Lions Gate Metals Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Lions Gate Metals Inc.

We have audited the accompanying consolidated financial statements of Lions Gate Metals Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider 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 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 Lions Gate Metals Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada,

March 28, 2013.

Chartered Accountants

Expressed in Canadian Dollars

	December 31, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents (Note 5)	**1,004,834**	784,382
Available-for-sale investments (Note 6)	**151,667**	190,627
Amounts receivable (Note 7)	**44,124**	681,421
Prepaid expenses	**62,152**	83,933
Total current assets	**1,262,777**	1,740,363
Non-current assets		
Loan receivable (Note 8)	**1**	1
Reclamation deposits (Note 9)	**89,089**	44,108
Property, plant and equipment (Note 10)	**35,947**	51,354
Exploration and evaluation assets (Note 11)	**5,144,328**	7,226,250
Total non-current assets	**5,269,365**	7,321,713
Total assets	**6,532,142**	9,062,076
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**129,074**	252,314
Due to related parties (Note 15)	**2,203**	29,005
Total current liabilities	**131,277**	281,319
Total liabilities	**131,277**	281,319
Commitments (Note 20)		
Shareholders' equity		
Share capital (Note 12)	**20,932,337**	20,224,650
Share purchase warrants (Note 12)	**1,863,972**	3,166,114
Contributed surplus (Note 12)	**3,838,035**	2,297,441
Accumulated other comprehensive loss	**-**	(10,616)
Accumulated deficit	**(20,233,479)**	(16,896,832)
Total shareholders' equity	**6,400,865**	8,780,757
Total liabilities and shareholders' equity	**6,532,142**	9,062,076
Events after the reporting date (Note 18)		

Approved by the Board of Directors:

"Arni Johannson"	*"Michael Sweatman, CA"*
Director	Director

	Year Ended December 31, 2012 $	December 31, 2011 $
Interest and other income	**5,460**	17,097
Expenses		
Accounting and audit	**77,300**	71,335
Advertising and promotion	**123,472**	200,185
Amortization (Note 10)	**15,407**	5,240
Financing fees and bank charges	**14,477**	2,757
Conferences and trade shows	**7,662**	24,962
Consulting and management fees (Note 15)	**270,876**	178,547
Director fees	**22,000**	15,250
Filing and transfer agent fees	**22,488**	32,932
General exploration	**5,903**	5,648
Insurance	**27,297**	23,599
Investor relations	**30,120**	68,500
Legal (Note 15)	**63,263**	114,813
Office, rent and telephone (Note 15)	**170,782**	135,049
Salaries and benefits	**374,679**	267,104
Stock based compensation (Note 13)	**119,838**	619,337
Travel and accommodation	**44,949**	75,728
Total expenses	**1,390,513**	1,840,986
Loss before undernoted items	**(1,385,053)**	(1,823,889)
Other income (expense)		
Interest expense	**-**	(2,700)
Write down of mineral property interests (Note 11)	**(1,900,310)**	(1,648,259)
Partial recovery of loan (Note 8)	**-**	98,420
Loss on sale of available-for-sale investments	**-**	(115,847)
Impairment of available-for-sale investments	**(49,576)**	-
Premium realized on issue of flow-through	**-**	84,211
Foreign exchange	**(1,708)**	(497)
Loss for the year	**(3,336,647)**	(3,408,561)
Other comprehensive income (loss)		
Fair value gain (loss) on available-for-sale investments (Note 6)	**10,616**	(12,467)
Total other comprehensive income (loss)	**10,616**	(12,467)
Total comprehensive loss for the year	**(3,326,031)**	(3,421,028)
Loss per common share, basic and diluted (Note 17)	**(0.13)**	(0.15)

The accompanying notes form an integral part of these consolidated financial statements.

Lions Gate Metals Inc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Expressed in Canadian Dollars
December 31, 2012 and 2011

	Number of shares	Share capital $	Share purchase warrants $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance at December 31, 2010	**16,231,694**	**15,819,452**	**1,902,699**	**1,630,073**	**1,851**	**(13,488,271)**	**5,865,804**
Loss for the year	-	-	-	-	-	(3,408,561)	(3,408,561)
Private placement	7,341,632	6,031,200	-	-	-	-	6,031,200
Flow-through liability allocation	-	(84,211)	-	-	-	-	(84,211)
Warrants issued	-	(1,263,415)	1,263,415	-	-	-	-
Stock options issued	-	-	-	667,368	-	-	667,368
Mineral property interest issuances	87,500	70,625	-	-	-	-	70,625
Share issue costs	-	(286,158)	-	-	-	-	(286,158)
Change in fair value of investments	-	-	-	-	(12,467)	-	(12,467)
Shares returned to treasury	(169,000)	(62,843)	-	-	-	-	(62,843)
Balance at December 31, 2011	**23,491,826**	**20,224,650**	**3,166,114**	**2,297,441**	**(10,616)**	**(16,896,832)**	**8,780,757**
Loss for the year	-	-	-	-	-	(3,336,647)	(3,336,647)
Private placement	2,000,000	860,000	-	-	-	-	860,000
Stock options issued/forfeited	-	-	-	132,245	-	-	132,245
Warrants issued	-	(106,207)	106,207	-	-	-	-
Expiry of warrants	-	-	(1,408,349)	1,408,349	-	-	-
Mineral property interest issuances	105,000	47,850	-	-	-	-	47,850
Share issuance costs	-	(67,196)	-	-	-	-	(67,196)
Change in fair value of investments	-	-	-	-	10,616	-	10,616
Shares returned to treasury (Note 12)	(99,000)	(37,260)	-	-	-	-	(37,260)
Bridge loan share issuance (Note 15)	150,000	10,500	-	-	-	-	10,500
Balance at December 31, 2012	**25,647,826**	**20,932,337**	**1,863,972**	**3,838,035**	**-**	**(20,233,479)**	**6,400,865**

The accompanying notes form an integral part of these consolidated financial statements.

Expressed in Canadian Dollars

	Years Ended December 31, 2012 $	Years Ended December 31, 2011 $
Cash flows from operating activities		
Loss for the year	**(3,336,647)**	(3,408,561)
Adjustments to reconcile loss to net cash in operating activities:		
Foreign exchange loss	**1,708**	497
Stock based compensation	**119,838**	619,337
Loss on sale of available-for-sale investments	**-**	115,847
Impairment of available-for-sale investments	**49,576**	-
Writedown of mineral property interests	**1,900,310**	1,648,259
Flow-through income	**-**	(84,211)
Amortization	**15,407**	5,240
Changes in non-cash working capital balances:		
Decrease (increase) in amounts receivable	**224,673**	(98,587)
Decrease in prepaid expenses	**21,781**	77,172
Increase (decrease) in current liabilities	**3,315**	(18,220)
Total cash outflows from operating activities	**(1,000,039)**	(1,143,227)
Cash flows from investing activities		
Acquisition of exploration and evaluation assets	**(900,988)**	(3,936,517)
Purchase of reclamation bond	**(44,981)**	-
Acquisition of property, plant and equipment	**-**	(56,595)
Proceeds from sale of available-for-sale investments	**-**	105,275
Receipt of BC mineral exploration tax credit	**410,916**	44,349
Cash deposit received on sale of Poplar mineral property	**1,000,000**	-
Acquisition of available-for-sale investments for cash	**-**	(278,815)
Total cash inflows/(outflows) from investing activities	**464,947**	(4,122,303)
Cash flows from financing activities		
Proceeds from common share issuance	**400,000**	5,031,200
Proceeds from flow-through share issuance	**460,000**	1,000,000
Repurchase of shares returned to treasury	**(37,260)**	(62,843)
Payments of share issuance costs	**(67,196)**	(286,158)
Total cash inflows from financing activities	**755,544**	5,682,199
Total increase in cash and cash equivalents during the year	**220,452**	416,669
Cash and cash equivalents at beginning of year	**784,382**	367,713
Cash and cash equivalents at end of year	**1,004,834**	784,382

Supplemental cash flow information (Note 22)

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Lions Gate Metals Inc. (the "Company") was incorporated under the Canada Business Corporations Act on March 28, 1980, and has continued as a company under the Business Corporations Act in the Province of British Columbia, Canada. The common shares of the Company are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "LGM", as a Tier 1 mining issuer. The Company is in the process of exploring its mineral property interests and has not yet determined whether these property interests contain reserves that are economically recoverable.

