Northern Superior Resources Inc.

Financial Statements

(Expressed in Canadian dollars)

For the years ended December 31, 2012 and 2011

JAMES STAFFORD

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Independent Auditor's Report

To the Shareholders of Northern Superior Resources Inc.

We have audited the accompanying financial statements of Northern Superior Resources Inc., which comprise the statements of financial position as at 31 December 2012 and 31 December 2011, and the statements of loss and comprehensive loss, equity and cash flows for the years ended 31 December 2012 and 31 December 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 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 Northern Superior Resources Inc. as at 31 December 2012, and 31 December 2011, and the results of its operations and its cash flows for the years ended 31 December 2012 and 31 December 2011 in accordance with International Financial Reporting Standards.

James Stafford

Chartered Accountants

Vancouver, Canada
7 March 2013

Northern Superior Resources Inc.
(Expressed in Canadian dollars)

Statements of Financial Position

As at		December 31 2012		December 31 2011
Assets				
Current assets				
Cash and cash equivalents	**$**	**8,839,191**	$	17,094,074
Prepaids and receivables *note 4*		**570,332**		776,393
		9,409,523		17,870,467
Non-current assets				
Receivables *note 4*		**38,471**		-
Equipment *note 5*		**57,634**		5,968
Exploration and evaluation properties *note 6*		**27,288,108**		22,415,623
		27,384,213		22,421,591
	$	**36,793,736**	$	40,292,058
Liabilities				
Current				
Trade payables and accrued liabilities *note 7*	**$**	**370,732**	$	793,602
Flow-through share liability *note 7*		**-**		1,300,161
		370,732		2,093,763
Equity				
Share capital *note 9*		**62,664,407**		62,099,111
Stock options reserve *notes 9(c) and 9(d)*		**4,218,596**		3,545,518
Warrants reserve *note 9(e)*		**-**		1,608,678
Deficit		**(30,459,999)**		(29,055,012)
		36,423,004		38,198,295
	$	**36,793,736**	$	40,292,058

Nature of operations *note 1*
Commitments *note 14*
Contingencies *note 16*
Subsequent events *note 17*

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD ON MARCH 7, 2013

"Alan C. Moon" *"Arnold Klassen"*

Director Director

See accompanying notes to financial statements

Northern Superior Resources Inc.
(Expressed in Canadian dollars)

Statements of Loss and Comprehensive Loss

	Years ended December 31	
	2012	2011
Expenses		
Consulting fees *note 9(d)*	**$ 313,935**	$ 373,879
Depreciation	**47,486**	8,283
Legal and accounting	**206,604**	151,478
Office expense *note 9(d)*	**1,401,328**	1,432,964
Shareholder information	**383,432**	614,423
Travel	**79,929**	76,488
Loss before the undernoted	**(2,432,714)**	(2,657,515)
Interest income	**147,910**	248,132
Gain on sale of available-for-sale investments	**-**	37,500
Capital taxes	**-**	(7,398)
Flow-through share income *note 7*	**1,300,161**	1,885,736
Flow-through share interest expense	**(11,196)**	-
Writedown of exploration properties *note 6*	**(2,017,826)**	(3,218,644)
Net loss for the year	**$ (3,013,665)**	$ (3,712,189)
Other comprehensive loss		
Reclassification of gains on available-for-sale investments included in net loss	**-**	(37,500)
Comprehensive loss for the year	**$ (3,013,665)**	$ (3,749,689)
Net loss per share - basic and diluted		
Basic	**$ (0.02)**	$ (0.02)
Diluted	**$ (0.02)**	$ (0.02)
Weighted-average number of shares outstanding		
Basic	**187,030,189**	179,317,064
Diluted	**187,030,189**	179,317,064

See accompanying notes to financial statements

Northern Superior Resources Inc.
(Expressed in Canadian dollars)

