SENATOR MINERALS INC.

Consolidated Financial Statements

31 December 2012

(Expressed in Canadian dollars)

Index

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Senator Minerals Inc.:

We have audited the accompanying consolidated financial statements of Senator Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income (loss), changes in shareholders' deficiency and cash flows for the years the ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Senator Minerals Inc.'s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 24, 2013

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

SENATOR MINERALS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	**31 December 2012**	31 December 2011
ASSETS			
Current assets			
Cash		$ **1,601**	$ 2,067
HST receivable		**2,070**	2,423
		3,671	4,490
Non-current assets			
Other investment	7	**25,000**	-
TOTAL ASSETS		**$ 28,671**	$ 4,490
LIABILITIES			
Current liabilities			
Loan payable	9, 13	**$ 233,000**	$ 130,000
Trade payables and accrued liabilities	13	**128,539**	120,336
TOTAL LIABILITIES		**361,539**	250,336
SHAREHOLDERS' DEFICIENCY			
Share capital	10	**6,826,151**	6,826,151
Reserve: warrants	11	**76,727**	76,727
Reserve: incentive stock options	11	**250,442**	250,442
Deficit		**(7,486,188)**	(7,399,166)
TOTAL SHAREHOLDERS' DEFICIENCY		**(332,868)**	(245,846)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$ 28,671**	$ 4,490

Nature and Continuance of Operations (note 1)

Commitments (note 15)

Subsequent Events (note 16)

APPROVED BY THE DIRECTORS: "*DONALD A SIMON*" "*ROGER G. KIDLARK*"

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

SENATOR MINERALS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian dollars)

	Notes	Years ended 31 December 2012	31 December 2011
Exploration expenditures Acquisition, Maintenance, and Exploration (Schedule A)		**$ 14,938**	$ 76,404
General and Administrative expenses			
Communications	13	**5,879**	8,854
Filing and listing fees		**8,615**	8,320
Interest on loan	13	**18,666**	37,646
Management fees	13	**98,500**	124,500
Occupancy	13	**15,887**	23,486
Office and general	13	**2,572**	3,065
Professional fees	13	**14,940**	18,322
Promotion		**-**	4,979
Shareholder information		**2,009**	3,736
Transfer agent		**5,738**	10,961
Travel		**809**	5,563
		176,598	249,432
Other items			
Sale of mineral property interests	8	**100,100**	400,000
Other income		**4,414**	
Loss on sale of marketable securities		**-**	(7,554)
		104,514	392,446
Net income (loss)		**(87,022)**	66,610
Other comprehensive income			
Previously unrealized loss realized during the year		**-**	8,600
Total comprehensive income (loss)		**$ (87,022)**	$ 75,210
Income (Loss) per share – basic and diluted		**$ (0.00)**	**$** 0.00
Weighted average number of shares outstanding – basic and diluted		**46,092,583**	**45,702,173**

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

SENATOR MINERALS INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the Years Ended 31 December 2012 and 2011
(Expressed in Canadian dollars)

	Share capital			Reserves				
	Number of shares	Amount	Subscriptions Receivable	Warrants	Incentive Stock Options	Marketable Securities	Deficit	Total
Balance at 1 January 2011	45,592,583	$ 6,791,151	$ (40,000)	$ 76,727	$ 250,442	$ (8,600)	$ (7,465,776)	$ (396,056)
Comprehensive income	-	-	-	-	-	8,600	66,610	75,210
Subscriptions received	-	-	40,000	-	-	-	-	40,000
Shares issued for mineral property	500,000	35,000	-	-	-	-	-	35,000
Balance at 31 December 2011	46,092,583	6,826,151	-	76,727	250,442	-	(7,399,166)	(245,846)
Comprehensive loss	-	-	-	-	-	-	(87,022)	(87,022)
Balance at 31 December 2012	46,092,583	$ 6,826,151	$ -	$ 76,727	$ 250,442	$ -	$ (7,486,188)	$ (332,868)

