MISTANGO RIVER RESOURCES

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited financial statements of Mistango River Resources Inc. are the responsibility of the management and Board of Directors of the Company.

The audited financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Company maintains systems of internal controls that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the audited financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Robert J. Kasner", President and CEO
Robert J. Kasner

"Johnny Oliveira", CFO
Johnny Oliveira

PALMER REED
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Mistango River Resources Inc.

We have audited the accompanying financial statements of Mistango River Resources Inc., which comprise the statements of financial position as at December 31, 2012, and December 31, 2011, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 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 Company'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 Company'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 Mistango River Resources Inc. as at December 31, 2012, and December 31, 2011, and its financial performance and cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 1 to the financial statements which indicates that as at December 31, 2012 the Company had an accumulated deficit at $24,813,285. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the ability of Mistango River Resources Inc. to continue as a going concern. Our opinion is not qualified in respect of this matter.

TORONTO, ONTARIO

Palmer Reed

April 29, 2013

Chartered Accountants
Licensed Public Accountants

Mistango River Resources Inc.

STATEMENTS OF FINANCIAL POSITION

(Canadian dollars)

AS AT DECEMBER 31,		2012		2011
ASSETS				
Current				
Cash and cash equivalents (Note 5)	**$**	**1,113,125**	$	1,036,190
Marketable securities (Note 6)		**-**		490,000
Trade and other receivables (Note 7)		**97,393**		157,276
Prepaid expenses		**5,000**		-
		1,215,518		1,683,466
Investments (Note 8)		**75,163**		70,993
Property, plant and equipment (Note 9)		**109,658**		130,898
	$	**1,400,339**	$	1,885,357
LIABILITIES				
Current				
Trade and other payables (Note 10 and 11)	**$**	**395,099**	$	333,925
Flow-through share premium liability (Note 13 (a))		**116,000**		102,000
Current portion of long-term debt (Note 12)		**-**		15,541
		511,099		451,466
Long-term debt (Note 12)		**-**		16,131
		511,099		467,597
EQUITY				
Share capital (Note 13 (a))		**21,055,066**		19,255,186
Reserve for share based payments (Note 14(a))		**3,814,594**		3,650,474
Reserve for warrants (Note 14 (b))		**800,000**		485,000
Deficit		**(24,813,285)**		(22,002,095)
Accumulated other comprehensive income (loss)		**32,865**		29,195
		889,240		1,417,760
	$	**1,400,339**	$	1,885,357

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations (Note 16 and 18)

Approved on behalf of the Board on April 29, 2013:

"Robert J. Kasner", Director

"Daniel Farrell", Director

The accompanying notes are an integral part of these financial statements

Mistango River Resources Inc.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Canadian dollars)

Years ended December 31,	2012	2011
Expenses		
Share based compensation (Note 13 (b))	$ 171,000	$ 235,000
Salaries, fees and benefits (Note 11)	167,023	220,555
Professional and consulting fees (Note 11)	76,479	82,654
Office, general and administrative (Note 11)	86,916	103,328
Shareholder Information	195,655	146,298
Amortization (Note 9)	33,671	24,425
Exploration and evaluation expenditures (Notes 11 and 16)	2,483,720	2,564,795
Net loss before the undernoted	(3,214,464)	(3,377,055)
Gain on sale of property, plant and equipment (Note 15)	-	2,502,156
Unrealized gain (loss) on marketable securities (Note 6)	385,000	(385,000)
Loss on sale of marketable securities (Note 6)	(368,226)	(171,940)
Flow-through share premium recovery (Note 13 (a))	386,000	153,000
Future income tax recovery (Note 19)	500	7,185
Net loss for the year	$ (2,811,190)	$ (1,271,654)
Loss per share		
Basic and diluted	$ (0.08)	$ (0.07)
Weighted average number of common shares outstanding		
Basic and diluted (000's)	33,348	19,128
Comprehensive Loss		
Net loss	$ (2,811,190)	$ (1,271,654)
Unrealized (loss) gain on investments (Note 8)	3,670	(61,496)
Net comprehensive loss	$ (2,807,520)	$ (1,333,150)

The accompanying notes are an integral part of these financial statements

Mistango River Resources Inc.

STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars)

	Share Capital		Reserves				
	Number of Shares*	Amount	Share based payments	Warrants	Deficit	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2011	15,904,815	$ 17,234,936	$ 3,415,474	$ -	$ (20,730,441)	$ 90,691	$ 10,660
Shares issued on private placements	11,416,666	2,752,250	-	-	-	-	2,752,250
Flow-through share premium on private placements	-	(255,000)	-	-	-	-	(255,000)
Shares issued for mineral properties	50,000	8,000	-	-	-	-	8,000
Warrants issued on private placements	-	(485,000)	-	485,000	-	-	-
Share based payments	-	-	235,000	-	-	-	235,000
Net loss for the year	-	-	-	-	(1,271,654)	-	(1,271,654)
Unrealized loss on investments for the year	-	-	-	-	-	(61,496)	(61,496)
Balance at December 31, 2011	**27,371,481**	**$ 19,255,186**	**$ 3,650,474**	**$ 485,000**	**$ (22,002,095)**	**$ 29,195**	**$ 1,417,760**
Shares issued on private placements	**10,500,000**	**2,485,000**	**-**	**-**	**-**	**-**	**2,485,000**
Flow-through share premium on private placements	**-**	**(400,000)**	**-**	**-**	**-**	**-**	**(400,000)**
Exercise of stock options	**52,000**	**13,000**	**-**	**-**	**-**	**-**	**13,000**
Shares issued for mineral properties	**50,000**	**10,000**	**-**	**-**	**-**	**-**	**10,000**
Warrants issued on private placements	**-**	**(315,000)**	**-**	**315,000**	**-**	**-**	**-**
Reserve transferred on exercise of options	**-**	**6,880**	**(6,880)**	**-**	**-**	**-**	**-**
Share based payments	**-**	**-**	**171,000**	**-**	**-**	**-**	**171,000**
Net loss for the year	**-**	**-**	**-**	**-**	**(2,811,190)**	**-**	**(2,811,190)**
Unrealized gain on investments for the year	**-**	**-**	**-**	**-**	**-**	**3,670**	**3,670**
Balance at December 31, 2012	**37,973,481**	**$ 21,055,066**	**$ 3,814,594**	**$ 800,000**	**$ (24,813,285)**	**$ 32,865**	**$ 889,240**

** Number of shares outstanding is post four for one share consolidation of the Company's issued and outstanding shares*

Mistango River Resources Inc.

STATEMENTS OF CASH FLOWS

(Canadian dollars)

Years ended December 31,	**2012**	2011
Operations		
Net loss for the year	**$ (2,811,190)**	$ (1,271,654)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share based payments	**171,000**	235,000
Gain on sale of property, plant and equipment	**-**	(2,502,156)
Realized loss on marketable securities	**368,226**	171,940
Unrealized (gain) loss on marketable securities	**(385,000)**	385,000
Future income tax recovery	**(500)**	(7,185)
Flow-through share premium recovery	**(386,000)**	(153,000)
Amortization	**33,671**	24,425
Shares issued for property payments	**10,000**	8,000
Net change in non-cash operating working capital items:		
Restricted cash	**-**	116,568
Trade and other receivables	**59,883**	(115,296)
Prepaid expenses	**(5,000)**	-
Trade and other payables	**61,174**	(208,006)
	(2,883,736)	(3,316,364)
Financing		
Common shares issued, net of share issue costs	**2,498,000**	2,752,250
Payment of long-term debt	**(31,672)**	(14,790)
	2,466,328	2,737,460
Investing		
Proceeds from sale of marketable securities	**506,774**	1,396,295
Purchases of property, plant and equipment	**(16,131)**	(50,261)
Proceeds from sale of property, plant and equipment	**3,700**	58,921
	494,343	1,404,955
Net increase in cash and cash equivalents	**76,935**	826,051
Cash, beginning of year	**1,036,190**	210,139
Cash and cash equivalents, end of year	**$ 1,113,125**	$ 1,036,190

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS

Mistango River Resources Inc. ("Mistango" or the "Company") is a federally incorporated company. The Company's head office is located at 4 Al Wende Ave., Kirkland Lake, ON, P2N 3J5. At a Special Meeting of shareholders held on March 17, 2011, the shareholders approved the consolidation of its Class A Voting Common Shares on the basis of one (1) new common share for four (4) old common shares (the "Consolidation") and change the Company's name from GLR Resources Inc. to Mistango River Resources Inc. Fractional shares remaining after giving effect to the Consolidation were cancelled such that shareholdings of each shareholder will be rounded down to the nearest whole number of post Consolidation common shares. On March 23, 2011, Articles of Amendment were filed to give effect to the disclosed changes. Mistango's principal business is the acquisition and exploration of mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at December 31, 2012, the Company had working capital of $704,419 (2011 - $1,232,000), had not yet achieved profitable operations, had accumulated losses of $24,813,285 (2011 - $22,002,095) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage and has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the statement of financial position classifications used in the financial statements.