Statements of Equity

	Share Capital		Reserves				
	Number of Shares	Amount	Stock options	Warrants	Available-for-sale investments	Deficit	Total Equity
Balance, December 31, 2010	**156,611,458**	**$ 46,183,099**	**$ 2,844,369**	**$ 1,242,686**	**$ 37,500**	**$ (25,342,823)**	**$ 24,964,831**
Common shares issued for exploration and evaluation property *note 9(b)*	750,000	172,500	-	-	-	-	172,500
Common shares issued for cash *note 9(b)*	20,619,658	19,137,820	-	-	-	-	19,137,820
Common shares issued on exercise of stock options *note 9(b)*	1,134,332	343,732	(138,627)	-	-	-	205,105
Common shares issued on exercise of warrants *note 9(b)*	5,600,000	1,179,305	-	(70,105)	-	-	1,109,200
Common shares issued on exercise of compensation options *note 9(b)*	807,350	122,449	-	(25,567)	-	-	96,882
Flow-through share liability *notes 7 and 9(b)*	-	(3,185,897)	-	-	-	-	(3,185,897)
Share-based payments *note 9(d)*	-	-	839,776	-	-	-	839,776
Share issue costs	-	(1,853,897)	-	461,664	-	-	(1,392,233)
Reclassification of gain on available-for-sale investments	-	-	-	-	(37,500)	-	(37,500)
Net loss for the year	-	-	-	-	-	(3,712,189)	(3,712,189)
Balance, December 31, 2011	**185,522,798**	**$ 62,099,111**	**$ 3,545,518**	**$ 1,608,678**	**$ -**	**$ (29,055,012)**	**$ 38,198,295**
Common shares issued for exploration and evaluation property *note 9(b)*	200,000	38,000	-	-	-	-	38,000
Common shares issued for cash *note 9(b)*	2,631,579	500,000	-	-	-	-	500,000
Common shares issued on exercise of stock options *note 9(b)*	146,666	27,296	(10,896)	-	-	-	16,400
Share-based payments *note 9(d)*	-	-	683,974	-	-	-	683,974
Reclassification of fair value of expired warrants *note 9(e)*	-	-	-	(1,608,678)	-	1,608,678	-
Net loss for the year	-	-	-	-	-	(3,013,665)	(3,013,665)
Balance, December 31, 2012	**188,501,043**	**$ 62,664,407**	**$ 4,218,596**	**$ -**	**$ -**	**$ (30,459,999)**	**$ 36,423,004**

See accompanying notes to financial statements

Northern Superior Resources Inc.
(Expressed in Canadian dollars)

Statements of Cash Flows

	Years ended December 31 **2012**	*2011*
Operating Activities		
Net loss for the year	**$ (3,013,665)**	$ (3,712,189)
Items not involving cash		
Flow-through share income *note 7*	**(1,300,161)**	(1,885,736)
Depreciation *note 5*	**47,486**	8,283
Gain on sale of available-for-sale investments	**-**	(37,500)
Share-based payments *note 9(d)*	**363,853**	480,012
Wrtie-off of exploration properties *note 6*	**2,017,826**	3,218,644
Change in non-cash operating working capital items:		
Decrease (increase) in prepaids and receivables	**232,397**	(349,423)
Increase (decrease) in trade payables and accrued liabilities	**(37,897)**	103,920
Cash used in operating activities	**(1,690,161)**	(2,173,989)
Investing Activities		
Exploration and evaluation expenditures	**(7,285,883)**	(8,238,557)
Recovery of exploration and evaluation expenditures	**303,913**	296,317
Additions to equipment	**(99,152)**	-
Proceeds from sale of investment	**-**	45,000
Prcoeeds from sale of exploration and evaluation properties	**-**	1,300,000
Cash used in investing activities	**(7,081,122)**	(6,597,240)
Financing Activities		
Proceeds from exercise of stock options	**16,400**	205,105
Proceeds from exercise of compensation options	**-**	96,882
Proceeds from exercise of warrants	**-**	1,109,200
Proceeds from private placements, net of share issue costs	**500,000**	17,745,587
Cash provided by financing activities	**516,400**	19,156,774
Increase (decrease) in cash during the year	**(8,254,883)**	10,385,545
Cash, beginning of year	**17,094,074**	6,708,529
Cash, end of year	**$ 8,839,191**	$ 17,094,074

Supplemental cash flow information *note 11*

See accompanying notes to financial statements

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Northern Superior Resources Inc. ("Northern Superior" or the "Company") is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of gold properties in Ontario and Quebec. The Company has not determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and attaining future profitable production from the properties or proceeds from disposition.

The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties. Management believes that financing is available and may be sourced in time to allow the Company to continue its current planned activities in the normal course.

The head office, principal address and registered and records office of the Company is 1351C Kelly Lake Road, Unit 7, Sudbury, Ontario, Canada, P3E 5P5.

2. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Approval of Financial Statements

The audited financial statements of Northern Superior Resources Inc. for the year ended December 31, 2012 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 7, 2013.

c) Adoption of New and Revised Standards and Interpretations

The IASB issued a number of new and revised IAS, IFRS, amendments and related interpretations which are effective for the Company's financial years beginning on or after January 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all of these new standards for the relevant reporting periods.

At the date of authorization of these interim financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9, *Financial Instruments: Classification and Measurement* – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- IFRS 11, *Joint Arrangements* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- IFRS 12, *Disclosure of Interests in Other Entities* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13, *Fair Value Measurement* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

- IAS 1, (Amendment) *Presentation of Financial Statements* – effective for annual periods beginning on or after July 1, 2012, includes amendments regarding presentation of items of other comprehensive income.

- IAS 19, (Amendment) *Employee Benefits* – effective for annual periods beginning on or after January 1, 2013, revises recognition and measurement of post-employment benefits.

- IAS 27, (Amendment) *Separate Financial Statements*– effective for annual periods beginning on or after January 1, 2013, prescribes the accounting for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- IAS 28, (Amendment) *Investments in Associates and Joint Ventures* – effective for annual periods beginning on or after January 1, 2013, prescribes the accounting for investments in associates and sets out the requirements for investments in associates and joint ventures.