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

SENATOR MINERALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Years ended	
	31 December 2012	31 December 2011
Operating activities		
Net income (loss)	**$ (87,022)**	$ 66,610
Adjustments for non-cash items:		
Loss on sale of marketable securities	**-**	7,554
Shares issued for mineral property	**-**	35,000
Changes in non-cash working capital items:		
Receivables	**(24,647)**	7,452
Prepaid expenses	**-**	718
Trade payables and accrued liabilities	**8,203**	(13,259)
Net cash flows from (used in) operating activities	**(103,466)**	104,075
Investing activities		
Proceeds on sale of marketable securities	**-**	32,446
Net cash flows from investing activities	**-**	32,446
Financing activities		
Loan, net proceeds (repayment)	**103,000**	(264,100)
Subscriptions received	**-**	40,000
Net cash flows from (used in) financing activities	**103,000**	(224,100)
Change in cash	**(466)**	(87,579)
Cash, beginning	**2,067**	89,646
Cash, ending	**$ 1,601**	$ 2,067

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

1. Nature and Continuance of Operations

Senator Minerals Inc (the "Company"), listed on the TSX-Venture Exchange ("TSX-V"), is an Ontario corporation with its head office and its registered office located at 418 East 14th Street, North Vancouver, BC, Canada V7L 2N8.

The Company is involved in acquisition, exploration, and disposition of mineral exploration property interests in North America. The Company has not yet determined whether any of these properties contain economic reserves.

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon the motivation of its management and its ability to arrange adequate financing to develop its mineral properties and ultimately to commence profitable operations in the future. The Company is considered to be in the exploration stage. The Company has accumulated losses of $7,486,188 since inception and a working capital deficiency at 31 December 2012 of $357,868.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. As there are insufficient cash reserves to conduct planned programs and continue operations for the coming twelve months, in order to carry out its operations and administration, the Company will need to generate working capital through a combination of optioning out properties, arrangements with lenders or creditors, and arrangement of additional equity financing. These material uncertainties give rise to significant doubt about the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not give effect to adjustments that might be necessary to the carrying values, classification of assets and liabilities, and reported expenses, should the Company be unable to continue as a going concern.

2. Significant Accounting Policies and Basis of Preparation

The financial statements were authorized for issue on 24 April 2013 by the directors of the Company.

(a) Statement of compliance and basis of preparation

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

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant Accounting Policies and Basis of Preparation (continued)

(b) Consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries, after the elimination of all material intercompany balances and transactions. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceased. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The Company's controlled subsidiaries included in these consolidated financial statements are:

Name	Country of Incorporation	Ownership
515427 BC Ltd.	Canada	100%
Senator Minerals US Inc.	USA	100%

Senator Minerals US Inc., a Nevada company incorporated on 12 May 2004. There were no significant transactions in 515427 BC Ltd. during the current or previous year.

(c) Use of Estimates and Assumptions

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 period. Actual results could differ from those estimates. Significant areas that could require the use of management estimates relate to impairment considerations for receivables and the recoverability of deferred income tax assets. Where estimates have been used, financial results as determined by actual events could differ from those estimates.

(d) Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the classification of financial instruments.

2. Significant Accounting Policies and Basis of Preparation (continued)

(e) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category involves financial instruments held for the purpose of selling them in the short term. All of the financial instruments in this category meet the definition of financial assets held for trading.

Derivatives are included in this category, unless they are designated as hedges. The instruments classified in this category are classified in current assets and include cash and cash equivalents. The financial instruments included in this category are initially recognized at fair value and the transaction costs are expensed to the statement of comprehensive income (loss).

Subsequently, financial assets at fair value through profit or loss are measured at fair value and all gains and losses, realized and unrealized, measured on the basis of market transactions, are recognized directly in the statement of comprehensive income (loss). The Company has no financial assets classified as fair value through profit or loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company's financial assets classified as loans and receivables consist of cash and other investment.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive income (loss). The Company has no financial assets classified as held-to-maturity investments.

2. Significant Accounting Policies and Basis of Preparation (continued)

(e) Financial instruments (continued)

Financial assets *(continued)*

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive income (loss). The Company's marketable securities were classified as available-for-sale assets.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative liabilities consist of trade payables and loan payable.

