 2009, the Company entered into an agreement to acquire a 100% interest in the HB Lead-Zinc Property, comprised of a 100-hectare mineral claim, Tenure Number 533727, located approximately eight kilometers southeast of Salmo, British Columbia, Canada. Under the terms of the agreement, the Company has an option to earn a 100% interest in the property by making cash payments of $15,000 (paid) and issuing 100,000 common shares (issued) to the optionors over 12 months.

In March 2010, the Company entered into an agreement to acquire 100% of the rights and interest in the HB 2 Mineral Claim, Tenure 693188 located at UTM coordinates 5,443,100N and 485,600E near Salmo, British Columbia, Canada. Under the terms of the agreement, the Company acquired an undivided 100% interest in the property by making cash payments of $10,000 and issuing 100,000 common shares.

Aspen Lead-Zinc-Silver Property

In November 2009, the Company entered into an agreement to acquire a 100% interest in the Aspen Lead-Zinc-Silver Property, comprised of seven mineral claims, Tenure Numbers 548440, 548464 – 548467, 604689 and 665745 located approximately six kilometers southeast of Salmo, British Columbia, Canada.

Under the terms of the agreement, the Company paid $10,000 and issued 100,000 common shares to the optionors for the purchase of the property. Upon fulfilling the cash and share payments, the property will be subject only to a 1.0% NSR, payable to the optionors. The Company has the exclusive right to reduce the NSR to 0.5% by making a one-time payment of $100,000 to the optionors at any time up to and including the commencement of commercial production.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

c) Stephens Lake Property, Manitoba, Canada

The Company is in a joint venture with ValGold Resources Ltd. and Cream Minerals Ltd. (the “Companies”). The Companies have 75% of the Trout Claim Group, which are internal to the claims forming the Stephens Lake Property. Under the terms of the Trout Claim Group agreement, the Companies each made cash payments of $36,667 and issued 66,667 common shares to the optionor over a 36-month period from July 22, 2004. The Company has written off all exploration and carrying costs on the property to a nominal carrying value of $1, as it has no exploration programs planned.

d) Mineral Property Interests Commitments

To maintain its mineral property interests, the Company is required to make monthly cash payments of $750 in fiscal 2013 for lease of surface property rights. In fiscal 2013, the Company will have to make cash payments of $113,000 and issue 100,000 common shares with respect to its mineral property interests held at December 31, 2012.

6. SHORT-TERM INVESTMENTS

Short-term investments consist of investments in shares of Altair Gold Inc. and GICs, which are summarized as follows:

	Number of Shares	Historical Cost	Fair Value December 31, 2012	Fair Value December 31, 2011
Altair Gold Inc. (Note 5(a))	1,000,000	$ 210,000	**$ 180,000**	$ -
GICs	-	183,000	**183,000**	65,000
		$ 393,000	**$ 363,000**	$ 65,000

These investments are classified as fair value though profit or loss and recorded at fair value with realized and unrealized gains and losses recognized in operations.

7. INVESTMENTS

	Number of Shares	Book Value December 31, 2012	Fair Value December 31, 2012	Fair Value December 31, 2011
Emgold Mining Corporation (Note 11(c))	1,565	$ 3,913	**$ 70**	$ 196

As at December 31, 2012, investments in available-for-sale securities consist of marketable securities which have a market value of $70 (2011 - $196). The carrying amount of these securities is subject to revaluation on a mark-to-market basis at the end of each reporting period, and the increases or decreases arising on revaluation are recorded in accumulated other comprehensive loss, a component of equity.

(Expressed in Canadian Dollars)

8. EQUIPMENT

Cost	Computer Equipment
As at December 31, 2012, 2011 and 2010	**$ 15,770**
Accumulated Depreciation	
As at December 31, 2010	$ 12,597
Depreciation	1,305
As at December 31, 2011	13,902
Depreciation	1,415
As at December 31, 2012	**$ 15,317**
Carrying Amounts	
Balance, December 31, 2011	$ 1,868
Balance, December 31, 2012	**$ 453**

9. CREDIT CARD DEPOSIT

The amount of $17,250 (2011 - $17,250) represented a three-year guaranteed investment certificate with interest at prime minus 2.05%, maturing on March 21, 2013, held by the bank as security for the Company's credit card usage and has been reclassified as a non-current asset.

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and Outstanding

See Statements of Changes in Equity.