- IFRIC 20, *Stripping Costs in the Production Phase of a Producing Mine* – effective for annual periods beginning on or after January 1, 2013, prescribes the accounting for stripping costs in the production of a surface mine.

The Company has not early adopted these standards, amendments and interpretations; however, the Company is currently assessing the impact of these standards or amendments on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

The Company considers deposits that are highly liquid, readily convertible to known amounts of cash, redeemable on demand and have original maturities of less than three months from the date of purchase to be cash equivalents. Interest income is recorded as earned on the accrual basis at the stated rate of interest over the term of the investment.

b) Financial Assets

Financial assets are classified as loans and receivables, held-to-maturity, available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL"), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Held-to-maturity and Loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Interest receivable is classified as loans and receivables.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Available-for-sale assets include investment in equities of other entities. Transaction costs are included in the initial carrying amount of the asset.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

Financial assets at FVTPL

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Cash and cash equivalents are included in this category of financial assets. Transaction costs associated with financial assets at FVTPL are expensed as incurred.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

c) Impairment of Financial Assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Held-to-maturity and Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

d) Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables are included in this category of financial liabilities.

e) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, are expensed or capitalized to exploration and evaluation properties as appropriate. The corresponding amount is recorded to the stock options reserve. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

f) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated, using the straight-line method over their estimated useful lives. The significant classes of equipment and their estimated useful lives are as follows:

Office and other equipment	4 - 5 years
Computer equipment	2 - 3 years
Leasehold improvements	5 years

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

g) Exploration and Evaluation Expenditures

Exploration and evaluation properties and related costs are recorded at cost on a property-by-property basis. The Company defers all exploration and evaluation costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties, until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made. Costs incurred for general exploration, including expenditures of a general reconnaissance nature, that are not project specific or do not result in the acquisition of exploration and evaluation properties are charged to operations.

All capitalized exploration and evaluation costs are reviewed for indications of impairment regularly to determine whether a write down of their carrying amount is required. Factors such as metal prices, the ability of the Company to finance the projects, and exploration results to date are considered in determining whether indicators of impairment exists.

h) Impairment

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

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

i) Income Taxes

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date.

Tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

j) Asset Retirement Obligations

Asset retirement obligations consist of legal obligations associated with the retirement of tangible, long-lived assets that result from the acquisition, construction, development or operation of the assets. The retirement of a long-lived asset is its permanent removal from service, sale, abandonment or disposal.

Asset retirement obligations are recognized as they are incurred and recorded as liabilities at fair value.

The liability is accreted over time through periodic charges to income. Actual expenditures incurred are charged against the accumulated obligation. The asset retirement cost is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

Management has determined that it has no asset retirement obligations at this time.

(Expressed in Canadian dollars)

k) Flow-through Shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

l) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average number of common shares outstanding is adjusted for the number of shares that are potentially issuable in connection with stock options and warrants (if dilutive) using the treasury stock method. Under this method, the Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods.

m) Use of Estimates and Judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates where management's judgment is applied include asset valuation, asset retirement obligations, income taxes, contingent liabilities, share-based payments and ability to continue as a going concern. Actual results may differ from those estimates and judgements.

4. PREPAIDS AND RECEIVABLES

Prepaids and receivables consist of the following:

As at		**December 31, 2012**		December 31, 2011
Government refundable tax credits	**$**	**259,098**	$	48,456
Due from joint venture partners		**-**		184,306
Sales tax receivable - net		**166,431**		348,936
Prepaid expenses		**54,412**		22,722
Interest receivable		**90,391**		171,973
	$	**570,332**	$	776,393
Receivables (non-current):				
Quebec government refundable tax credits	**$**	**38,471**	$	-
	$	**38,471**	$	-
Total	**$**	**608,803**	$	776,393

(Expressed in Canadian dollars)

5. EQUIPMENT

A summary of the changes in the Company's equipment for the year ended December 31, 2012 is as follows:

		Office and other equipment		Computer equipment		Leasehold improvement		Total
Cost								
At December 31, 2011	$	37,418	$	29,344	$	-	$	66,762
Additions		4,200		67,135		27,817		99,152
Disposals		-		-		-		-
At December 31, 2012	**$**	**41,618**	**$**	**96,479**	**$**	**27,817**	**$**	**165,914**
Depreciation								
At December 31, 2011	$	31,450	$	29,344	$	-	$	60,794
Change for the year		6,230		39,865		1,391		47,486
At December 31, 2012	**$**	**37,680**	**$**	**69,209**	**$**	**1,391**	**$**	**108,280**
Net book value								
At December 31, 2011	$	5,968	$	-	$	-	$	5,968
At December 31, 2012	**$**	**3,938**	**$**	**27,270**	**$**	**26,426**	**$**	**57,634**