The Company incurred a comprehensive loss of $3,326,031 during the year ended December 31, 2012 (December 31, 2011: $3,421,028) and as of that date the Company's deficit was $20,233,479 (December 31, 2011: $16,896,832). However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the 2012 reporting period. These consolidated financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of business.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for mineral property interests and their related deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The address of the Company's principal place of business is #490 – 580 Hornby Street, Vancouver, British Columbia, Canada V6C 3B6.

2. BASIS OF PREPARATION

a) **Statement of Compliance**

The consolidated financial statements of the Company for the year ending December 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The December 31, 2012 consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2013.

b) **Basis of Measurement**

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS, and reflect the following significant accounting policies:

a) **Basis of Consolidation**

The consolidated financial statements include the accounts of the Company, and its inactive wholly-owned subsidiary, Northern Canadian Metals Inc. On June 7, 2012, the Company incorporated another inactive wholly-owned subsidiary, Canadian Copper & Gold Corp. All intercompany transactions are eliminated on consolidation.

b) **Foreign Currency Transactions**

Foreign currency amounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

c) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

d) **Mineral Exploration and Evaluation Expenditures**

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E & E") are capitalized. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors. The Company also capitalizes stock-based compensation relating to project employees located on-site. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects, E & E in respect of that project are deemed to be impaired. As a result, those E & E costs, in excess of estimated recoveries, are charged to the statement of comprehensive loss/income.

The Company assesses E & E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. E & E assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

e) **Reclamation Deposits**

Funds held on deposit pursuant to contractual arrangements regarding the possible future establishment of a remediation obligation are classified separately as reclamation deposits.

f) **Property, plant and equipment**

Property, plant and equipment ("PPE") is recorded at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bring an 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.

Amortization is provided at rates, using the declining-balance method, calculated to write off the cost of PPE, less its estimated residual value, at an annual rate of 30% for computer equipment and computer software.

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset (difference between net disposal proceeds and carrying value) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

g) **Impairment of Non-Financial Assets**

The Company assesses at each date of the statement of financial position the carrying amounts of non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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 greater 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 for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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 loss, unless the relevant asset is carried at a revalued 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 (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

h) **Financial Instruments**

Financial Assets

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 loans and receivables are measured at amortized cost less impairment. The Company has classified its amounts receivable and reclamation deposits as loans and receivables.

Financial assets classified as FVTPL includes financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Held for trading financial assets are measured at fair value with unrealized gains and losses recognized through earnings. The Company has designated its cash and cash equivalents as held for trading financial assets.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.

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 has classified its investments and loans receivable as available-for-sale financial assets.

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.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

In the case of equity instruments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in profit or loss.

Financial Liabilities

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities, and amounts due to related parties as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. The Company has no financial liabilities classified as FVTPL.

Classification

A summary of the Company's classification of financial instruments is as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Amounts receivable	Loans and receivables
Investments	Available-for-sale
Loans receivable	Available-for-sale
Reclamation deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

i) **Provisions**

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. The Company has not recorded any rehabilitation provisions as at December 31, 2012.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company has not recorded any other provisions as at December 31, 2012.

j) **Income Taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

k) **Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

i) **Flow-through Shares**

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 12.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

ii) **Earnings / Loss Per Share**

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

l) **Share-based Payments**

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option-Pricing model) for all share options granted to directors, employees and certain non-employees. This model employs assumptions for risk-free interest rates, dividend yields, expected lives, and volatility based on historical data adjusted for normalizing factors. For directors and employees, the fair value of the share options is measured at the date of grant.

For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or the related asset as applicable, such as exploration and evaluation assets, with the offsetting credit to contributed surplus. For directors and employees, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in contributed surplus.

m) **Revenue Recognition**

The Company recognizes interest income on an accrual basis, dividends when declared, and investment gains and losses when realized. Interest income includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses on available-for-sale investments are recorded in other comprehensive income (loss) and will be recognized in consolidated operations when realized.

Transaction costs are included in the acquisition cost of individual investments and recognized as part of the realized gains or losses when they are sold or written down. When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and current fair value is recorded in the Company’s consolidated statement of operations.

n) **Comprehensive Loss**

Comprehensive loss consists of loss for the year and other comprehensive loss (“OCL”). Unrealized gains and losses on financial assets classified as available-for-sale are recorded in other comprehensive loss until the criteria for recognition in the Company’s consolidated statements of operations are met.

o) **Standards, Amendments and Interpretations Not Yet Effective**

Standards issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IFRS 7 (Amendment)	*Financial Instruments: Disclosure*
IFRS 9	*Financial Instruments: Classification and Measurement*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 1 (Amendment)	*Presentation of Financial Statements*
IAS 19 (Amendment)	*Employee Benefits*
IAS 27 (Amendment)	*Separate Financial Statements*
IAS 28 (Amendment)	*Investments in Associates and Joint Ventures*
IAS 32 (Amendment)	*Financial Instruments: Presentation*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*

The Company is currently evaluating the impact IFRS 9 is expected to have on the consolidated financial statements. The Company anticipates that the application of the other standards and amendments noted above will not have a material impact on the results of operations and the financial position of the Company.

4. CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGMENTS

Lions Gate Metals Inc. makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the current financial year are discussed below:

i) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether the recovery of capitalized expenditures is unlikely, in which case the amount capitalized would be charged to profit or loss in the period the new information becomes available.

ii) Income Taxes

The Company has recorded amounts receivable in respect of the British Columbia Mining Exploration Tax Credit ("METC"). Management believes that the costs included in determining the recoverable taxes were appropriate in the circumstances and met the definition of qualifying expenditures; however, the final outcome may result in a different outcome than the amount included in amounts receivable.

iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 13.

5. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents at December 31, 2012 consisted of cash of $999,813 and cash equivalents of $5,021 (December 31, 2011: cash of $274,717 and cash equivalents of $509,665).

Expressed in Canadian Dollars

6. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments consist of investments in quoted equity shares. The fair value of the listed quoted equity shares has been determined directly by reference to published price quotations in an active market. For the year ended December 31, 2012, the Company noted a significant or prolonged decline in the fair value of investments below cost. As a result of this objective evidence of impairment, the cumulative loss was removed from other comprehensive income and recognized as impairment.

