GOLDTRAIN RESOURCES INC

(An Exploration Stage Enterprise)

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

"Carl McGill", CEO
Carl McGill

"Johnny Oliveira", CFO
Johnny Oliveira

PALMER REED
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
GoldTrain Resources Inc.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the financial statements which indicates that as at December 31, 2012 the Company had an accumulated deficit of $2,757,212. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of GoldTrain Resources Inc. to continue as a going concern. Our opinion is not qualified in respect of this matter.

TORONTO, ONTARIO

Palmer Reed

April 26, 2013

Chartered Accountants
Licensed Public Accountants

GoldTrain Resources Inc.

STATEMENTS OF FINANCIAL POSITION

(An Exploration Stage Enterprise)
(Canadian dollars)

AS AT DECEMBER 31,		2012		2011
ASSETS				
Current				
Cash	**$**	**7,459**	$	523,629
Trade and other receivables (Note 5)		**9,759**		32,386
Other financial assets (Note 6)		**37,000**		176,000
Prepaid expenses		**-**		1,500
		54,218		733,515
Property, plant and equipment (Note 7)		**-**		4,853
	$	**54,218**	$	738,368
LIABILITIES				
Current				
Trade and other payables (Notes 9 and 10)	**$**	**541,667**	$	533,129
Flow-through share premium liability (Note 11 (a))		**-**		159,000
		541,667		692,129
EQUITY				
Share capital (Note 11 (a))		**1,660,238**		1,660,238
Reserve for warrants (Note 12)		**543,525**		543,525
Reserve for share based payments (Note 13)		**66,000**		66,000
Accumulated deficit		**(2,757,212)**		(2,223,524)
		(487,449)		46,239
	$	**54,218**	$	738,368

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

Approved on behalf of the Board on April 26, 2013:

"Carl McGill" Director

"Donald A. Sheldon" Director

The accompanying notes are an integral part of these financial statements

GoldTrain Resources Inc.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(An Exploration Stage Enterprise)
(Canadian dollars)

For the years ended December 31,		2012		2011
Expenses				
Professional and consulting fees	**$**	**130,293**	$	145,376
Share based payments (Note 11 (c))		**-**		9,000
Shareholder Information		**15,521**		13,548
Office, general and administrative		**13,525**		35,946
Exploration and evaluation expenditures (Note 8)		**512,719**		439,728
Amortization (Note 7)		**4,453**		1,917
Part XII.6 tax		**1,155**		-
Net loss before the undernoted	**$**	**677,666**	$	645,515
Flow-through share premium recovery (Note 11 (a))		**(159,000)**		-
(Gain) Loss on sale of other financial assets (Note 6)		**(6,879)**		4,499
Unrealized loss on other financial assets (Note 6)		**21,901**		33,887
Net loss and comprehensive loss for the year	**$**	**533,688**	$	683,901
Loss per share				
Basic and diluted	**$**	**0.011**	$	0.019
Weighted average number of common shares outstanding				
Basic and diluted (000's)		**49,423**		35,516

The accompanying notes are an integral part of these financial statements

GoldTrain Resources Inc.

STATEMENTS OF CHANGES IN EQUITY

(An Exploration Stage Enterprise)
(Canadian dollars)

	Share Capital		Reserves			
	Number of Shares	Amount	Share based payments	Warrants	Accumulated deficit	Total
Balance at January 1, 2011	25,523,474	$ 683,682	$ 57,000	$ 258,525	$ (1,539,623)	$ (540,416)
Private placements	11,006,663	817,000	-	-	-	817,000
Shares issued for debt	5,592,474	279,624	-	-	-	279,624
Shares issued for other financial assets	7,000,000	350,000	-	-	-	350,000
Shares issued for property	300,000	30,000	-	-	-	30,000
Warrants issued for property	-	-	-	16,000	-	16,000
Warrants issued on private placement	-	(263,000)	-	263,000	-	-
Cost of share issuance - cash	-	(72,068)	-	-	-	(72,068)
Cost of share issuance – warrants issued	-	(6,000)	-	6,000	-	-
Flow-through share premium liability	-	(159,000)	-	-	-	(159,000)
Share based payments	-	-	9,000	-	-	9,000
Comprehensive loss for the year	-	-	-	-	(683,901)	(683,901)
Balance at December 31, 2011	**49,422,611**	**$ 1,660,238**	**$ 66,000**	**$ 543,525**	**$ (2,223,524)**	**$ 46,239**
Comprehensive loss for the year	**-**	**-**	**-**	**-**	**(533,688)**	**(533,688)**
Balance at December 31, 2012	**49,422,611**	**$ 1,660,238**	**$ 66,000**	**$ 543,525**	**$ (2,757,212)**	**$ (487,449)**

The accompanying notes are an integral part of these financial statements

GoldTrain Resources Inc.