A summary of the changes in the Company's equipment for the year ended December 31, 2011 is as follows:

		Office and other equipment		Computer equipment		Total
Cost						
At December 31, 2010	$	37,418	$	29,344	$	66,762
Additions		-		-		-
Disposals		-		-		-
At December 31, 2011	**$**	**37,418**	**$**	**29,344**	**$**	**66,762**
Depreciation						
At December 31, 2010	$	25,482	$	27,029	$	52,511
Change for the year		5,968		2,315		8,283
At December 31, 2011	**$**	**31,450**	**$**	**29,344**	**$**	**60,794**
Net book value						
At December 31, 2010	$	11,936	$	2,315	$	14,251
At December 31, 2011	**$**	**5,968**	**$**	**-**	**$**	**5,968**

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROPERTIES

For year ended December 31, 2012

	Ti-pa-haa-kaa-ning	New Growth	Meston Lake	Rapson Bay	Croteau Est	Waconichi	Wachigabau	Other[1]	Total
Balance, beginning of year	$ 11,500,660	$ 1,058,270	$ 1,623,338	$ 3,190,097	$ 977,188	$ -	$ 998,389	$ 3,067,681	$ 22,415,623
Acquisition, assessment and maintenance	2,298	1,097	385	487	36,150	68,263	10,110	64,514	183,304
Analytical	-	97,763	522	11,549	588,075	25,815	108	12,254	736,086
Geophysics	-	566,724	24	-	276,764	-	-	(4,330)	839,182
Geology	5,950	54,306	15,717	36,804	1,124,495	152,875	2,737	38,808	1,431,692
Drilling	-	1,467,041	-	20,400	2,020,044	-	10,556	25,445	3,543,486
Research	11,158	28,216	198	21,771	14,505	-	-	3,286	79,134
Project administration	38,204	44,262	9,411	18,500	258,051	6,173	12,943	29,314	416,858
Cost recoveries and adjustments[2]	-	-	-	-	-	-	7,671	(49,533)	(41,862)
Refundable tax credits	-	-	-	-	(275,578)	(16,242)	(2,792)	(2,957)	(297,569)
Write-off of exploration and evaluation properties	-	-	-	-	-	-	(1,039,722)	(978,104)	(2,017,826)
Balance, end of year	**$ 11,558,270**	**$ 3,317,679**	**$ 1,649,595**	**$ 3,299,608**	**$ 5,019,694**	**$ 236,884**	**$ -**	**$ 2,206,378**	**$ 27,288,108**

(1) Consists of Lac Surprise ($1,147,584) and Thorne Lake ($1,058,794) as at December 31, 2012.

(2) The Company recorded cost recoveries of $49,533 from Paget Minerals Corp. and a net adjustment amount of $7,671 due to Matamec Explorations Inc. as at December 31, 2012.

(Expressed in Canadian dollars)

For year ended December 31, 2011

	Ti-pa-haa-kaa-ning	New Growth	Meston Lake	Rapson Bay	Croteau Est	Waconichi	Wachigabau	Other[1]	Total
Balance, beginning of year	$ 12,719,498	$ -	$ 52,151	$ 140,539	$ -	$ -	$ 1,740,511	$ 3,387,729	$ 18,040,428
Acquisition, assessment and maintenance[2]	4,993	21,212	230,146	257,245	46,984	-	14,699	731,628	1,306,907
Analytical	-	35,110	58,089	42,346	55,028	-	11,323	97,029	298,925
Geophysics	-	174,577	355,454	404,512	184,236	-	31,095	277,618	1,427,492
Geology	3,435	607,747	862,682	681,780	336,008	-	97,318	330,939	2,919,909
Drilling	1,083	2,568	5,198	1,585,696	308,658	-	247,373	554,187	2,704,763
Research	13,184	139,642	20,909	25,335	-	-	10,278	2,800	212,148
Project administration	58,467	77,414	38,709	52,644	46,274	-	40,452	91,981	405,941
Sale of exploration and evaluation property interests[3]	(1,300,000)	-	-	-	-	-	-	-	(1,300,000)
Cost recoveries[4]	-	-	-	-	-	-	(247,222)	(142,180)	(389,402)
Write-off of exploration and evaluation properties	-	-	-	-	-	-	(956,958)	(2,261,686)	(3,218,644)
Tax credit adjustments	-	-	-	-	-	-	9,520	(2,364)	7,156
Balance, end of year	$ 11,500,660	$ 1,058,270	$ 1,623,338	$ 3,190,097	$ 977,188	$ -	$ 998,389	$ 3,067,681	$ 22,415,623

(1) Includes Lac Surprise ($1,150,134), Thorne Lake ($1,041,718) and Other ($875,829) as at December 31, 2011.

(2) Includes Thorne Lake non-cash acquisition costs of $172,500 (deemed value of shares issued) (note 9(b)).

(3) The Company received $1,300,000 cash for the sale of exploration and evaluation property interests to Rainy River Resources Ltd.