	December 31, 2012			December 31, 2011		
	# of shares	Cost[3] $	Fair Value $	# of shares	Cost[3] $	Fair Value $
Quoted equity shares						
Copper One Inc.	20,000	1,300	1,300	20,000	4,000	4,000
Crescent Resources Corp.	88,000	3,520	3,520	88,000	6,600	6,600
Catalyst Copper Corp.	167,000	9,185	9,185	167,000	13,360	13,360
Ferro Iron Ore Corp.[1]	416,667	81,250	81,250	416,667	77,283	66,667
Touchstone Gold Ltd.[2]	400,000	56,412	56,412	400,000	100,000	100,000
		151,667	151,667		201,243	190,627

[1]Formerly Galena Capital Corp. On September 25, 2012, Galena Capital Corp. announced a name change to Ferro Iron Ore Corp. and consolidated its capital on a one-new-for-four-old basis. This has been reflected above. The Company's Chairman & Interim CEO is a former officer and director of Ferro Iron Ore Corp.

[2]Formerly Atlantis Gold Mines Corp. On September 11, 2012 Touchstone Gold Limited ("Touchstone") and Atlantis Gold Mines Corp. ("Atlantis") announced the closing of a business combination in which Atlantis shares were exchanged for Touchstone shares on a one-for-one basis.

[3]Cost includes original cost less other than temporary impairments.

7. AMOUNTS RECEIVABLE

Amounts receivable consists primarily of recoverable HST balances as well as receivables from the METC. The METC allows the Company to recover a percentage of its exploration and evaluation expenditures that are incurred within British Columbia. A reconciliation of the amounts receivable balance is provided below.

	December 31, 2012	**December 31, 2011**
	$	**$**
HST Recoverable	**6,469**	219,890
METC Receivable	**28,638**	461,531
Other Receivables	**9,017**	-
Total	**44,124**	681,421

Expressed in Canadian Dollars

8. LOAN RECEIVABLE

In November, 2008, the Company loaned $400,000 U.S. (the "Principal Sum") to a third party borrower. As security, the borrower provided a promissory note which acknowledged itself indebted to the Company, and on May 20, 2009, the Company received a repayment of $100,000 U.S from the borrower.

During the year ended December 31, 2009, the Company recorded an impairment charge to reduce the carrying value of the loan down to $1, given concerns with regards to collectability.

The Company received no repayments during the year ended December 31, 2010. On February 24, 2011, the Company received $100,000 U.S. from the borrower and recorded this as a recovery in its consolidated statement of operations. The Company will continue to retain its rights to collect the outstanding balance of $200,000 U.S. plus interest.

9. RECLAMATION DEPOSITS

The Company is required to provide reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in guaranteed investment certificates and are allocated to the properties as follows:

	December 31, 2012	**December 31, 2011**
Property	**$**	**$**
Poplar	**60,389**	44,108
ROK-Coyote	**28,700**	-
Total	**89,089**	44,108

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer Equipment $
At December 31, 2011 and December 31, 2012	56,594
Accumulated Amortization	
At December 31, 2011	5,240
Amortization charge	15,407
At December 31, 2012	20,647
Net book value	
At December 31, 2011	51,354
At December 31, 2012	35,947

Expressed in Canadian Dollars

11. EXPLORATION AND EVALUATION ASSETS

Mineral Property Interests (Omineca Mining Division, Province of BC)	Balance December 31, 2011	2012 Costs Incurred	Write-Down for Valuation	Balance December 31, 2012
Acquisition Costs	$	$	$	$
Poplar mineral property - 100% interest	1,036,486	225,206	-	1,261,692
Kelly Creek mineral property - 100% interest	1	-	(1)	-
Hudson Bay Mountain mineral property - 100% interest	1,175,575	-	(1,175,575)	-
Copperline mineral property - 60% interest	1	-	-	1
ROK – Coyote mineral property - 75% interest	234,000	72,012	(306,012)	-
	2,446,063	**297,218**	**(1,481,588)**	**1,261,693**
Deferred Exploration Expenditures				
Poplar				
Airborne survey	334,129	-	-	334,129
Assays/Metallurgy	55,953	18,820	-	74,773
Camp costs	796,727	2,123	-	798,850
Consulting	700,441	207,661	-	908,102
Drilling	1,766,392	-	-	1,766,392
Environmental	122,849	16,279	-	139,128
Field expenditures and personnel	693,082	16,400	-	709,482
Geophysical/I.P. magnetic survey	449,831	100,093	-	549,924
Maps and reports	3,071	4,813	-	7,884
Miscellaneous	65,758	4,723	-	70,481
Telecommunications	11,726	4,035	-	15,761
Community Relations/Traditional use study	67,295	17,500	-	84,795
Travel and accommodation	88,632	-	-	88,632
Mining exploration tax credits claimed	(702,334)	(21,364)	-	(723,698)
Cash deposits received	-	(942,000)	-	(942,000)
	4,453,552	(570,917)	-	3,882,635
Hudson Bay Mountain				
Consulting	41,816	6,415	(48,231)	-
Camp costs	25,862	-	(25,862)	-
Field expenditures and personnel	62,532	-	(62,532)	-
Geological	27,302	771	(28,073)	-
Miscellaneous	3,479	104	(3,583)	-
Mining exploration tax credits claimed	(27,645)	27,645	-	-
ROK - Coyote				
Consulting & Community Relations	61,248	36,461	(97,709)	-
Camp costs	15,667	-	(15,667)	-
Field expenditures and personnel	95,188	410	(95,598)	-
Geophysical	39,107	2,580	(41,687)	-
Mining exploration tax credits claimed	(17,921)	17,701	220	-
	4,780,187	(478,830)	(418,722)	3,882,635
Total	**7,226,250**	**(181,612)**	**(1,900,310)**	**5,144,328**

Expressed in Canadian Dollars

Mineral Property Interests (Omineca Mining Division, Province of BC)	Balance January 1, 2011	2011 Costs Incurred	Write-Down for Valuation	Balance December 31, 2011
Acquisition Costs		$	$	
Poplar mineral property - 100% interest	787,205	249,281	-	1,036,486
Kelly Creek mineral property - 100% interest	1	17,500	(17,500)	1
Hudson Bay Mountain mineral property - 100%	1,160,245	15,330	-	1,175,575
Copperline mineral property - 60% interest	1,630,760	-	(1,630,759)	1
ROK – Coyote mineral property - 75% interest	-	234,000	-	234,000
	3,578,211	**516,111**	**(1,648,259)**	**2,446,063**
Deferred Exploration Expenditures				
Poplar				
Airborne survey	334,129	-	-	334,129
Assays/Metallurgy	32,891	23,062	-	55,953
Camp costs	228,999	567,728	-	796,727
Consulting	416,184	284,257	-	700,441
Drilling	297,579	1,468,813	-	1,766,392
Environmental	94,545	28,304	-	122,849
Field expenditures and personnel	291,257	401,825	-	693,082
Geophysical/I.P. magnetic survey	99,435	350,396	-	449,831
Maps and reports	813	2,258	-	3,071
Miscellaneous	58,113	7,645	-	65,758
Telecommunications	5,460	6,266	-	11,726
Community Relations/Traditional use study	-	67,295	-	67,295
Travel and accommodation	70,382	18,250	-	88,632
Mining exploration tax credits claimed	(286,369)	(415,965)	-	(702,334)
	1,643,418	2,810,134	-	4,453,552
Hudson Bay Mountain				
Consulting	10,000	31,816	-	41,816
Camp costs	-	25,862	-	25,862
Field expenditures and personnel	-	62,532	-	62,532
Geological	-	27,302	-	27,302
Miscellaneous	-	3,479	-	3,479
Mining exploration tax credits claimed	-	(27,645)	-	(27,645)
ROK – Coyote				
Consulting & Community Relations	-	61,248	-	61,248
Camp costs	-	15,667	-	15,667
Field expenditures and personnel	-	95,188	-	95,188
Geophysical	-	39,107	-	39,107
Mining exploration tax credits claimed	-	(17,921)	-	(17,921)
	1,653,418	3,126,769	-	4,780,187
Total	**5,231,629**	**3,642,880**	**(1,648,259)**	**7,226,250**

Title to mineral property interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all are in good standing.