The future profitability of exploration properties and the Company's continued existence are dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These financial statements were approved and authorized by the Board of Directors of the Company on April 29, 2013.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of trade and other receivables, valuation of deferred income tax amounts and the calculation of share-based payments and warrants. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

Calculation of share based payments and warrants
The Black-Scholes option pricing model is used to determine the fair value for the share based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Income taxes
Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the statement of financial position date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

2. BASIS OF PRESENTATION *(continued)*

2.4 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, IFRS, amendments and related interpretations which are effective for the Company's financial year 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 these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the audited financial statements of the Company.

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- 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 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- 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 the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements'* - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

2. BASIS OF PRESENTATION *(continued)*

2.4 Adoption of new and revised standards and interpretations *(continued)*

- IAS 28 '*Investments in Associates and Joint Ventures'* - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee
- IAS 32 '*Financial instruments, Presentation'* – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset 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.

Depreciation is provided at rates calculated to write-off the cost of PPE, less their estimated residual value, using the declining balance method or unit-of-production method over the expected useful lives at the following rates:

• Exploration equipment	20%
• Office furniture	20%

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

3.4 Share based payments

Share based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share based payment.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position 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. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Taxation *(continued)*

Deferred income 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 tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.6 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 period. 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. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2012 and 2011 all of the outstanding stock options and warrants were antidilutive.

3.7 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and marketable securities are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company’s trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company’s investments are classified as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, promissory notes payable and current and long-term portions of long-term debt are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At December 31, 2012 the Company has not classified any financial liabilities as FVTPL.

3.9 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has 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 then reduced by the amount of the impairment. The amount of the loss is 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.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3.11 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises cash at banks and on hand and short-term guaranteed investment certificates with maturities of less than 90 days or redeemable at any time with maturities longer than 90 days.

3.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.13 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Flow-through Shares

The obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” measured using a residual or a relative fair value method. This obligation is released into the statement of comprehensive income as a gain as and when the Company incurs qualifying expenditures (i.e. fulfilling its obligation to renounce tax attributes).

4. FINANCIAL INSTRUMENTS

Fair Value Hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

Fair value

The Company's financial instruments as at December 31, 2012 include cash and cash equivalents, trade and other receivables, investments, trade and other payables, and long-term debt. The Company has designated its cash and cash equivalents as FVTPL, which are measured at fair value cash and cash equivalents and is determined based on transaction value and is categorized as Level 1 measurement. The Company has designated its investments as available-for-sale, which are measured at fair value and is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other receivable and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

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

Interest-rate risk
The Company has cash and cash equivalents balances bearing fixed interest rates and no interest bearing debt. The Company’s current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

4. FINANCIAL INSTRUMENTS *(continued)*

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and short-term guaranteed investment certificates, which have been invested in a Canadian chartered bank, from which management believes the risk of loss is remote. As at December 31, 2012, the Company's receivables primarily consist of amounts due from the Canadian government. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to December 31, 2012. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at December 31, 2012 is the carrying value of cash and cash equivalents and trade and other receivables.

Liquidity risk
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 current assets of $1,215,518 (2011 - $1,683,466) to settle current liabilities of $511,099 (2011 - $451,466). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities (other than long-term debt) have contractual maturities of less than 30 days and are subject to normal trade terms. As at December 31, 2012, the Company had working capital of $704,419 (2011 – $1,232,000).

Price risk
The Company holds common shares of companies traded on the Toronto stock exchange Venture ("TSXV"). The Company has classified some of these investments as FVTPL and others as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

i. The Company's marketable securities and investments are subject to fair value fluctuations. As at December 31, 2012, if the fair value of the marketable securities and investments had decreased/increased by 10% with all other variables held constant, net comprehensive loss for the year ended December 31, 2012 would have been approximately $8,000 (2011 - $7,000) higher/lower.

5. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at December 31, 2012, contains cash on deposit with major Canadian banks of $609,242 (2011 - $1,036,190) and $503,883 (2011 - $Nil) in short-term guaranteed investment certificates which are redeemable in full with interest at any time and mature in June 2013.