(4) The Company recorded cost recoveries of $247,222, $12,999 and $129,181 from Matamec Explorations Inc., INV Metals Inc. and Paget Minerals Corp., respectively.

Ti-pa-haa-kaa-ning ("TPK") property

TPK Option / Joint Venture Agreement with Rainy River Resources Ltd. ("Rainy River")

On June 18, 2010, the Company entered into an agreement whereby Rainy River was granted an option to earn a 51% joint venture interest in the eastern half of the TPK project. Rainy River could earn its 51% interest in the eastern half of the TPK Property by (a) funding $9,400,000 in exploration expenses over a 3 year period, with $1,400,000 in Year 1 ending April 30, 2011 (incurred), $4,000,000 in Year 2 ending April 30, 2012 (incurred), and $4,000,000 in Year 3 ending April 30, 2013; (b) making cash payments of $300,000 upon receipt of regulatory acceptance (paid) and a further $1,300,000 in January 2011 (paid) and (c) completing three equal annual private placements of common shares of the Company of $500,000 each for a total equity investment of $1,500,000. The first placement of $500,000, at $0.20 per share, was completed on September 9, 2010; the second placement of $500,000, at $0.36 per share, was completed on July 8, 2011 (note 9(b)) and the third placement was completed on July 10, 2012 at a price of $0.19 per share (note 9(b)).

Under the terms of the agreement, Rainy River had the right to accelerate expenditures to exercise its option early. Rainy River had the right to terminate the option at any time after completing its Year 1 obligations. If Rainy River had exercised its option, the parties agreed to form a joint venture, with Rainy River holding a 51% interest and the Company 49%. Rainy River was the manager of the exploration program for the term of the agreement.

The Company had also granted to Rainy River rights of first refusal with respect to both the Company's interest in the eastern half of the TPK property and its 100% interest in the western half of the TPK Property (known as the "New Growth" area) had the Company received acceptable bona fide arms' length third party offers.

On December 14, 2012, Rainy River formally relinquished its option on the TPK project. The Company continues to own a 100% interest in the TPK project.

New Growth property

The New Growth property is 100% owned by the Company. The New Growth property area originally represented the western half of the TPK property, however this area is now being explored and accounted for separately by the Company.

The Company incurred expenditures of $2,259,409 on the property during the year ended December 31, 2012 (2011 - $1,058,270).

Meston Lake property

The Meston Lake property is 100% owned by the Company, and consists of 84 claims covering 19,688 hectares in northwestern Ontario. The Company incurred expenditures of $26,257 on the property during the year ended December 31, 2012 (2011 - $1,571,187).

Rapson Bay property

The Rapson Bay property is 100% owned by the Company, and consists of 111 claims covering 26,135 hectares in northwestern Ontario. The Company incurred expenditures of $109,511 on the property during the year ended December 31, 2012 (2011 - $3,049,558).

Croteau Est property

On August 24, 2011, the Company entered into an option agreement with the owners (the "Optionors") of the Croteau Est gold property in Quebec who granted the Company an option to acquire 100% of the property. To exercise the option the Company is required to spend $1.7 million on exploration on the property over four years from the date of the agreement: $200,000 in year 1, $300,000 in year 2, $400,000 in year 3 and $800,000 in year 4, all of which has already been incurred. The Company must also make cash payments to the Optionors totaling $350,000: $35,000 upon signing the letter of intent (paid), $35,000 by the end of year 1 (paid), $40,000 by the end of year 2, $80,000 by the end of year 3 and $160,000 by the end of year 4. In addition, the Company must issue to the Optionors, $280,000 worth of common shares of the Company: $40,000 at the end of year 2, $80,000 by the end of year 3 and $160,000 by the end of year 4. The number of common shares issuable shall be based on the market price of the Company's shares at the time of issuance. Upon exercise of the option, the Optionors shall retain a 1.0% NSR on any commercial production with the Company having the right to buyback 0.5% of the NSR for $1.5 million, at any time.

The Company incurred net expenditures of $4,042,506 on the property during the year ended December 31, 2012 (2011 - $977,188).

Waconichi property

On June 5, 2012, the Company entered into an option agreement with Murgor Resources Inc. to acquire a 70% interest in 316 claims comprising the 17,226 hectare Waconichi property in the Province of Quebec. The agreement was completed on July 10, 2012. Under the terms of the agreement, the Company must make cash payments of $30,000 at closing (paid), $30,000 at the end of the first year, $30,000 at the end of the second year, and $50,000 at the end of the third year, and issue 200,000 shares at closing (issued – see note 9(b)), 200,000 shares at the end of the first year, 300,000 shares at the end of the second year and 300,000 shares at the end of the third year. The Company must also spend a total of $1,250,000 of exploration expenditures over three years (Year One: $300,000; Year Two: $350,000; Year Three: $600,000) to keep the agreement in good standing. The Company will be deemed to have earned a 70% undivided interest in the Waconichi property, upon payment of the above funds and shares.