All of the mineral property costs and deferred exploration expenditures incurred by the Company with respect to the Poplar mineral property interest will continue to be capitalized in accordance with the Company's basis of accounting. It is management's full intention to keep its mineral property interest in good standing.

Poplar

By an agreement dated April 20, 2004, the Company was granted an option to acquire a 50% interest in certain mineral claims, known as the Poplar mineral property interest ("Poplar 1"), situated in the Omineca Mining Division of B.C. On July 30, 2007, the Company finalized terms with Hathor Exploration Limited ("Hathor") within the Amended and Restated Property Option Agreement to grant the Company an option to acquire the remaining 50% interest in the Poplar mineral property interest. The Company has met all required cash payments and share issuances related to the acquisition of Poplar 1. The agreement includes an underlying 2% net smelter return royalty ("NSR") on the property to benefit a previous owner, as well as a commitment to annual payments of $75,000 for the duration of the agreement.

In December 2010, Standard Exploration Ltd. ("Standard") obtained the rights to the Amended and Restated Property Option Agreement from Hathor. On December 6, 2011, the Company entered into a Settlement and Termination Agreement with Standard to settle the $75,000 payment commitment. Terms of the agreement include a payment of $200,000 on signing (paid), and a further payment of $150,000 (paid) on the earliest of December 6, 2012 or upon completion of a financing. The Company fully settled the Settlement and Termination Agreement by making the final payment on February 29, 2012.

On April 29, 2009 the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest in mineral claims south of Poplar Lake ("Poplar 2") in exchange for the issuance of 100,000 common shares in tranches over a period of four years. Should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $1,000,000 in the form of a 1% NSR or a one-time only buy-out by the Company of $1,000,000 less any NSR amounts previously paid. The Company settled the option agreement's common share issuance requirement by making the final common share issuance on April 29, 2012.

On May 25, 2009 the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest on additional mineral claims south of Poplar Lake ("Poplar 3") in exchange for the issuance of 30,000 common shares in tranches over a period of four years. Should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of $100,000 in the form of a 1% NSR or a one-time only buy-out by the Company of $100,000 less any NSR amounts previously paid. The Company settled the option agreement's common share issuance requirement by making the final common share issuance on May 25, 2012.

In December of 2011, the Company staked an additional 22 claims ("Poplar 4") representing 9,827 hectares, and in July 2012 staked and had transferred 3 additional claims representing 209 hectares, bringing LGM's land position to 199 claims totaling 77,914 hectares.

During the year ended December 31, 2008, the Company staked 44,963 additional hectares in the area adjacent to the Poplar mineral property. These mineral claim holdings are 100% owned by the Company and all mineral claims are current and in good standing.

On August 20, 2009 the Company announced that The Office of the Wet'suwet'en (the "OW"), representing the interests of five Clans and thirteen Houses, and the senior executive of the Company have concluded a Memorandum of Understanding ("MoU"). The MoU recognized that both parties to the MoU are committed to a respectful, consultative relationship with regards to the Company's mineral exploration activities on Wet'suwet'en territories. The MoU was renewed and formalized in a Communications and Engagement Agreement on December 15, 2010 and is expected to continue over the foreseeable future as the Company and the OW work towards a continued transparent and mutually respectful ongoing relationship. On signing the MoU, the Company paid the Office of the Wet'suwet'en $10,000 and is obligated to make annual payments of $10,000 until such time as the MoU is terminated by either party. On May 1, 2012, the Company signed an extension of the Communications and Engagement Agreement which will be effective until such time as an Accommodation Agreement can be entered into between the parties. Either party may terminate the agreement by providing ninety days' notice in writing.

The Company's 2010 spring exploration program on its Poplar property was abandoned due to unresolved internal issues of political representation and jurisdiction between the Wet'suwet'en Heredity Chiefs and a particular House group (the "Unis'tot'en") with the Wet'suwet'en Nation.

Expressed in Canadian Dollars

As part of efforts to consult and accommodate, further discussion with the Unis'tot'en occurred, and the Company subsequently paid $10,000 to the Unis'tot'en as a capacity payment and has funded a $39,608 traditional use study of the Poplar area of geographical interest.

The acquisition cost schedule to date is as follows:

Year	Cash Payment $	Shares #	Shares $	Property	Tenure, Minister of Finance & Other Fees $	Charged to Income $	Balance $
2004	37,777	50,000	17,500	Poplar 1	5,923	-	76,200
2005	30,000	464,286	163,500	Poplar 1	6,654	(200,923)	75,431
2006	115,000	100,000	24,000	Poplar 1	-	(24,000)	190,431
2007	115,000	190,000	102,600	Poplar 1	4,077	-	412,108
2008	75,000	-	-	Poplar 1	14,871	-	501,979
2009	75,000	-	-	Poplar 1	-	-	576,979
2009	-	10,000	9,500	Poplar 2	-	-	586,479
2009	-	2,500	2,000	Poplar 3	-	-	588,479
2009	-	-	-	Poplar 1-3	72,735	-	661,214
2010	75,000	-	-	Poplar 1	-	-	736,214
2010	-	20,000	11,200	Poplar 2	-	-	747,414
2010	-	5,000	2,800	Poplar 3	-	-	750,214
2010	-	-	-	Poplar 1-3	36,991	-	787,205
2011	-	30,000	24,000	Poplar 2	-	-	811,205
2011	-	7,500	5,625	Poplar 3	-	-	816,830
2011	200,000	-	-	Poplar 1	-	-	1,016,830
2011	-	-	-	Poplar 4	19,656	-	1,036,486
2012	150,000	-	-	Poplar 1	-	-	1,186,486
2012	-	40,000	24,000	Poplar 2	-	-	1,210,486
2012	-	15,000	7,350	Poplar 3	-	-	1,217,836
2012	-	-	-	Poplar 1-4	43,856	-	1,261,692

On October 16, 2012, the Company entered into a binding Letter of Intent (the "LOI") with Canadian Dehua International Mines Group Inc. ("Dehua"), whereby the Company will grant Dehua an option (the "Option") to acquire a one hundred percent (100%) interest in the Company's Poplar Copper Gold & Silver Project ("Poplar"). The transaction was approved by the TSX Venture Exchange and shareholders on December 7, 2012.

Pursuant to the terms of the LOI, Dehua will earn a 100% interest in Poplar by paying to the Company $15,000,000 in cash and performing work on Poplar over a two-year period as follows:

1) $1,000,000 upon execution of the LOI, which amount is non-refundable upon the Company receiving regulatory and shareholder approval for the Option (received);
2) $1,000,000 on the first anniversary of the execution of the LOI (which amount is also non-refundable);
3) $13,000,000 on the second anniversary of the execution of the LOI;
4) Fulfilling all environments, permitting, and other maintenance costs; and

Expressed in Canadian Dollars

5) Completion of 10,000 meters of drilling on the Poplar project (which is a committed obligation and must be completed by Dehua regardless of whether it exercises the Option).