On February 3, 2012, the Company completed a non-brokered private placement of 4,000,000 units (the "units") at a price of $0.05 per unit, for gross proceeds of $200,000. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each whole warrant is exercisable into one common share for a period of 24 months from the date of issuance at an exercise price of $0.10 per share. Officers and directors of the Company have participated in this private placement by purchasing a total of 1,640,000 units. A finder's fee of $7,007 was paid. The warrants were valued using the Black-Scholes pricing model using the following assumptions: risk free interest rate – 0.98%; a volatility factor of 106%; and an expected life of 2 years. The value allocated to the warrants was $66,748 or $0.02 per warrant.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

c) Stock Options

The Company has a stock option plan which allows for the grant of options to purchase up to 20,390,173 common shares as at December 31, 2012. The following table summarizes information about the stock options outstanding:

Weighted Average Exercise Price	Number Outstanding at December 31, 2012	Weighted Average Remaining Contractual Life
$0.29	100,000	0.2 years
$0.10	4,430,000	1.5 years
$0.10	500,000	1.9 years
$0.10	6,425,000	4.8 years
$0.10	11,455,000	3.3 years

A summary of the changes in stock options for the years ended December 31, 2012 and 2011 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2010	13,655,000	$0.21
Cancelled/forfeited	(1,538,000)	$0.20
Expired	(2,155,000)	$0.17
Balance, December 31, 2011	9,962,000	$0.22
Granted	6,425,000	$0.10
Cancelled/forfeited	(1,064,000)	$0.23
Expired	(3,868,000)	$0.37
Balance, December 31, 2012	**11,455,000**	**$0.10**
Balance vested, December 31, 2012	11,380,000	$0.10

A summary of the fair values of stock options granted during the year ended December 31, 2012, estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions, is as follows:

	2012
Risk free interest rate	1.39%
Expected life (years)	5.0 years
Expected volatility	109%
Weighted average fair value per option grant	$0.03

The value allocated to the stock options was $196,810.

No stock options were granted to officers, directors, and employees of the Company during the year ended December 31, 2011.

The Black-Scholes model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded. The Black-Scholes model also requires an estimate of expected volatility. The Company uses historical volatility rates of the Company to arrive at an estimate of expected volatility.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

d) Share Purchase Warrants

As at December 31, 2012, the following share purchase warrants issued in connection with financings made by private placements and short-form offerings were outstanding:

Number of Warrants	Exercise Price	Expiry Date
4,000,000	$0.10	February 1, 2014
523,800	$0.05	June 30, 2014
15,538,399	$0.12	June 30, 2014
20,062,199	$0.11	

The following table summarizes changes in the number of warrants outstanding:

	Number Of Warrants	Weighted Average Exercise Price
Balance, December 31, 2011 and 2010	20,824,699	$0.13
Issued	4,000,000	$0.10
Exercised	(100,000)	$0.05
Expired	(4,662,500)	$0.15
Balance, December 31, 2012	**20,062,199**	**$0.11**

e) Shareholder Rights Plan

The Company's Board of Directors approved the adoption of a Shareholder Rights Plan (the "Rights Plan") on June 28, 2010, and the Rights Plan will expire on June 28, 2013.

The Shareholder Rights Plan has been designed to protect shareholders from unfair, abusive or coercive take-over strategies including the acquisition of control of the Company by a bidder in a transaction or series of transactions that may not treat all shareholders fairly nor afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Shareholder Rights Plan was adopted to provide the Board with sufficient time, in the event of a public take-over bid or tender offer for the common shares, to pursue alternatives which could enhance shareholder value.

This Shareholder Rights Plan was not being adopted in response to any proposal to acquire control of the Company.

The Rights will not, however, be triggered by a "Permitted Bid", which is defined as a bid which is outstanding for a minimum of 60 days made to all of the shareholders of the Company for all of their common shares and, subject to other specified conditions, is accepted by a majority of independent shareholders (as detailed in the Rights Plan).

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

Services rendered:	Years Ended December 31, **2012**	2011
Quorum Management and Administrative Services Inc. (a)	**$ 2,897**	$ 26,125
Lang Mining Corporation (b)	**30,000**	30,000
Directors' fees	**38,762**	42,000
Salaries (e)	**254,006**	255,788
Share-based payments (f)	**179,118**	-

Balances payable to:	December 31, **2012**	2011
Quorum Management and Administrative Services Inc. (a)	**$ -**	$ 413
Directors' fees	**-**	12,761
Short term employee benefit (e)	**-**	14,915
Lang Mining Corporation (b)	**-**	8,400
	$ -	$ 36,489

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties as follows:

(a) Management, administrative, geological and other services were provided by Quorum Management and Administrative Services Inc. ("Quorum") at market rates for the rental of office space and services provided.

(b) Lang Mining Corporation ("Lang Mining") is a private company controlled by the chairman of the Company. Lang Mining receives a management fee of $2,500 per month for the services of Frank A. Lang, an officer and director of the Company.

(c) The Company's investments include shares in a listed company with a common director.

(d) Balances payable to and receivable from related parties are included in due to and due from related parties, respectively, on the statements of financial position. These amounts are non-interest bearing and are due on demand.