The Waconichi property is contiguous to the northern boundary of the Company's Croteau Est property.

The Company incurred net expenditures of $236,884 on the property during the year ended December 31, 2012 (2011 - $Nil).

Wachigabau property

In 2009, the Company and Matamec Explorations Inc. ("Matamec") signed an option and joint venture agreement (the "Option Agreement"), whereby the Company could earn 50% of all metals and minerals rights (other than diamond rights which the Company earned in before the signing of the Option Agreement) by paying $25,000 (paid), issuing 100,000 shares of the Company (issued) and 100,000 purchase warrants (issued and exercised) and spending $500,000 over a period of three years for exploration of all metals and minerals (except for diamonds). In 2010, the Company fulfilled all earn-in requirements and a 50/50 joint venture was formed between Matamec and the Company. As per the terms of the Options Agreement, the Company and Matamec have a 50/50 interest on all metal and mineral rights, including diamonds on the Wachigabau property.

The Company incurred net expenditures of $41,333 on the property during the year ended December 31, 2012 (2011 - $214,836).

As at December 31, 2012, following an impairment review of the property the Company recorded a write-down of $1,039,722 (2011 - $956,958).

(Expressed in Canadian dollars)

Other property write-offs

During the year ended December 31, 2012 the Company reviewed the carrying balances of all of its exploration properties for impairment purposes and wrote-off ten exploration properties which are no longer being actively pursued by the Company, for an aggregate write-off of $978,104 at December 31, 2012 (2011 - $2,261,686).

7. TRADE PAYABLES, ACCRUED LIABILITIES AND FLOW-THROUGH SHARE LIABILITY

As at		**December 31, 2012**		December 31, 2011
Trade payables	**$**	**149,904**	$	621,860
Amounts due to joint venture partner		**10,196**		-
Amounts due to related parties		**46,311**		4,807
Accrued liabilities		**164,321**		166,935
	$	**370,732**	$	793,602

Flow-Through Share Liability

On January 27, 2011, the Company completed a $8,637,820 brokered flow-through private placement consisting of 2,617,521 common shares at a price of $1.10 per share and 4,113,248 common shares at a price of $1.40 per share. This issuance of flow-through shares resulted in a flow-through share liability of $3,185,897 at the date of issue, of which $1,885,736 was recorded as income in 2011, leaving a balance of $1,300,161 as at December 31, 2011 (note 9b).

During the year ended December 31, 2012, the Company incurred in excess of $3,525,085 in qualifying Canadian exploration expenditures in the province of Quebec, resulting in a flow-through share income and a corresponding decrease in flow-through share liability of $1,300,161 on the basis that the Company has the intention of renouncing these qualifying Canadian exploration expenditures to the respective investors.

8. INCOME TAXES

The provision for income taxes in the statement of loss and deficit represents an effective rate different than would be computed by applying the combined Canadian statutory federal and provincial income tax rates to the loss before income taxes due to the following:

For the years ended December 31,		**2012**		2011
Loss before income taxes	**$**	**(3,013,665)**	$	(3,712,189)
Canadian statutory income tax rates		**26.25%**		28.25%
Recovery of income taxes at Canadian statutory rates		**791,087**		1,048,693
Permanent differences		**(179,543)**		1,064,589
Changes in tax rates		**(29,121)**		(77,107)
Change in prior year provision to actual		**155,426**		-
Flow-through shares renunciation		**-**		(1,444,348)
Change in valuation allowance		**(737,849)**		(591,827)
Deferred tax recovery	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

The tax effect of temporary differences that gives rise to the Company's net future income tax assets is as follows:

As at		**December 31, 2012**		December 31, 2011
Deferred tax assets (liabilities)				
Operating losses carried forward	**$**	**2,755,021**	$	2,218,807
Capital loss carried forward		**1,188,732**		1,188,732
Resource properties		**(391,955)**		(995,062)
Share issue costs		**230,117**		319,783
Other		**42,958**		354,764
	$	**3,824,873**	$	3,087,024
Less: Valuation allowance		**(3,824,873)**		(3,087,024)
Total deferred tax assets	**$**	**-**	$	-

At December 31, 2012, the Company had capital losses for tax purposes in Canada totaling $9,509,856 that may be carried forward indefinitely, and operating loss carry forwards of $11,020,083 available for tax purposes in Canada which expire as follows:

Tax Operating Losses	Year of Expiry
$ 379,827	2014
314,918	2015
479,151	2026
872,751	2027
1,263,477	2028
1,518,538	2029
1,512,554	2030
2,435,542	2031
2,243,325	2032
$ 11,020,083	

9. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) Issued Capital

During the years ended December 31, 2012 and 2011, changes in issued share capital were as follows:

On July 10, 2012, the Company issued 200,000 shares of the Company at a deemed aggregate share cost of $38,000 in connection with an option agreement to acquire a 70% interest in the Waconichi property in Quebec (note 6).