6. MARKETABLE SECURITIES

Marketable securities as at December 31, 2012, are comprised of Nil (2011 - 500,000) common shares of Brigus Gold Corp. ("Brigus"), a publicly traded Canadian company traded on the Toronto stock exchange ("TSX"). As at December 31, 2012, these FVTPL investments have been measured at their fair value of $Nil (2011 – $490,000), as determined by the closing bid price of the securities on the TSX on December 31, 2012 (2011). The revaluation to market value resulted in an unrealized gain on marketable securities during the year ended December 31, 2012 of $385,000. The revaluation to market value resulted in an unrealized loss on marketable securities during the year ended December 31, 2011 of $385,000. During the year ended December 31, 2012, the Company sold 500,000 (2011 – 896,134) of these shares for net proceeds of $506,774 (2011 - $1,396,312). The Company recorded a realized loss during the year ended December 31, 2012 of $368,226 (2011 - $171,940) and a reversal of the previously recorded unrealized loss of $385,000 (2011 - $Nil) on the sale of these marketable securities.

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from three main sources: sales and harmonized sales tax ("HST") receivable due from government taxation authorities and receivables from related parties. These are broken down as follows:

As at,	**December 31, 2012**	December 31, 2011
HST receivable	**$ 97,393**	$ 157,276
Total trade and other receivables	**$ 97,393**	$ 157,276

At December 31, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4.

The Company holds no collateral for any receivable amounts outstanding as at December 31, 2012.

8. INVESTMENTS

Investments include 835,121 shares of RJK Explorations Inc. ("RJK") and 136 shares of Strategic Resources Inc. ("SRI"), publicly-traded Canadian companies listed on the TSX-V. As at December 31, 2012, these available-for-sale investments have been measured at their fair value, as determined by the closing bid price of the securities on December 31, 2012 of $75,163 (2011 – $70,993). The impact to the financial statements of this revaluation to market value resulted in an increase of $4,170 (2011 – decrease of $54,311) to the value of the investments with a corresponding increase in accumulated other comprehensive income of $3,670 (2011 – decrease of $61,496) offset by future income tax recovery of $500 (2011 - $7,185) that has been included in the current year's net loss.

9. PROPERTY, PLANT AND EQUIPMENT

	Exploration equipment	Office furniture	Total
Cost			
As at January 1, 2011	$ 121,843	$ 36,776	$ 158,619
Additions	50,261	-	50,261
As at December 31, 2011	**$ 172,104**	**$ 36,776**	**$ 208,880**
Additions	**16,131**	**-**	**16,131**
Disposals	**(17,000)**	**-**	**(17,000)**
As at December 31, 2012	**$ 171,235**	**$ 36,776**	**$ 208,011**
Accumulated depreciation			
As at January 1, 2011	$ 22,066	$ 31,491	$ 53,557
Amortization	23,368	1,057	24,425
As at December 31, 2011	**$ 45,434**	**$ 32,548**	**$ 77,982**
Amortization	**32,825**	**846**	**33,671**
Disposals	**(13,300)**	**-**	**(13,300)**
As at December 31, 2012	**$ 64,959**	**$ 33,394**	**$ 98,353**
Net book value			
As at December 31, 2011	$ 126,670	$ 4,228	$ 130,898
As at December 31, 2012	**$ 106,276**	**$ 3,382**	**$ 109,658**

10. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

As at,	**December 31, 2012**	December 31, 2011
	$	$
Less than 1 month	**136,136**	75,224
1 – 3 months	**2,832**	2,770
Over 3 months	**256,131**	255,931
Total trade and other payables	**$ 395,099**	$ 333,925

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management during the years included:

		December 31, 2012		December 31, 2011
Balances:				
Short-term employee benefits	**$**	**349,000**	$	301,000
Share based payments - options		**10,000**		178,000
Total compensation paid to key management	**$**	**359,000**	$	479,000

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to Mistango. All transactions were conducted in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and are as follows:

During the year ended December 31, 2012, the Company was charged $22,000 (2011 - $22,000) for administrative costs are comprised of rent paid to a company controlled by the President of the Company (See Note 18-Commitments and Contractual Obligations).

In 2011, the Company entered into a short-term loan agreement with the President of the Company to provide a loan facility of up to $200,000. The company used $104,000 of this loan during the year ended December 31, 2011 and then repaid it in full during the same period. Interest on this loan during the year ended December 31, 2012 was $Nil (2011 - $664) and is included in office, general and administrative.

Trade and other payables at December 31, 2012 includes $11,300 (2011 - $1,000) owing to officers, directors and companies controlled by officers and directors.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

12. LONG-TERM DEBT

Long-term debt arises from the purchase of a truck during December 2009 for use in operations by the Company. The remaining term of the loan is for a period of 30 months, is fully secured and bears interest at the rate 5.9% per annum.