Dehua shall keep Poplar in good standing, including the completion or payment of the Assessment Fees and filing of applicable assessment reports with the Mineral Titles Branch for the Province of British Columbia. Dehua shall also pay or cause to be paid any rates, taxes, duties, royalties, assessments or fees with respect to Poplar, including payments relating to the MoU with the OW discussed above.

Dehua shall acquire no beneficial interest in and to Poplar until all payments above are made. The Company has agreed to retain responsibility for the Poplar 1 and 2 NSRs.

To date, the Company has received the first payment of $1,000,000, which has been credited to the Poplar exploration and evaluation assets. This balance has been offset by a $58,000 finders fee.

ROK-Coyote

On October 29, 2010, the Company entered into a Letter of Agreement ("LA") with Firesteel Resources Inc. ("Firesteel") for an option to acquire a 75% interest in the ROK-Coyote mineral property interest (the "Property"). The Property is situated in the Stikine Arch region of north-western B.C. and is comprised of 19 contiguous claims covering 6,891 hectares.

On January 5, 2011, the Company formalized the LA by entering into an official Property Option Agreement with Firesteel. Pursuant to the terms of the Property Option Agreement, the Company was to be granted an option (the "Option") to acquire a seventy-five percent (75%) interest in the Property in consideration for the issuance of an aggregate of $496,000 in cash, an aggregate exploration expenditures commitment of $2,329,000 and the issuance of 650,000 common shares over a period of four years (the "Option Period").

A $22,000 cash finder's fee was paid upon TSXV acceptance of the formal Property Option Agreement.

On April 30, 2012, the Company paid $28,700 for a reclamation deposit pursuant to regulatory requirements against reclamation obligations relating to exploration work on the ROK-Coyote mineral property interest.

On January 2, 2013, the Company returned the ROK-Coyote project to Firesteel. The Company felt that the significant multi-year work payments in addition to cash and share payments to the Vendor did not make fiscal sense with the current market conditions in the junior resource sector. As such, the Company tried to modify the Property Option Agreement to better reflect the prevailing economic realities but was unable to secure new terms. As such, the entire interest in this property has been charged to operations.

The acquisition cost schedule to date is as follows:

Date	Cash Payment $	Number of Shares	Tenure, Minister of Finance & Other Fees $	Charged to Income $	Balance $
October 29, 2010	50,000 (paid)	-	-	-	50,000
December 1, 2010	22,000 (paid)	-	-	-	72,000
January 5, 2011	121,000 (paid)	50,000 (issued - $41,000)	-	-	234,000
January 5, 2012	50,000 (paid)	50,000 (issued - $16,500)	-	-	300,500
April 13, 2012	-	-	5,512	-	306,012
December 31, 2012	-	-	-	(306,012)	-

Hudson Bay Mountain

In May 2005, the Company acquired a 100% interest in certain mineral claims known as the Hudson Bay Mountain mineral property interest located near Smithers, British Columbia. The initial acquisition agreement required the issuance of 460,000 common shares (valued at $690,000) and the making of six annual payments of $25,000 beginning upon acquisition. Five of these six annual payments were paid, with the final payment waived as part of the second agreement, as discussed below.

On July 29, 2010, the Company announced that it had entered into a second agreement to acquire additional claims, known as the Mason claims, surrounding its existing mineral property interest on Hudson Bay Mountain. The addition of these claims increases the Company's claims on Hudson Bay Mountain to 83 tenures totaling over 23,000 hectares. Pursuant to a sale and purchase agreement entered into between the Company and the vendor of the Mason claims, the Company acquired a 100% interest in the property interest by (i) issuing to the vendor 1,300,000 common shares of the Company (issued and valued at $780,000); (ii) paying a total of $250,000 cash ($150,000 at the closing of the acquisition [paid] and $100,000 on September 13, 2010 [paid]); and (iii) granting the vendor a 2% net smelter returns royalty on the Mason claims. As part of this second agreement, the vendor agreed to waive the final $25,000 payment obligation from the initial agreement.* The vendor retains a 2% NSR in respect of the initial claims.

Expressed in Canadian Dollars

On December 17, 2012, the Company released the Hudson Bay Mountain property. The property was released due to its grassroots nature, which no longer fit the Company's risk profile. As such, the entire interest in this property has been charged to operations.

The acquisition cost schedule is as follows:

Date	Cash Payment $	Share Issuance $	Tenure, Minister of Finance & Other Fees $	Charged to Income $	Balance $
May 11, 2005	-	690,000	-	(690,000)	-
May 13, 2005	25,000 (paid)	-	-	-	25,000
April 26, 2006	25,000 (paid)	-	-	-	50,000
April 26, 2007	25,000 (paid)	-	-	-	75,000
April 26, 2008	25,000 (paid)	-	-	-	100,000
April 26, 2009	25,000 (paid)	-	-	-	125,000
April 26, 2010	Waived (see above *)		-	-	125,000
July 29, 2010	-	780,000	-	-	905,000
July 29, 2010	150,000 (paid)	-	-	-	1,055,000
September 13, 2010	100,000 (paid)	-	-	-	1,155,000
December 31, 2010	5,245 (paid)	-	-	-	1,160,245
December 31, 2011	-	-	15,330	-	1,175,575
December 31, 2012	-	-	-	(1,175,575)	-

Copperline

On July 17, 2010 the Company entered into an agreement to acquire a 60% interest in the Copperline mineral property interest in British Columbia. The Copperline property surrounds Skutsil Knob at the south end of the Driftwood Range, 25 km northwest of Takla Lake, and about 120 km northeast of Smithers, B.C. Pursuant to the sale and purchase agreement, the Company has acquired a 60% undivided beneficial and recorded interest in the Copperline mineral property interest in consideration for the issuance to the vendor of a total of 2,700,000 common shares (issued) in the share capital of the Company (the shares were valued at $1,620,000). The Company has also incurred an additional $10,760 in tenure fees to ensure that all mineral claims are current and remain in good standing.

The remaining 40% interest in the mineral property interest is held by Max Minerals Ltd. (TSXV: MJM) and following the acquisition of the 60% interest, the Company has assumed the vendors' rights and obligations provided for in this agreement.

A portion of the claims comprising the Copperline property interest is subject to a 1.5% net smelter returns royalty held by Cominco Ltd.

Kleinebar Resources Ltd. ("Kleinebar") also holds a 0.5% net smelter returns royalty on the part of the property interest subject to the Cominco royalty, and a 1.25% net smelter returns royalty on the balance of the property interest. The Kleinebar royalty can be purchased at any time for $500,000.

Expressed in Canadian Dollars

Management has elected at this time to concentrate efforts on other properties and interests. As there is no known market for this interest, the recoverable value based upon fair value less costs to sell is considered to be nominal. As such, the interest in this asset is carried at a nominal value.