On July 10, 2012, Rainy River completed its third and final private placement of $500,000 with the Company which was required for Rainy River to maintain its option to earn a 51% interest in the Company's TPK property, north-western, Ontario. The private placement consisted of 2,631,579 shares of the Company issued at a price of $0.19 per share (note 6).

In January 2012, the Company issued 146,666 shares in connection with the exercise of 146,666 stock options, for proceeds of $16,400.

In 2011 the Company issued 5,600,000 shares in connection with the exercise of 5,600,000 warrants, for proceeds of $1,109,200.

In 2011 the Company issued 1,134,332 shares in connection with the exercise of 1,134,332 stock options, for proceeds of $205,105.

In 2011 the Company issued 807,350 shares in connection with the exercise of 807,350 compensation options, for proceeds of $96,882.

On November 16, 2011, the Company completed an agreement to acquire INV's 50% interest in the Thorne Lake property, which included the issuance of 750,000 shares of the Company to INV at a deemed price of $0.23 per share for a total value of $172,500.

On July 8, 2011, the Company closed a private placement with Rainy River for 1,388,889 shares of the Company at a price of $0.36 per share for proceeds of $500,000 as part of the TPK option agreement with Rainy River (note 6).

On January 27, 2011, the Company completed a $8,637,820 brokered flow-through private placement consisting of 2,617,521 common shares at a price of $1.10 per share and 4,113,248 common shares at a price of $1.40 per share. This issuance of flow-through shares resulted in a flow-through share liability of $3,185,897 at the date of issue (note 7).

On January 12, 2011, the Company completed a $10,000,000 brokered private placement consisting of 12,500,000 common shares at a price of $0.80 per share.

The Company recorded share issue costs of $1,853,897 in connection with the above two private placements, of which $1,392,233 was paid in cash and $461,664 was the fair value of brokers' compensation options. A total of 1,153,847 compensation options were issued, each compensation option is exercisable into one common share for a period of one year at an exercise price of $0.80 from the date of closing (note 9(e)).

c) Stock Options

As at December 31, 2012, the Company had 11,411,234 stock options outstanding of which 4,906,231 were exercisable under the Company's stock option plan. The terms of all options cannot exceed ten years and the minimum exercise price cannot be less than the closing price of the Company's common shares on the TSX Venture Exchange on the last trading day preceding the grant of the option. All of the outstanding options of the Company were issued with an expiry date of 5 years from the date of issue. The Board of Directors determines the vesting terms of the options, with a typical vesting schedule of 1/3 of the options under the grant vesting on each anniversary over a three year period after the date of grant.

(Expressed in Canadian dollars)

A summary of the changes in the Company's stock option plan for the year ended December 31, 2012 and 2011 is as follows:

	Year ended December 31, 2012 Number of options	**Weighted-average exercise price**	Year ended December 31, 2011 Number of options	Weighted-average exercise price
Outstanding, beginning of year	**9,824,568**	**$0.33**	7,753,900	$0.33
Granted	**3,375,000**	**$0.11**	3,595,000	$0.26
Expired	**(1,315,000)**	**$0.47**	(50,000)	$0.50
Exercised	**(146,666)**	**$0.11**	(1,134,332)	$0.18
Forfeited	**(326,668)**	**$0.43**	(340,000)	$0.43
Outstanding, end of year	**11,411,234**	**$0.25**	9,824,568	$0.33
Exercisable, end of year	**4,906,231**	**$0.28**	3,986,228	$0.32

A weighted average grant-date fair value of $0.09 (2011 - $0.26) for options granted during the year ended December 31, 2012 was determined using the Black-Scholes Option Pricing Model using the following assumptions: no dividends are to be paid; volatility of 150.1% (2011 - 152.9%); risk-free interest rate of 1.3% (2011 – 1.5%); and expected life of 5 years.

The following table summarizes information regarding stock options outstanding and exercisable at December 31, 2012:

Exercise Price Range	**Number of Options Outstanding**	**Remaining Contractual Life (in years)**	**Weighted Average Exercise Price**	**Number of Options Exercisable**	**Remaining Vested Contractual Life (in years)**	**Weighted Average Vested Excercise Price**
$0.10 - $0.19	5,466,234	3.63	$0.11	2,241,232	1.73	$0.12
$0.20 - $0.39	3,645,000	3.84	$0.25	1,165,000	3.82	$0.25
$0.40 - $0.59	2,200,000	2.86	$0.55	1,466,666	2.85	$0.55
$0.60 - $0.79	100,000	3.33	$0.65	33,333	3.33	$0.70
	11,411,234	3.08	$0.25	4,906,231	1.72	$0.28

d) Share-Based Payments

Share-based payments recognized in the year are capitalized to exploration and evaluation properties or expensed as consulting fees and office expense.