		December 31, 2012		December 31, 2011
Current portion of long-term debt	**$**	**-**	$	15,541
Long-term portion of long-term debt		**-**	$	16,131
Long-term debt balance outstanding	**$**	**-**	$	31,672

On June 28, 2012, management accelerated its option to be able to pay early and paid the full remaining balance in July 2012.

13. SHARE CAPITAL

(a) Common shares

Mistango's authorized share capital consists of an unlimited number of Class A Voting Common Shares, and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series is redeemable by the Company, in whole or in part, at the rate of $1,000 per Series A share. The holders of the Series A shares are not entitled to dividends.

The issued Class A Voting Common Share capital is summarized as follows:

	Number of Shares	Amount
Balance, January 1, 2011	63,620,024	$ 17,234,936
Consolidation 4:1	(47,715,209)	-
March 23, 2011	15,904,815	$ 17,234,936
Private placements	11,416,666	2,900,000
Issued for mineral properties	50,000	8,000
Fair value of warrants issued on private placements	-	(427,000)
Shares issue costs – cash	-	(147,750)
Shares issue costs – warrants issued as finder's fees	-	(58,000)
Flow-through share premium on private placements	-	(255,000)
Balance, December 31, 2011	**27,371,481**	**$ 19,255,186**
Private placements	**10,500,000**	**2,500,000**
Issued on exercise of stock options [1]	**52,000**	**13,000**
Issued for mineral properties	**50,000**	**10,000**
Reserve transferred on exercise of options	**-**	**6,880**
Fair value of warrants issued on private placements	**-**	**(315,000)**
Shares issue costs – cash	**-**	**(15,000)**
Flow-through share premium on private placements	**-**	**(400,000)**
Balance, December 31, 2012	**37,973,481**	**$ 21,055,066**

[1]The average fair value of the shares issued through the exercise of options on the date the options were exercised in the year ended December 31, 2012 was $0.44 (2011 - $Nil).

2012

On June 8, 2012, the Company completed a private placement totaling 8,000,000 flow-through units at $0.25 each for an aggregate amount of $2,000,000 and 2,500,000 units at $0.20 each for an aggregate amount of $500,000 for total proceeds for $2,500,000. Each flow-through unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.35 for a period of 24 months. The flow-through shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers.

The fair value of the 5,250,000 share purchase warrants was estimated at $315,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 1.04%; volatility 100% and an expected life of 2 years.

13. SHARE CAPITAL *(continued)*

(a) Common shares *(continued)*

During the year ended December 31, 2012, the flow-through premium as a result of flow-through financings was calculated to be $400,000 (2011 - $255,000). During the year ended December 31, 2012, flow-through share premium liabilities of $386,000 (2011 - $140,000) were reversed (resulting from flow-through funds spent) and recorded as a flow-through share premium recovery in the statements of loss and comprehensive loss for year ended December 31, 2012. The remaining flow-through share premium liability of $116,000 (2011 - $102,000) will be reversed through the statements of loss as the Company spends the remaining $582,000 (2011 - $933,000) in eligible Canadian Exploration Expenditures.

2011

On June 3, 2011, the Company completed a private placement totaling 2,200,000 units at $0.25 each for an aggregate amount of $550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.35 for a period of 12 months and then $0.45 for the ensuing 12 month period. The flow-through shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers.

The fair value of the 1,100,000 share purchase warrants was estimated at $56,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.01%; volatility 100% and an expected life of 2 years.

On June 30, 2011, the Company completed a private placement totaling 750,000 units at $0.20 each for an aggregate amount of $150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.35 for a period of 12 months and then $0.45 for the ensuing 12 month period.

The fair value of the 375,000 share purchase warrants was estimated at $22,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.01%; volatility 100% and an expected life of 2 years.

On October 13, 2011, the Company completed a private placement totaling 6,200,000 units at $0.25 each for an aggregate amount of $1,550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.35 for a period of 24 months.

On October 13, 2011, the Company completed a private placement totaling 600,000 units at $0.25 each for an aggregate amount of $150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.35 for a period of 24 months.

The fair value of the 3,400,000 share purchase warrants was estimated at $284,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.98%; volatility 100% and an expected life of 2 years.

In connection with the private placements above, the Company paid a finder's fee of $91,750 in cash and issued 367,000 finder`s units. Each finder`s unit comprises one common share and one-half of one warrant and is exercisable at a price of $0.25 per for a period of two years. Each whole warrant is exercisable at a price of $0.35 for a period of 24 months.