Derivate liabilities are classified as fair value through profit or loss. The Company has no derivative assets or liabilities.

2. Significant Accounting Policies and Basis of Preparation (continued)

(f) Mineral properties

Exploration and evaluation expenditures are expensed as incurred. If it is determined by management that probable future benefits, consisting of contributions to future cash inflows, had been identified and adequate financial resources were expected to be available to meet the terms of property acquisition and budgeted maintenance, exploration, and development expenditures, these costs would be capitalized. To date, these criteria have not been met on any of the Company's mineral properties.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments for acquired mineral properties are recorded as property costs and expensed. Proceeds greater than any capitalized costs of properties that are sold or optioned are recorded as revenues.

(g) Asset retirement obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of 31 December 2012, the Company does not have any asset retirement or environmental obligations.

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill that is not deductible for tax purposes.

2. Significant Accounting Policies and Basis of Preparation (continued)

(h) Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Share-based payments

Share-based payments to employees are to be measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are to be measured at the fair value of goods or services received or the fair value of the equity instrument 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 corresponding amount is credited to the incentive stock options reserve.

The fair value of options is determined using the *Black-Scholes (“B-S”) Option Pricing Model*. 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 eventually vest.

(j) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company and its subsidiaries is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income (loss).

2. Significant Accounting Policies and Basis of Preparation (continued)

(j) Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction, whereas non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are recognized in the statement of comprehensive income (loss) in the period in which they arise. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the statement of comprehensive income (loss), any exchange component of that gain or loss is recognized in also recognized in the statement of comprehensive income (loss).

3. Recent Accounting Pronouncements

Certain accounting standards and interpretations are issued but which are yet required to be adopted as follows:

New standard IFRS 9 "Financial Instruments"
In November 2009, the IASB issued IFRS 9 which will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

This new standard is effective for annual periods beginning on or after 1 January 2015.

3. Recent Accounting Pronouncements (continued)

New standards IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other Entities"

In May 2011, the IASB issued IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other Entities". IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27 "Consolidated and Separate Financial Statements" and Standing Issues Committee ("SIC") 12 "Consolidation – Special Purpose Entities".

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after 1 January 2013.

New standard IFRS 11 "Joint Arrangements"

In May 2011, the IASB issued IFRS 11 "Joint Arrangements", which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method. Proportionate consolidation is no longer permitted.

This standard is effective for annual periods beginning on or after 1 January 2013.

3. Recent Accounting Pronouncements (continued)

New standard IFRS 13 “Fair Value Measurement”
In May 2011, the IASB issued IFRS 13 “Fair Value Measurement”. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after 1 January 2013. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application.

Amendments to IAS 1 “Presentation of Financial Statements”
In June 2011, the IASB and the Financial Accounting Standards Board (FASB) issued amendments to standards to align the presentation requirements for other comprehensive income (“OCI”).

The IASB issued amendments to IAS 1 “Presentation of Financial Statements” to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments to IAS 1 are set out in *Presentation of Items of Other Comprehensive Income* and are effective for annual periods beginning on or after 1 July 2012.

Interpretation 20—Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued an Interpretation clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how the assets should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013.

The Company has not early-adopted these revised standards and is not anticipating that these standards will have a significant impact on future consolidated financial statements.

4. Capital Management

The Company is not subject to externally imposed capital requirements but must remain active in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

There were no changes to the Company's approach to capital management during the year.

5. Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation as well as fluctuations in commodity-based market prices associated with resource property interests. While management actively ensures that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements, there is no certainty that all environmental risks and contingencies have been addressed.

Credit Risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In the event of a large equity capital injection, the Company's primary exposure to credit risk would be in its cash accounts. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies. The Company's is also exposed to credit risk on its other investment which relates to amount due from a private junior mineral exploration company.

Currency Risk: Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it may incur significant mineral property-related expenditures in the USA giving rise to US dollar denominated trade payables. In addition, the Company's other investment is denominated in US dollars. The Company does not engage in any hedging activities to reduce its foreign currency risk.