The following table summarizes the share-based payment expense for stock option grants that the Company recorded for the years ended December 31, 2012 and 2011:

Years ended December 31,		**2012**		2011
Consulting fees	**$**	**195,375**	$	266,984
Office expense		**168,478**		213,028
		363,853		480,012
Exploration and evaluation properties		**320,121**		359,764
Total share-based payments	**$**	**683,974**	$	839,776

Share-based payments of $320,121 (2011 - $359,764) related to exploration and evaluation properties are capitalized to exploration and evaluation properties and share-based payments of $363,853 (2011 - $480,012) related to consulting fees and office expense were expensed for the year ended December 31, 2012.

(Expressed in Canadian dollars)

e) Warrants and Compensation Options

A summary of the changes in the Company's compensation options for the year ended December 31, 2012 and the year ended December 31, 2011 is as follows:

	Year ended December 31, 2012		Year ended December 31, 2011	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Outstanding, beginning of year	**1,153,847**	**$0.80**	807,350	$0.12
Granted	**-**	**-**	1,153,847	$0.80
Expired	**(1,153,847)**	**$0.80**	-	-
Exercised	**-**	**-**	(807,350)	$0.12
Outstanding, end of year	**-**	**-**	1,153,847	$0.80

During the year ended December 31, 2012, the Company reclassified the fair value of expired warrants and compensation options in the amount of $1,608,678 from warrants reserve to deficit.

As at December 31, 2012, the Company had no warrants or compensation options outstanding.

f) Basic and Diluted Loss per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Potentially dilutive items not included in the calculation of diluted loss per share for the year ended December 31, 2012 were 11,411,234 (2011 - 9,824,568) stock options that were anti-dilutive.

10. RELATED PARTY TRANSACTIONS

Years ended December 31,		**2012**		2011
Management and other fees	**$**	**118,892**	$	112,451
Salaries and wages		**920,676**		973,312
Share-based payments		**433,005**		598,647
	$	**1,472,573**	$	1,684,410

All related party transactions are in the normal course of operations and measured at the exchange amount agreed to between the related parties. For the purposes of disclosure, related parties are defined as the officers and directors of the Company.

(Expressed in Canadian dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31,		**2012**		2011
Non-cash investing and financing activities				
Transfer of amounts from reserves	**$**	**10,896**	$	234,299
Warrants and compensation options issued pursuant to private placements		**-**		461,664
Common shares issued pursuant to property agreements		**38,000**		172,500
Changes in working capital related to exploration properties		**(449,780)**		419,335
Tax liability related to premium received on flow-through shares		**-**		3,185,897
Interest received		**147,910**		84,758
Interest paid		**-**		-
Taxes paid		**-**		7,398

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Instruments

The carrying value of financial assets and liabilities at December 31, 2012 and 2011 are as follows:

As at		**December 31, 2012**		December 31, 2011
Financial Assets				
Fair value through profit or loss, measured at fair value				
Cash and cash equivalents	**$**	**8,839,191**	$	17,094,074
Loans and receivables, measured at amortized cost				
Receivables		**90,391**		356,279
Financial Liabilities				
Other liabilities, measured at amortized cost				
Trade payables, due to JV partner, and due to related parties	**$**	**206,411**	$	626,667

The fair value hierarchy of financial instruments measured at fair value on the statement of financial position is as follows:

As at		**December 31, 2012**		December 31, 2011
		Level 1		Level 1
Cash and cash equivalents	**$**	**8,839,191**	$	17,094,074

b) Management of Financial Risks

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

i. Credit Risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote. The Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

ii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012, the Company had cash and cash equivalents of $8,839,191 (December 31, 2011 - $17,094,074) to settle trade payables and accrued liabilities totaling $370,732 (December 31, 2011 - $793,602). All of the Company's financial liabilities have contractual maturities of 30 days and are subject to normal trade terms.

iii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. A 1% change in short term rates would change the interest income and net loss of the Company, assuming that all other variables remained constant, by approximately $88,392 for the year ended December 31, 2012.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency or commodity risk arising from financial instruments.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, exploration and development of mineral properties. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit, equity reserves and cash and cash equivalents.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will be using its existing working capital and raise additional amounts as needed. 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 year ended December 31, 2012. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

(Expressed in Canadian dollars)

14. COMMITMENTS

	Less than 1 year	1 - 5 years	5 or more years	Total
Operating lease - office lease	$ 43,725	$ 160,325	$ -	**$ 204,050**

The Company has future commitments under exploration and evaluation property option agreements to issue shares and incur exploration expenditures (Note 6).

15. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment being the mining business in Canada. All resource properties and equipment are situated in Canada.

16. CONTINGENCIES

The Company has temporarily suspended exploration activities on its Meston Lake, Rapson Bay and Thorne Lake mineral properties pending clarification and re-ratification of exploration agreements with certain First Nations groups. The Company is in the process of considerting its options.

17. SUBSEQUENT EVENTS

There were no reportable events during the period from the year ended December 31, 2012 to the date the audited financial statements were approved and authorized for issue by the Board of Directors on March 7, 2013.