13. SHARE CAPITAL *(continued)*

(a) Common shares *(continued)*

The fair value of the 367,000 finders units was estimated at $37,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.98%; volatility 100% and an expected life of 2 years.

The fair value of the 183,500 finder warrants was estimated at $15,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.98%; volatility 100% and an expected life of 2 years.

On December 21, 2011, the Company completed a private placement totaling 1,666,666 units at $0.30 each for an aggregate amount of $500,000. Each unit is comprised of one “flow-through” common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.35 for a period of 24 months.

In connection with the private placements above, the Company paid a finder’s fee of $25,000 in cash and issued 83,333 finder warrants. Each whole warrant is exercisable at a price of $0.35 for a period of 24 months.

The fair value of the 83,333 finder warrants was estimated at $6,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.89%; volatility 100% and an expected life of 2 years.

(b) Options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares. As at December 31, 2012, the Company had 749,348 (2012 – 587,148) options available for issuance under the Plan. The options outstanding to purchase common shares are as follows:

	December 31, 2012			December 31, 2011		
	Options		**Weighted Average Exercise Price**	Options		Weighted Average Exercise Price
Outstanding at beginning of year	**2,150,000**	**$**	**0.25**	1,730,000	$	0.55
Transaction during the year						
Consolidation 4:1	**-**		**-**	(1,297,500)		2.21
Post consolidation	**-**		**-**	(432,500)		2.21
Granted	**1,350,000**		**0.25**	2,150,000		0.26
Exercised	**(52,000)**		**0.25**	-		-
Forfeited/Expired	**(400,000)**		**0.25**	(432,500)		2.21
Outstanding at end of year	**3,048,000**	**$**	**0.27**	2,150,000	$	0.26
Exercisable at end of year	**2,848,000**	**$**	**0.27**	1,900,000	$	0.25

13. SHARE CAPITAL *(continued)*

(b) Options *(continued)*

The following summarizes information on the stock options outstanding at December 31, 2012:

Range of Exercise Prices ($)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)	No. of Options Exercisable	Weighted Average Exercisable Exercise Price ($)
0.25	2,548,000	3.09	0.25	2,348,000	0.25
0.30 – 0.35	290,000	1.01	0.30	290,000	0.30
0.50	2100,000	2.83	0.50	2100,000	0.50
0.25 – 0.50	**3,048,000**	**2.87**	**0.27**	**2,848,000**	**0.27**

The fair value of each option was estimated on the date of grant. The following are the assumptions used under Black-Scholes at the measurement date for the year ended December 31, 2012:

	Vesting of prior issued options	Re-pricing of options	January 1, 2012	February 8, 2012	February 8, 2012
Options Issued			400,000	250,000	40,000
Risk-free interest rate			0.96%	1.19%	1.19%
Expected life			1 year	3 years	3 years
Exercise price			$0.25	$0.25	$0.35
Price volatility			100%	100%	100%
Dividend yield			Nil	Nil	Nil
Forfeiture rate			Nil	Nil	Nil
Vesting			¼ Immediately, then ¼ every 3 months	Immediately	3 months
Share based compensation			$39,000	$21,000	$3,000
Current year expense	$25,000	$1,000	$10,000	$21,000	$3,000

	June 26, 2012	August 27, 2012	November 1, 2012	Total
Options Issued	50,000	400,000	210,000	1,350,000
Risk-free interest rate	1.25%	1.16%	1.16%	
Expected life	5 years	2 years	3 years	
Exercise price	$0.25	$0.25	$0.50	
Price volatility	100%	100%	100%	
Dividend yield	Nil	Nil	Nil	
Forfeiture rate	Nil	Nil	Nil	
Vesting	Immediately	¼ Immediately, then ¼ every 3 months	Immediately	
Share based compensation	$7,000	$53,000	$62,000	$185,000
Current year expense	$7,000	$42,000	$62,000	$171,000

During the year ended December 31, 2012, the Company re-priced the exercise price on 50,000 stock options from $0.30 to $0.25. The fair value of this re-pricing using was estimated at $1,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 1.41%; volatility 100% and an expected life of 4.75 years.