The acquisition cost schedule is as follows:

Date	Cash Payment $	Share Issuance $	Tenure, Minister of Finance & Other Fees	Charged to Operations $	Balance $
July 17, 2010	-	1,620,000	-	-	1,620,000
December 31, 2011	-	-	10,760	(1,630,759)	1
December 31, 2012	-	-	-	-	1

Kelly Creek

By an agreement dated July 26, 2004, the Company was granted an option to acquire an undivided 100% interest in what are now six mineral claims, known as the Kelly Creek mineral property interest, situated in the Omineca Mining Division, Province of B.C. Terms of the agreement were the payment of $20,000 and the issuance of 80,000 common shares of the Company to be issued in various stages, with the final 40,000 common shares being issued in July, 2007. The optionor retained a 2% NSR, in respect of these mineral claims, with the Company being granted the right to purchase 1% of this royalty for consideration of $1,000,000.

On December 17, 2012, the Company released the Kelly Creek property. The property was released due to its grassroots nature, which no longer fit the Company's risk profile. As such, the entire interest in this property has been charged to operations.

12. SHARE CAPITAL AND RESERVES

a) **Common Shares**

i) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company.

ii) Issued and paid

On February 22, 2012, the Company completed a non-brokered private placement, consisting of the issue and sale of 1,000,000 flow-through units at a price of $0.46 per flow-through unit and 1,000,000 common share units at a price of $0.40 per unit, for aggregate gross proceeds of $860,000. Each common share unit consisted of one common share and one-half of one common share purchase warrant. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share of the Company for $0.80 at any time until October 22, 2013. The Company allocated $106,207 to the fair value of the share purchase warrants. As the market value was greater than the price of the flow-through units, no liability was incurred on issuance of the flow-through shares. As part of the issuance, the Company paid finder's fees of $28,200 and additional share issuance costs of $38,996.

On March 10, 2011, the Company completed a two-tranche brokered private placement, consisting of the issue and sale of 1,052,632 flow-through shares at a price of $0.95 per flow-through share and 6,289,000 common share units at a price of $0.80 per unit, for aggregate gross proceeds of $6,031,200. Each common share unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $1.20 per share until March 10, 2012, and a price of $1.50 per share until March 10, 2013. The Company paid commission of $230,228 and issued 275,318 broker compensation warrants exercisable at $0.82 per share expiring September 4, 2012 valued at $117,623. The flow-through liability was calculated using the residual method.

On November 1, 2011, the Company commenced a Normal Course Issuer Bid ("NCIB") to acquire up to 600,000 of its common shares, over a one year period. The NCIB concluded on November 1, 2012. The Company repurchased and returned to treasury a total of 268,000 shares at a cost of $100,103 (an average of $0.37 per share) throughout the NCIB period. Purchases were made through the facilities of the TSX Venture Exchange in accordance with TSX-V requirements. The price at which the company purchased its common shares was at the market price of the common shares at the time of acquisition. All common shares purchased by Lions Gate under the bid have been returned to treasury.

During the year ended December 31, 2011, 169,000 shares were acquired pending cancellation under the NCIB at a cost of $62,843 (an average of $0.37 per share).

On January 5, 2012, the 169,000 shares were cancelled and returned to treasury. During the quarter ended March 31, 2012, an additional 46,500 common shares were acquired pending cancellation under the NCIB at a cost of $18,460 (an average of $0.39 per share). On April 4, 2012, these shares were cancelled and returned to treasury.

During the quarter ended June 30, 2012, 2,500 common shares were acquired pending cancellation under the NCIB at a cost of $1,150 (an average of $0.45 per share). On July 9, 2012, an additional 50,000 common shares were acquired pending cancellation under the NCIB at a cost of $17,650 (an average of $0.35 per share). The 52,500 shares were cancelled and returned to treasury on August 8, 2012.

As at December 31, 2011, the Company had fulfilled its expenditure commitment to incur exploration expenditures in relation to flow-through share financing in 2011.

Expressed in Canadian Dollars

b) **Flow-through Obligations**

The Company's obligations through its flow-through share program are as follows:

	$
Balance at December 31, 2011	-
Proceeds from February 22, 2012 issuance	459,000
Qualifying expenditures	(250,461)
Balance at December 31, 2012	**208,539**

c) **Contributed Surplus**

The following is a summary of changes in contributed surplus from December 31, 2011 to December 31, 2012:

	December 31 , 2012	**December 31, 2011**
	$	**$**
Opening Balance	**2,297,441**	1,630,073
Share-Based Payments (Note 13)	**132,245**	667,368
Expiry of Warrants	**1,408,349**	-
Contributed Surplus	**3,838,035**	2,297,441

d) **Share Purchase Warrants**

The following is a summary of changes in warrants from December 31, 2011 to December 31, 2012:

	Number of Warrants	**Amount $**
Balance December 31, 2011	**9,769,769**	**3,166,114**
Issue of warrants	**1,000,000**	**106,207**
Expiry of warrants	**(5,269,019)**	**(1,408,349)**
Balance as at December 31, 2012	**5,500,750**	**1,863,972**

As at December 31, 2012, the Company had outstanding warrants as follows:

Number of warrants	**Exercise price $**	**Expiry**
2,207,000	1.50	03/04/2013
937,500	1.50	03/04/2013
1,200,000	0.72	05/23/2013
1,000,000	0.80	10/22/2013
156,250	1.00	07/13/2015

Expressed in Canadian Dollars

The fair value of the warrants issued were determined using the Black-Scholes option pricing model, based on the following terms and assumptions:

	Year ended December 31, 2012	Year ended December 31, 2011
Dividend yield	0%	0%
Risk-free interest rate	1.10%	1.72% to 2.05%
Expected life	1.7 years	1.5 to 2 years
Expected volatility(1)	69.9%	82.4% to 84.6%
Weighted average grant date fair value	$0.11	$0.37

(1) Determined based on historical volatility of the Company's share price.

e) **Nature and Purpose of Equity and Reserves**

The reserves recorded in equity on the Company's consolidated statement of financial position include 'Contributed Surplus', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants net of amounts transferred on exercising of options and expiration of warrants.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments net of amounts realized and recorded in current operations.

'Accumulated Deficit' is used to record the Company's cumulative results of operations from inception net of any capital distributions.

13. SHARE-BASED PAYMENTS

a) **Option Plan Details**

The Company has a Rolling Incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. A maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at a price not less than the closing market price of the shares on the date the Company grants the option, less any discount permitted by the TSXV, at terms of up to ten years. The majority of stock options vest immediately on the date of grant unless otherwise required by the TSXV or the Board of Directors.

Other terms and conditions are as follows: no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 10% of the Company's issued shares, and (iii) the issuance to any one option holder, within a 12 month period, of a number of shares exceeding 5% of the Company's shares. Stock options may be re-issued or adjusted in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

Expressed in Canadian Dollars

The following is a summary of changes in options from December 31, 2011 to December 31, 2012:

				During the Year					
Grant Date	Expiry Date	Exercise Price ($)	Opening Balance	Granted	Exercised	Expired/ Forfeited	Closing Balance	Vested and Exercisable	Unvested
06/24/2008	06/23/2013	1.12	225,000	-	-	(175,000)	50,000	50,000	-
07/24/2008	07/23/2013	1.40	10,000	-	-	(10,000)	-	-	-
04/02/2009	04/01/2014	0.72	75,000	-	-	(50,000)	25,000	25,000	-
09/19/2009	09/18/2014	1.07	25,000	-	-	-	25,000	25,000	-
01/16/2010	01/15/2015	1.10	150,000	-	-	-	150,000	150,000	-
01/04/2011	01/03/2016	0.80	794,000	-	-	(155,000)	639,000	639,000	-
04/12/2011	04/11/2016	0.90	125,000	-	-	(25,000)	100,000	100,000	-
04/28/2011	04/27/2016	0.80	150,000	-	-	(150,000)	-	-	-
04/28/2011	04/27/2016	0.80	100,000	-	-	(100,000)	-	-	-
06/08/2011	06/07/2016	0.80	100,000	-	-	(100,000)	-	-	-
07/06/2011	07/05/2016	0.80	100,000	-	-	-	100,000	100,000	-
01/06/2012	01/05/2017	0.80	-	170,000	-	-	170,000	170,000	-
02/01/2012	01/31/2017	0.80	-	150,000	-	-	150,000	150,000	-
04/05/2012	04/04/2017	0.66	-	265,000	-	(63,000)	202,000	202,000	-
			1,854,000	585,000	-	(828,000)	1,611,000	1,611,000	-
Weighted Average Exercise Price			$ 0.87	$ 0.74	$ -	$0.86	$ 0.83	$ 0.83	$ -

b) **Fair Value of Options Issued During the Year**

The weighted average fair value at grant date of options granted during the year ended December 31, 2012 was $0.23 per option (year-ended December 31, 2011: $0.47).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model. In the current year, the fair value of the goods or services received from all options granted to non-employees could not be measured reliably, as non-employees also required their standard cash payments for their services, given the uncertainty in the current market environment.

Expressed in Canadian Dollars

The model inputs for options granted during the year ended December 31, 2012 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
01/06/2012	01/05/2017	$ 0.33	$ 0.80	0.970%	3 years	85.75%	0%
02/01/2012	01/31/2017	$0.36	$0.80	1.023%	3 years	89.19%	0%
04/05/2012	04/04/2017	$0.66	$0.66	1.391%	3 years	82.96%	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

No options were exercised during the year ended December 31, 2012.

c) **Benefit Expense Arising from Share-based Payment Transactions**

For the year ended December 31, 2012, net expenses from share-based payment transactions were $119,837 (December 31, 2011: $619,337).

d) **Amounts Capitalized Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions that were capitalized during the year ended December 31, 2012 as part of exploration and evaluation activities were $12,408 (December 31, 2011: $48,033). These expenses were capitalized to the Poplar consulting account.

e) **Weighted Average Remaining Life**

The weighted average remaining life of the outstanding options at December 31, 2012 is 3.20 years (December 31, 2011: 3.63 years).

14. INCOME TAXES

The Company's deferred income tax for the year ended December 31, 2012, is $nil (2011: $nil). A reconciliation of the statutory tax rate to the effective rate for the Company is as follows:

	2012 $	2011 $
Loss before income taxes	(3,336,647)	(3,408,561)
Statutory tax rate	25.00%	26.50%
Expected income tax recovery	(834,162)	(903,269)
Permanent differences	39,138	201,213
Effect of tax rate reduction on future taxes and other	-	23,441
Expiry of non-capital losses	-	48,793
Changes in estimate and other	18,792	462,214
Change in unrecognized deferred tax assets	776,232	167,608
	-	-

Significant components of the Company's unrecognized deferred tax assets, after applying substantively enacted corporate income tax rates, are as follows:

Expressed in Canadian Dollars

	December 31, 2012 $	December 31, 2011 $
Deferred income tax assets		
Non-capital losses carried forward	1,481,293	1,101,758
Net capital losses	30,979	36,670
Unused cumulative mineral costs	644,183	254,570
Investments	29,565	20,642
Share issuance costs	70,615	78,923
Equipment and leaseholds	5,035	1,184
Total	2,261,670	1,493,747

As of December 31, 2012, the Company has estimated Canadian loss carryforwards of $5,925,174 (2011: $4,585,157).

Year of Expiry	$
2014	358,760
2015	400,131
2026	321,117
2027	270,345
2028	746,305
2030	1,236,380
2031	1,252,119
2032	1,340,017
	5,925,174

Expressed in Canadian Dollars

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Company entered into related-party transactions with the following individuals:

Arni Johannson	Chairman & Interim CEO
Paul Sarjeant	Former CEO (Became COO on September 13, 2012, and resigned on January 31, 2013)
Michael Sweatman	Director (former CFO)
Blair McIntyre	VP Operations
Andrew Gourlay	Former VP of Exploration

In addition, the Company entered into related-party transactions with the following corporations:

Canadian Nexus Ventures Ltd. ("CNV")	Corporation controlled by Chairman & Interim CEO
0932879 B.C. Ltd. ("BC")	Corporation controlled by Chairman & Interim CEO
MDS Management Ltd. ("MDS")	Director exercises significant influence over MDS
Doublewood Consulting Inc. ("Doublewood")	Corporation controlled by Former CEO/COO

All related party transactions were within the normal course of business and have been recorded at amounts agreed to by the transacting parties.

The following is a summary of the Company's related party transactions during the year that are not discussed elsewhere in these consolidated financial statements:

a) **Consulting Fees**

For the year ended December 31, 2012, the Company paid or accrued consulting fees totaling $211,651 plus HST (2011: $216,644) to officers, and companies subject to their influence. The consulting fees consisted of $160,651 to Doublewood, and $51,000 to the VP of Exploration. Consulting fees relating to the Company's mineral properties are capitalized.

As at December 31, 2012, $nil (2011: $15,610) of these amounts are disclosed on the Company's consolidated statement of financial position as due to related parties.

b) **Administrative Expenses**

For the year ended December 31, 2012, the Company paid or accrued administrative expenses totaling $161,103 (2011: $183,837) which are disclosed as office, rent and telephone, and legal fees in the Company's consolidated statement of operations, to related companies. These costs were reimbursements for various administrative and overhead expenses which consisted of the following: $31,876 for office rent (2011: 50,200), $65,321 related to shared office consultants (2011: $64,642), $17,216 related to telephone, website and copier expenses (2011: $27,158), $2,807 for parking and meals & entertainment expenses (2011: $8,902) and $43,883 (2011: $32,935) related to general office and administration expenses. $160,147 of the administrative expenses were reimbursed to CNV, and $956 were reimbursed to MDS.

Expressed in Canadian Dollars

c) **Key Management Compensation**

Key management personnel compensation comprised:

	Year ended December 31 2012 $	Year ended December 31 2011 $
Short-term employee benefits and director fees	529,012	441,062
Share-based payments	81,851	406,731
	610,863	**847,793**

As at December 31, 2012, $nil of director fees and short-term employee benefits (December 31, 2011: $5,750) are disclosed on the Company's consolidated statement of financial position as due to related parties.

d) **Substantial Shareholder**

John Icke, a director of the Company, is also the President and CEO of Resinco Capital Partners Inc. ("Resinco"). Resinco is a greater than 10% shareholder of the Company. In 2012, Resinco began providing corporate secretarial and accounting services for the Company. For the year ended December 31, 2012, these services resulted in an expense of $23,779 (2011: $nil). The services with Resinco were terminated on October 1, 2012.

As at December 31, 2012, $nil (December 31, 2011: $7,645) of expenses owed to Resinco are disclosed on the Company's consolidated statement of financial position as due to related parties.

e) **Loan to Officer**

On May 4, 2012, the Company advanced the first tranche of a loan to Doublewood, which funds have been utilized to purchase shares of the Company in accordance with the Doublewood consulting contract. The first tranche totaled $50,000 and the loan could be extended to a maximum of $200,000. The loan bore interest at the CRA prescribed rate for shareholder loans (currently 1%), compounded annually, and had a term of two years.