STATEMENTS OF CASH FLOW

(An Exploration Stage Enterprise)
(Canadian dollars)

Years ended December 31,	**2012**	2011
Operating activities		
Net loss for the year	**$ (533,688)**	$ (683,901)
Add items not affecting cash:		
Amortization	**4,453**	1,917
Realized (gain) loss on other financial assets	**(6,879)**	4,499
Unrealized loss on other financial assets (Note 6)	**21,901**	33,887
Flow-through share premium recovery	**(159,000)**	-
Share based payments (Note 11 (c))	**-**	9,000
Warrants issued for property	**-**	16,000
Shares issued for property	**-**	30,000
Changes in non-cash working capital items (Note 14)	**32,665**	235,719
Cash flows used in operating activities	**(640,548)**	(352,879)
Investing activities		
Proceeds on disposition of capital assets	**400**	-
Proceeds on sale of other financial assets	**123,978**	136,166
Cash flows provided from financing activities	**124,378**	136,166
Financing activities		
Issuance of common shares, net of issue costs	**-**	744,932
Payment of promissory notes payable	**-**	(11,200)
Cash flows provided from financing activities	**-**	733,732
Net (decrease) increase in cash	**(516,170)**	517,019
Cash, beginning of year	**523,629**	6,610
Cash, end of year	**$ 7,459**	$ 523,629

SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS

GoldTrain Resources Inc. ("GoldTrain" or the "Company") is a public company amalgamated under the laws of the Province of Ontario on April 27, 2009. The Company's head office is located at 180 Dundas St. W., Suite 1801, Toronto, ON, M5G 1Z8. GoldTrain's principal business is the acquisition and exploration of mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at December 31, 2012, the Company had a working capital deficiency of $487,449 (2011 – working capital of $41,386), had not yet achieved profitable operations, had accumulated losses of $2,757,212 (2011 - $2,223,524) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage and has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

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

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These financial statements were approved and authorized by the Board of Directors of the Company on April 26, 2013.

2.2 Basis of measurement

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

2.3 Use of management estimates, judgments and measurement uncertainty

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

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

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

2.4 Adoption of new and revised standards and interpretations

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

2. BASIS OF PRESENTATION *(continued)*

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

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

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements'* - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

(Canadian dollars)

2. BASIS OF PRESENTATION *(continued)*

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Mineral properties

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

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

• Automotive equipment	30%
• Core shack	20%

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

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

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

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

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

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

3.4 Share based payments

Share based payment transactions

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

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

Equity-settled transactions

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

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

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

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

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

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

3.5 Taxation

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

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

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

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

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

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

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

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

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

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

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

3.5 Taxation *(continued)*

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

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

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

3.6 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2012 and 2011 all of the outstanding stock options and warrants were antidilutive.

3.7 Financial assets

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

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

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

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company does not have any assets classified as available-for-sale.

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

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

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

3.8 Financial liabilities

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

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

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

3.9 Impairment of financial assets

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

Assets carried at amortized cost

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

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

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

Available-for-sale

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

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

3.10 Impairment of non-financial assets

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

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

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

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

3.11 Cash

Cash in the statement of financial position comprises cash at banks and on hand.

3.12 Provisions

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

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

3.13 Related party transactions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Flow-through Shares

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

4. FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

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

Fair value

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

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

Interest-rate risk

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

Equity price risk

Equity price risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its other financial assets. The Company's other financial instruments (cash, trade and other receivables, and trade and other payables) are not subject to price risk.

4. FINANCIAL INSTRUMENTS *(continued)*

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

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

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

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012, the Company had current assets of $54,218 (2011 - $733,515) to settle current liabilities of $541,667 (December 31, 2012 - $692,129). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing and the continued accommodation from its service providers. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at December 31, 2012, the Company had a working capital deficiency of $487,449 (2011 – working capital of $41,386).