(e) Key management personnel compensation.

(f) Directors and a company controlled by the Chairman of the Company were granted 5,900,000 stock options during the year.

(Expressed in Canadian Dollars)

12. INCOME TAXES

The following table reconciles the amount of income tax recovery on application of the combined statutory Canadian federal and provincial income tax rates:

	December 31, 2012	2011
Combined statutory tax rate	**25.0%**	26.5%
Income tax recovery at combined statutory rate	**(192,000)**	(155,000)
Non-deductible expenses	**51,000**	-
Change in estimates and other	**(245,000)**	(422,000)
Tax benefits not recognized	**386,000**	577,000
Tax recovery for the year	**$ -**	$ -

The Company's unrecognized deductible temporary differences and unused tax losses are attributable to the following items:

	December 31, 2012	2011
Non-capital losses	**$ 1,570,000**	$ 1,423,000
Capital losses	**4,000**	4,000
Temporary difference in value for exploration and evaluation assets	**2,163,000**	1,929,000
Short-term investments	**4,000**	-
Other deductible temporary differences	**231,000**	230,000
Deferred tax balances	**$ 3,972,000**	$ 3,586,000

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

The Company has Canadian non-capital losses carried forward of approximately $6,282,000 (2011 - $5,689,000) that may be available for tax purposes. The losses expire as follows:

Year	$
2014	540,000
2015	489,000
2026	626,000
2027	659,000
2028	853,000
2029	988,000
2030	856,000
2031	714,000
2032	557,000
	6,282,000

The Company has resource pools of approximately $17,366,000 (2011- $17,154,000) available to offset future taxable income. The tax benefit of these amounts is available to be carried forward indefinitely. The Company also has investment tax credits totalling approximately $267,000 (2011 - $262,000).

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at December 31, 2012, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2011, are shown in the table below:

	December 31, 2012		December 31, 2011	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Short-term investments	**$ 363,000**	**$ 363,000**	$ 65,000	$ 65,000
Investments	**70**	**70**	196	196
Credit card deposit	**17,250**	**17,250**	17,250	17,250
Reclamation deposits	**21,120**	**21,120**	21,120	21,120
Financial liabilities				
Cheques written in excess of funds on deposit	**7,450**	**7,450**	19,932	19,932
Accounts payable and accrued liabilities	**78,477**	**78,477**	79,983	79,983
Due to related parties	**-**	**-**	36,489	36,489

The fair values of the Company's financial instruments measured at December 31, 2012 and 2011, constitute Level 1 measurements for its cheques written in excess of funds on deposit, short-term investments, investments, credit card deposit and reclamation deposits within the fair value hierarchy.

The Company recognized interest income during the year ended December 31, 2012, totaling $5,505 (2011 - $3,340). This is primarily interest income from the Company's short-term investments. This balance represents interest income from all sources.

<u>Credit Risk</u>

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the financial position date under its financial instruments consists of $363,000 (2011 - $65,000) in short-term investments.

Those financial assets that potentially subject the Company to credit risk are primarily its investment in marketable securities of publicly-traded companies. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where term deposits are held. The Company's maximum exposure to credit risk as at December 31, 2012 and 2011, is the carrying value of its financial assets.

13. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 14, in normal circumstances. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, and amounts due to related parties, the contractual maturities of which at December 31, 2012 and 2011, are summarized as follows:

	December 31, 2012	December 31, 2011
Accounts payable and accrued liabilities with contractual maturities –		
Within 90 days or less	**$ 78,477**	$ 79,983
In later than 90 days, not later than one year	**-**	-
Due to related parties with contractual maturities		
Within 90 days or less	**-**	36,489
In later than 90 days, not later than one year	**-**	-

Market Risks

The significant market risks to which the Company is exposed include commodity price risk, interest rate risk and foreign exchange risk.

- Commodity Price Risk
  The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold, copper, zinc, lead, molybdenum and tungsten, and the outlook for these metals. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

  Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

- Interest Rate Risk
  The Company has no significant exposure at December 31, 2012 and 2011, to interest rate risk through its financial instruments.

- Currency Risk
  Fluctuations in United States dollars would not significantly impact the operations and the values of its assets and shareholders' equity at this time. If the Company were to go into production, the Company would be subject to more foreign currency risk from fluctuations in the Canadian dollar relative to the United States dollar, due to metals prices and their denomination in United States dollars.

14. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in British Columbia and to maintain a flexible capital structure which will optimize the costs of capital.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult economic conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk. The Company currently has sufficient funds for operations but must rely on equity financings, or forms of joint venture or other types of financing to continue exploration and development work and to meet its administrative overhead costs in future years (See Note 2(b)).

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities allowing the Company to withdraw funds at intervals needed for the expected timing of expenditures in its operations.