On September 13, 2012, the Company terminated the contract with Doublewood. As part of the termination negotiation process, the loan is to be forgiven in lieu of termination notice payments required under the terms of the consulting agreement with Doublewood. The loan to be forgiven has therefore been expensed to the 'Consulting and management fees' account.

f) **Bridge Loan Financing**

In October 2012, the Company received a bridge loan from BC in the amount of $100,000. Terms of the loan included an interest rate of prime + 9% and the issuance of 150,000 bonus shares to the lender. The loan was repaid in full on December 7, 2012, and the shares were issued on December 18, 2012. As at December 31, 2012, $2,203 (December 31, 2011: $nil) of interest expense owed to BC is disclosed on the Company's consolidated statement of financial position as due to related parties.

Expressed in Canadian Dollars

16. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has the following reportable operating segments, being that of acquisition and exploration and evaluation activities for the following properties:

	Poplar Property	Hudson Bay Property	Copperline Property	ROK-Coyote	Kelly Creek	Total
	$	$	$	$	$	$
Balance at December 31, 2010	**2,430,623**	**1,170,245**	**1,630,760**	**-**	**1**	**5,231,629**
Exploration costs	2,810,134	123,346	-	193,289	-	3,126,769
Acquisitions	249,281	15,330	-	234,000	17,500	516,111
Write-offs	-	-	(1,630,759)	-	(17,500)	(1,648,259)
Balance at December 31, 2011	**5,490,038**	**1,308,921**	**1**	**427,289**	**1**	**7,226,250**
Exploration costs	(570,917)	34,935	-	57,152	-	(478,830)
Acquisitions	225,206	-	-	72,012	-	297,218
Write-offs	-	(1,343,856)	-	(556,453)	(1)	(1,900,310)
Balance at December 31, 2012	**5,144,327**	**-**	**1**	**-**	**-**	**5,144,328**

As at December 31, 2012, accounts payable and accrued liabilities include finders fees of $58,000 (December 31, 2011 - $211,356) owed on the Poplar property, while $nil (December 31, 2011 - $nil) are owed on all other segments. All expenses related to the projects are capitalized, as detailed above.

17. LOSS PER SHARE

	For years ended December 31	
Weighted Average Number of Common Shares:	**2012**	**2011**
Basic and Fully Diluted	25,265,968	22,365,905
Loss per share:	**2012**	**2011**
Comprehensive loss for year	$ (3,326,031)	$ (3,421,028)
Basic and Diluted Weighted Average Number of Common Shares	25,265,968	22,365,095
Loss Per Share	**$ (0.13)**	**$ (0.15)**

Expressed in Canadian Dollars

18. EVENTS AFTER THE REPORTING DATE

Cancellation of Option Agreement

On January 2, 2013, the Company announced that it is returning the ROK-Coyote project to Firesteel.

Option Agreement

On February 18, 2013, the Company entered into an option agreement (the "Agreement") with an arm's-length vendor, by which the Company can earn a 100% interest in the Whitford Lake uranium project, which covers 67 hectares in the Athabasca Basin, in Saskatchewan (the "Property").

Under the terms of the Agreement, the Company can earn a 100% interest in the Property by paying cash of $100,000 initially and issuing 2,500,000 common shares to the vendor. 1,000,000 shares will be issued within 5 days of regulatory approval with the balance being distributed under an escrow agreement over the next 18 months (500,000 share increments every six months). The Company must make additional cash payments of $1,150,000 and complete $3,000,000 in exploration expenditures on the Property within the next 4 years. A 1% net smelter royalty has been granted to the vendor, of which 0.5% may be purchased by the Company for cash of $750,000.

19. FINANCIAL INSTRUMENTS

International Financial Reporting Standard 7, Financial Instruments Disclosures, establishes 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 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - 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); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Presented below is a fair value hierarchy that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments.

		December 31, 2012		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash and cash equivalents	1,004,834	1,004,834	-	-
Equity shares	151,667	151,667	-	-
Loan receivable	1	1	-	-

		December 31, 2011		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash and cash equivalents	784,382	784,382	-	-
Equity shares	190,627	23,960	66,667	100,000
Loan receivable	1	1	-	-

The Company's financial instruments include: cash and cash equivalents, amounts receivable, available-for-sale investments, loans receivable, reclamation deposits, accounts payable and accrued liabilities and due to related parties. The carrying value of cash and cash equivalents, amounts receivable, reclamation deposits, accounts payable and accrued liabilities and due to related parties approximates their fair values.

Categories of Financial Instruments

	Category	December 31, 2012 $	December 31, 2011 $
Cash and cash equivalents	Held for trading	1,004,834	784,382
Amounts receivable	Loans and receivables	44,124	681,421
Investments	Available-for-sale	151,667	190,627
Loans receivable	Available-for-sale	1	1
Reclamation deposits	Loans and receivables	89,089	44,108
Accounts payable and accrued liabilities	Other financial liabilities	129,074	251,933
Due to related parties	Other financial liabilities	2,203	29,005

Reclamation deposits are funds held on deposit pursuant to legislative requirements regarding the possible future establishment of a remediation obligation, and have generated $281 of interest income in 2012 (December 31, 2011 - $106).

The Company's financial instruments are exposed to certain financial risks, including credit, liquidity, and market risk.

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding receivables and reclamation deposits. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company seeks to limit its exposure to this risk by holding its cash and cash equivalents in large Canadian financial institutions and investing the funds in either short-term GICs or savings accounts. In addition, credit risk on receivables is considered low, as the majority of current receivables are due from the federal tax authority. Management believes the risk of loss is remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has implemented a budgeting process which is reviewed regularly to help determine the funding requirements of the Company's exploration and overhead requirements. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for the foreseeable future. The Company believes that the current cash reserves will be sufficient to meet its obligations as they become due.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

The selling prices of commodities from the Company's mineral properties are expected to be denominated in US dollars. Changes in the exchange rate could therefore impact the Company and the valuation of long-term assets to the extent that valuation is affected by rate changes.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

Expressed in Canadian Dollars

20. COMMITMENTS

The following table reflects the Company's known aggregate financial commitments as at December 31, 2012:

	< Year 1	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Total
Office Lease	$15,600	$15,600	$7,800	$ -	$ -	$39,000

21. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, available-for-sale investments, share capital, and share purchase warrants as capital. As the Company is in the exploration and evaluation stage, its principal source of funds for its operations is from the issuance of common shares. The issuance of common shares requires the approval of the Board of Directors. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its properties for the benefit of its stakeholders.

In 2012 and 2011, the Company raised cash capital via private placement in the amount of $860,000 and $6,031,200, respectively. It is anticipated that the Company's cash balance of $1,004,834 is adequate to meet its liquidity needs for the next twelve months.

The Company uses stock options primarily to retain and provide future incentives to key employees and members of the management team. The granting of stock options is determined by the Board of Directors.

22. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Non-Cash Financing and Investing Activities:

	For Year Ended December 31,	
	2012	2011
	$	$
Accrued but unpaid exploration and evaluation expenditures	58,000	211,356
Payment of prior year accrued exploration and evaluation expenditures	(211,356)	(117,772)
Issuance of common shares to acquire mineral properties	47,850	70,625
Issuance of common shares for bridge loan	10,500	-
Capitalized stock-based compensation	12,408	48,033

Other Items:

	For Year Ended December 31,	
	2012	2011
	$	$
Income taxes paid	-	-
Interest paid	-	(2,700)