5. Risk Management (continued)

Interest Rate Risk: The Company's exposure to interest rate risk relates to its ability to maintain the current rate of interest on its loan payable.

Liquidity and Funding Risk: Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash or credit lines in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

6. Fair Values of Financial Instruments

The carrying value of the Company's financial instruments approximates their fair value.

7. Other Investment

Other investment is composed of "Special Warrants" that give the Company the right to the equivalent number of shares of IDH Gold LLC ("IDH Gold") that are worth $US 25,000 pursuant to the option agreement entered into between the Company and IDH Gold on March 6, 2012 relating to the Rosebud property (Note 8(d)). The Special Warrants will be automatically converted into common shares of IDH Gold worth $US 25,000 upon the third day following IDH Gold's common shares being listed on a recognized Canadian or United States stock exchange, or IDH Gold completing a sale, joint venture or similar transaction with regards to the Rosebud property and raising at least $US 2,000,000. In the event that the Special Warrants are not converted to common shares by March 13, 2014, then IDH is required to pay the Company $US 25,000 cash. As the probability of the conversion of the Special Warrants is uncertain, the Company has classified the amount as a non-current receivable. The impact of discounting for the time value of money has been determined to be immaterial.

8. Mineral Properties

Ownership of mineral property interests may involve certain risks due to difficulties in determining the validity of certain claims as well as the potential for problems arising from the ambiguous conveyancing history characteristic of some mineral properties. The Company has investigated ownership of the mineral properties in which it has an interest and, to the best of its knowledge, all properties are in good standing.

(See Schedule A - Summary of the 2012 and 2011 acquisition, maintenance, and exploration expenditures and reimbursements for each property.)

8. Mineral Properties (continued)

At 31 December 2012, the Company owns or has royalty interests on the following mineral property interests:

(a) Taurus, southeastern Alaska:

In September 2004, the Company acquired a 100% interest in the 33 claim Taurus property in southeastern Alaska by way of staking.

In 2012, the total expended was $8,231 (2011: $14,628) on maintenance and exploration. The claims are in good standing with the State of Alaska until 30 November 2013.

(b) IC Bentonite, Nevada:

In 2008, the Company arranged the staking of seven placer claims to cover a bentonite deposit of undetermined size. In April 2012, the Company completed its sale of its 50% interest in the IC Bentonite property for $100. The Company will retain a 3% Production Royalty in the property.

In 2012, the total expended on maintenance and exploration was $nil (2011: $2,091).

(c) Mustang property, Yukon

In November 2010, the Company entered into a staking arrangement with an arms-length party to acquire a 50% interest in a gold-copper target in the White Gold mineral belt, Yukon.

In 2012, the Company expended $3,528 on maintenance and reports (2011: $5,556) and $nil on exploration (2011: $539). In December 2012 through an arms-length transaction, the Company sold its 50% interest in the Mustang for $50,000.

8. Mineral Properties (continued)

(d) Rosebud property, Arizona

In May 2011, the Company, through staking, acquired a 100% interest in the Rosebud property. On 6 March 2012, the Company entered into an option agreement in which it gave IDH Gold the right to earn a 100% interest in the Rosebud property, net of a 2% NSR. Payments under the option agreement are as follows:

	Cash payments (in US$)	Value of common shares (or equivalents) of IDH Gold (in US$)	
Initial payment on signing (received)	$ 15,000	$ 25,000	(Note 7)
March 6, 2013	15,000*	35,000*	
March 6, 2014	25,000	25,000	
March 6, 2015	75,000	75,000	
	$ 130,000	$ 160,000	

*Amounts were received subsequent to December 31, 2012.

If IDH Gold exercises its rights under the option, the Company will retain a 3% NSR in the property. IDH Gold has the right to acquire one of the three NSR points by paying $110,000, by an initial payment of $10,000 (received), and payments of $10,000 on the 1st (received subsequent to December 31, 2012), $20,000 on the 2nd, $30,000 on the 3rd, and $40,000 on the 4th anniversary. The fair value of the total consideration received during the year ended December 31, 2012 of $50,000 (2011: $Nil) has been recognized as income in the statement of comprehensive income (loss).