13. SHARE CAPITAL *(continued)*

(b) Options *(continued)*

The fair value of each option was estimated on the date of grant. The following are the assumptions used under Black-Scholes at the measurement date for the year ended December 31, 2011:

	June 9, 2011	July 13, 2011	September 6, 2011	October 13, 2011	October 31, 2011	November 3, 2011	Total
Options Issued	1,550,000	100,000	100,000	100,000	250,000	50,000	2,150,000
Risk-free interest rate	2.25%	2.18%	1.40%	1.52%	1.00%	1.00%	
Expected life	5 years	5 years	5 years	5 years	2 years	5 years	
Exercise price	$0.25	$0.25	$0.25	$0.25	$0.30	$0.30	
Price volatility	100%	100%	100%	100%	100%	100%	
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	
Forfeiture rate	Nil	Nil	Nil	Nil	Nil	Nil	
Vesting	Immediately	Immediately	Immediately	Immediately	¼ every 3 months	Immediately	
Share based compensation	$165,000	$13,000	$19,000	$13,000	$39,000	$11,000	$260,000
Current year expense	$165,000	$13,000	$19,000	$13,000	$14,000	$11,000	$235,000

The weighted average grant-date fair value of options granted during the year ended December 31, 2012 was $0.14 (Year ended December 31, 2011 - $0.12) per option issued.

(c) Common Share Purchase Warrants

The exercise price and expiry date of the warrants outstanding at December 31, 2012 are as follows:

Warrants	Exercise Price	Expiry Date
1,100,000	0.45	June 3, 2013
375,000	0.45	June 30, 2013
3,583,500	0.35	October 13, 2013
367,000	0.25	October 13, 2013
833,333	0.35	December 21, 2013(1)
83,333	0.35	December 21, 2013
5,250,000	0.35	June 8, 2014(1)
11,592,166		

(1) These warrants are subject to acceleration, at the option of the Company, in the event that the closing price of the Common Shares equals or exceeds $0.50 for a period of 10 consecutive trading days at any time before expiry.

14. RESERVES

(a) Share based payments

Reserve for share based payments is comprised of the following:

	December 31, 2012	December 31, 2011
Balance, beginning of the year	**$ 3,650,474**	$ 3,415,474
Share based payments	**171,000**	235,000
Reserve transferred on exercise of options	**(6,880)**	-
Balance, end of year	**$ 3,814,594**	$ 3,650,474

(b) Warrants

Reserve for share based payments is comprised of the following:

	December 31, 2012	December 31, 2011
Balance, beginning of the year	**$ 485,000**	$ -
Fair value of warrants issued on private placements	**315,000**	485,000
Balance, end of year	**$ 800,000**	$ 485,000

15. GAIN ON SALE OF PROPERTY, PLANT AND EQUIPMENT

On January 27, 2011, the Company and Brigus entered into a settlement agreement, which provided for the issuance to the Company of 1,396,134 common shares of Brigus valued at $2,443,235 based on a deemed price of $1.75 per share and cash payments aggregating US$60,000 comprised of three equal payments of US$20,000 payable on the last day of each of February, March and April of 2011. As a result of this transaction, the Company recorded a gain on sale of property, plant and equipment during the year ended December 31, 2011 of $2,502,156.

16. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENDITURES

The evaluation and exploration expenses for the Company are broken down as follows:

	Year ended		**Cumulative to date ***
	December 31, 2012	December 31, 2011	
Baldwin, Ontario	**$ 1,467**	**$ 1,825**	**$ 596,220**
Casa Berardi, Quebec	**754**	**5,702**	**685,561**
Goldie, Ontario	**-**	**-**	**511,825**
Kirkland West, Ontario	**1,209**	**1,892**	**255,490**
Omega Property, Ontario	**2,434,046**	**2,441,152**	**4,898,521**
Sackville, Ontario	**51,064**	**113,999**	**608,831**
General and other	**(4,820)**	**225**	**112,501**
Exploration and evaluation expenditures	**$ 2,483,720**	**$ 2,564,795**	**$ 7,668,949**

* Only properties currently under exploration are included in this figure.

16. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENDITURES *(continued)*

Pursuant to a re-instated option agreement in respect of its Boudreault property, the Company made a $10,000 payment in 2010. In order to exercise its right to acquire the Boudreault property under the re-instated option, Mistango made a cash payment of $15,000 and issued 25,000 shares in the capital of the Company on December 1, 2010.

On June 14, 2011, the Company entered into a property option agreement to acquire a 100% interest in six claims in close proximity to the Company's Omega property in Larder Lake, Ontario. To acquire a 100% interest the Company will pay cash of $150,000 as follows: $25,000 on signing (paid), $25,000 on or before June 30, 2012 (paid), $50,000 on or before June 30, 2013, and $50,000 on or before June 30, 2014 and issue 300,000 common shares as follows: 50,000 on signing (issued with a fair value of $8,000), 50,000 on or before June 30, 2012 (issued with a fair value of $10,000), 100,000 on or before June 30, 2013, and 100,000 on or before September 30, 2014. In addition, the Company is required to carry out $500,000 in work expenditures on these claims by June 30. The vendor will retain a 3% Net Smelter Royalty ("NSR").

17. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, accumulated deficit and accumulated other comprehensive income, which as at December 31, 2012 totaled $889,240 (2011 - $1,417,760).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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 administrative costs, the Company will continue to assess 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.

The Company's investment policy is to invest its cash in low-risk, highly liquid, short-term interest-bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. 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.

18. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

The Company may become subject to tax audits of the flow-through expenditures renounced to investors; however, the Company believes that all Canadian Exploration Expenditures were effected and renounced in compliance with the prescribed regulations of the *Income Tax Act (Canada*).

During the year ended December 31, 2011, 10,066,666 flow-through shares were issued pursuant to the private placements described in Note 13 for gross proceeds of $2,600,000. As at December 31, 2012, the Company has expensed all of these flow-through funds. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscribers as a result of the Company failing to meet its expenditure commitments.

During the year ended December 31, 2012, 8,000,000 flow-through shares were issued pursuant to the private placements described in Note 13 (a) for gross proceeds of $2,000,000. As at December 31, 2012, the Company is committed to spending approximately $582,000 on Canadian exploration costs by December 31, 2013 as part of its 2012 flow-through funding agreements the Company has expended all of these flow-through funds. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscribers as a result of the Company failing to meet its expenditure commitments.

During the year ended December 31, 2012, Mistango signed a one-year lease extension on the Kirkland Lake premises. Pursuant to the terms of the renewed lease agreement, the Company is committed to paying approximately $22,245 per year, to a company owned by the President of Mistango.

19. INCOME TAXES

Future Income Tax Recovery

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
	$	$
Loss before income taxes	**(2,811,690)**	(1,264,469)
Combined Statutory rate	**26.50%**	28.25%
Estimated recovery of income taxes	**(745,000)**	(357,000)
Difference between current and future tax rates	**(177,500)**	38,815
Renunciation of CCEE on flow-through shares	**530,000**	650,000
Flow-through share premium recovery	**(102,000)**	(43,000)
Share issue costs	**(4,000)**	(37,000)
Non-deductible expenses	**45,000**	66,000
Non-taxable portion of capital (gains) losses	**(3,000)**	63,000
Change in tax assets not recognized	**456,000**	(388,000)
Future income tax recovery	**(500)**	(7,185)

The Canadian statutory income tax rate of 26.5% (2011 – 28.25%) is comprised of the federal income tax rate at approximately 15.0% (2011 – 16.5%) and the provincial income tax rate of approximately 11.5% (2011 – 11.75%).

The primary differences which give rise to the deferred income tax assets at December 31, 2012 and 2011 are as follows:

	2012	2011
	$	$
Deferred income tax assets		
Share issuance costs and other	**27,000**	79,000
Exploration and evaluation expenditures	**1,748,000**	1,529,000
Property, plant and equipmet	**62,000**	50,000
Capital losses carried forward	**168,000**	150,000
Non-capital losses carried forward	**1,244,000**	985,000
	3,249,000	2,793,000
Less : tax assets not recognized	**(3,249,000)**	(2,793,000)
Net deferred income tax assets	**-**	-
Deferred income tax liabilities		
	-	-
Net deferred income tax liability	**-**	-

19. INCOME TAXES (continued)

The Company has available for carry forward non-capital losses of $4,693,000 (2011 - $3,939,000). These non-capital losses carry forwards expire over the next 20 years as follows:

	$
2028	**998,000**
2029	**2,048,000**
2030	**893,000**
2032	**754,000**
	4,693,000

In addition, the Company has available for carry forward indefinitely capital losses of $775,000 (2011 - $321,000).

As at December 31, 2012, the Company has cumulative Canadian exploration and evaluation expenditures ("CCEE") and cumulative Canadian development expenditures ("CCDE) totaling $6,600,000 (2011 - $6,116,000) which are available to reduce taxable income of future years. The CCEE and CCDE balances can be carried forward indefinitely. In addition, the unamortized balance, for income tax purposes, of share issuance costs amounts to approximately $101,000 (2011 - $315,000) and will be deductible in Canada over the next 4 years.

Deferred tax benefits which may arise as a result of these losses and expenditures have not been recognized in these financial statements.