In 2012, the Company spent $3,179 on maintenance and exploration (2011: $5,479), and $Nil on acquisition costs (2011: $13,111). The property is in good standing until 31 August 2013.

Other Property Interests (Net Smelter Returns)

(e) Key and Okey Properties, Liard M.D., British Columbia

Pursuant to option agreements dated 17 May 2001, the Company acquired the right to earn a 50% interest, net of a 3% NSR, in the Key and Okey properties in the Liard Mining District, British Columbia. On 21 December 2004, the Company effectively cancelled its agreements to acquire the Key and Okey properties by selling its options to earn a 50% interest in each property through an option agreement with the non-arm's-length original vendor to another company.

The Company held a 1% NSR in each of the Key and Okey properties until December 2011, at which time it sold both NSR's to a non-arms-length party for $400,000 (Note 13). The Company retained a right to repurchase the NSR's for $400,000 until 30 June 2012, at which time that right lapsed.

8. Mineral Properties (continued)

Properties Allowed to Lapse

(f) King Dome, Yukon

In December 2010, the Company entered into an arms-length option agreement to acquire a 100% interest, net of a 3% NSR, in a gold-VMS target in south-central Yukon. Consideration included an initial cash payment of $50,000 and a commitment to issue 500,000 common shares valued at $35,000. The other major expense in 2010 was a payment of cash-in-lieu of work to keep the property in good standing until December 2011.

As ongoing obligations to maintain the option were projected to be beyond the Company's capacity to fund, the option was cancelled in December 2011.

9. Loan Payable

In July of 2003, the Company entered into a revolving arms-length arrangement with a private lender for an unsecured line of credit of up to $100,000 (amended in June 2010 to $500,000) repayable on demand or out of the equity financings undertaken by the Company. Interest was payable at 1% per month on any outstanding month-end balance. In December 2011, the balance and the line of credit were assigned to an officer of the Company and the interest rate was reduced to 0.75% per month and the line of credit was reduced to $250,000 (Note 13). That arrangement remains in place as of 31 December 2012, with a balance of $233,000 (2011: $130,000).

10. Share Capital

(a) Authorized:

Unlimited number of common shares without par value
Unlimited number of special shares issuable in series without par value

(b) Common shares issued:

At 31 December 2012, there were 46,092,583 issued and fully paid common shares (2011: 46,092,583).

There were no common share transactions during the year ended December 31, 2012.

During the year ended December 31, 2011, pursuant to an option agreement on the King Dome property, the Company issued 500,000 common shares with a fair value of $35,000.

10. **Share Capital** (continued)

(c) Warrants

There were no warrants outstanding as at December 31, 2012 and 2011, and no warrants issued, forfeited or expired during the years then ended.

(d) Stock Options

The Company has a rolling incentive stock option plan that can reserve a maximum of 10% of the issued shares of the Company at the time of the stock option grant with no vesting provisions, but including the following terms:

- Each incentive share purchase option is personal to the grantee and may be neither assigned nor transferred to anyone else;
- Individual incentive share purchase options will have no more than a maximum term of five (5) years from the date of their grant;
- Incentive share purchase options granted to any one individual in any 12 month period can not exceed 5% of the issued and outstanding shares of the Company;
- Individual incentive share purchase options granted to any one consultant in any 12 month period shall not exceed 2% of the issued and outstanding shares of the Company; and
- Individual incentive share purchase option agreements granted to an employee conducting investor relations activities will not exceed an aggregate of 2% of the issued and outstanding shares of the Company in any 12 month period.

There were no stock options outstanding as at December 31, 2012 and 2011, and no stock options granted, forfeited or expired during the years then ended.

11. Reserves

(a) Reserve: Warrants

This reserve records the incremental increase in the fair value of outstanding warrants resulting from a re-pricing.

(b) Reserve: Incentive stock options

This reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amounts recorded could potentially be transferred to deficit but the Company has elected to maintain them in the stock option reserve account.

12. Income Taxes

The provision for income taxes differs from the amount that would have resulted in applying Canadian federal and provincial statutory rates as follows:

	Years ended 31 December 2012	Years ended 31 December 2011
Net income (loss)	$ (87,022)	$ 66,610
Statutory tax rate	25.0%	26.5%
Expected income tax expense (recovery)	$ (21,756)	$ 17,652
Non-deductible items and other	-	2,279
Effect of reduction in tax rates	-	(1,259)
Deferred taxes not recognized	21,756	(18,672)
Income tax expense (recovery)	$ -	$ -

The following summarizes the expiry of deductible temporary differences for which no deferred tax asset has been recognized.

	Non-capital losses	Exploration related tax pools	Share issue costs	Capital losses
2014	$ 291,843	$ -	$ -	$ -
2015	179,302	-	-	-
2026	356,418	-	-	-
2027	170,604	-	-	-
2028	251,612	-	-	-
2029	137,363	-	-	-
2030	272,122	-	-	-
2032	73,296	-	-	-
No expiry	-	1,900,619	1,793	132,554
	$ 1,732,559	$ 1,900,619	$ 1,793	$ 132,554

Due to the uncertainty of realization of these deductible temporary differences, the potential benefits have not been reflected in the financial statements because the Company has provided a full valuation allowance.

13. Related Party Transactions and Balances

Related Party Transactions:

During the year ended December 31, 2012, the aggregate amount of expenditures made to parties not at arm's length to the Company consists of the following:

(a) The Company paid rent, communications, office, and bookkeeping services in the amount of $11,280 (2011: $11,280) to a company controlled by a director and an officer of the Company;

(b) The Company incurred interest expense on a loan payable to a director and officer of the Company in the amount of $18,666 (2011 - $1,300) (Note 9).

(c) Sales of net smelter returns consists of an NSR sold to a company controlled by a director and officer of the Company for $Nil (2011 - $400,000) (Note 8).

Key Management Compensation:

Key management compensation consisted of management fees in the amount of $98,500 (2011: $124,500) paid to a company controlled by a director and an officer of the Company.

Related Party Balances:

	31 December 2012	31 December 2011
Included in accounts payable and accrued liabilities:		
- Director and officer of the Company	$ 578	$ -
- Director and officer of the Company – Loan interest	56,312	37,646
- Company with director in common	-	1,000
Included in loan payable (Note 9)		
- Director and officer of the Company	233,000	130,000
	$ 289,890	$ 168,646

14. Segmented Information

During the period covered by these financial statements, the Company had one reportable operating segment, being the acquisition, exploration, and disposition of interests in mineral properties.

At 31 December 2012 and 2011, all of the Company's recorded assets were located in Canada.

15. Commitments

The Company has an office and service agreement with a company controlled by a director and an officer of the Company. The terms of the agreement require the Company to pay $1,315 per month, with a time limitation tied to the term of the president’s tenure. The monthly payment includes $375 per month for administrative services which has been included in management fees.

The Company has a management services agreement with a company controlled by a director and an officer of the Company. That agreement required the Company to pay $10,000 per month, continuing for the duration of the president’s tenure, but was voluntarily modified to $3,500 per month in September 2012.

16. Subsequent Events

There have been no significant subsequent events since 31 December 2012.

SCHEDULE "A" – Mineral Property Expenditures

2012

Property	Acquisition	Maintenance	Exploration	Total
Taurus	$ -	$ 8,231	$ -	$ 8,231
Rosebud	-	2,855	324	3,179
Mustang	-	3,528	-	3,528
Total Expenditures	$ -	$ 14,614	$ 324	$ 14,938

2011

Property	Acquisition	Maintenance	Exploration	Total
Taurus	$ -	$ 9,282	$ 5,346	$ 14,628
IC Bentonite	-	1,250	841	2,091
King Dome	35,000	-	-	35,000
Rosebud	13,111	2,839	2,640	18,590
Mustang	5,556	-	539	6,095
Total Expenditures	$ 53,667	$ 13,371	$ 9,366	$ 76,404