Sensitivity Analysis

The sensitivity analysis shown in the notes below may differ materially from actual results. Interest rate risk on cash equivalents is minimal as these have fixed interest rates.

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

(ii) The Company's other financial assets are subject to fair value fluctuations. As at December 31, 2012, if the fair value of investments had fluctuated by 10% with all other variables held constant, net loss and comprehensive net loss for the year ended December 31, 2012 would have changed by $4,000.

(Canadian dollars)

5. TRADE AND OTHER RECEIVABLES

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

	As at December 31,			
		2012		2011
HST receivable	**$**	**9,759**	$	32,386
Total trade and other receivables	**$**	**9,759**	$	32,386

Below is an aged analysis of the Company's trade and other receivables:

	As at December 31,			
		2012		2011
Less than 1 month	**$**	**9,759**	$	32,386
Total trade and other receivables	**$**	**9,759**	$	32,386

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

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

6. OTHER FINANCIAL ASSETS – FVTPL SECURITIES

Other financial assets are comprised of marketable securities of a publicly traded company on the Venture Toronto Stock Exchange ("TSXV"). As at December 31, 2012, these fair value through profit and loss investments have been measured at their fair value of $37,000 (2011 – $176,000). The impact to the financial statements of the revaluation to market value resulted in an unrealized loss of $21,901 (2011 – $33,887) as market values of these securities decreased during the year and a realized gain of $6,979 (2011 – loss of $4,499) through the sale of these marketable securities.

7. PROPERTY, PLANT AND EQUIPMENT

		Automotive equipment		Core shack		Total
Cost						
As at January 1, 2011 and December 31, 2011	$	11,828	$	1,827	$	13,655
Disposals		**(11,828)**		**(1,827)**		**(13,655)**
As at December 31, 2012	**$**	**-**	**$**	**-**	**$**	**-**
Accumulated depreciation						
As at January 1, 2011	$	6,198	$	687	$	6,885
Amortization		1,689		228		1,917
As at December 31, 2011		**7,887**		**915**		**8,802**
Amortization		**3,541**		**912**		**4,453**
Disposals		**(11,428)**		**(1,827)**		**(13,255)**
As at December 31, 2012	**$**	**-**	**$**	**-**	**$**	**-**
Net book value						
As at December 31, 2011		3,941		912		4,853
As at December 31, 2012		**-**		**-**		**-**

(Canadian dollars)

8. MINERAL PROPERTIES

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

	Year Ended December 31,		Cumulative to date *
	2012	2011	
Clement Property	**$ 33,111**	$ 90,638	**$ -**
Chiniguchi River/Janes Property	**41,124**	141,289	**-**
Missinabie/Nudulama Property	**438,484**	207,801	**1,183,259**
Exploration and evaluation expenditures	**$ 512,719**	$ 439,728	**$ 1,183,259**

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

Clement Township – Hagar, Ontario
The Company had a 100% interest in 15 unpatented mining claims (containing 227 claim units) covering approximately 3632 hectares in the Clement Township area, approximately 65 kilometres northeast of Sudbury. During the year end December 31, 2012, this property was transferred to Brian Wright, President and Chief Operating Officer (the "Purchaser") along with Chiniguchi River claims (the "Properties"). See "Chiniguchi River" for further details.

Chiniguchi River – Janes Township, Ontario
The Company had a 75% interest in 8 unpatented mining claims (containing 120 claim units) in the Chiniguchi River area covering approximately 1920 hectares in Janes Township, District of Sudbury. The vendor retained a 2% net smelter royalty which continues until the property is written off. GoldTrain had also staked 4 new claims (49 units covering approximately 748 hectares) adjoining the Chiniguchi River property to the south. On October 26, 2012, this property was transferred to the Purchaser along with the Clement Property in exchange for the Purchaser agreeing to perform $90,000 worth of exploration activities on the Missinabie/Nudulama claims in exchange for the Properties, $45,000 in cash and $45,000 to be received in shares at the lowest price allowed by the stock exchanges or as mutually agreed to by both parties. During the year ended December 31, 2012, the Company decided to forego the consideration to be performed by the Purchaser as the Company was not able to come up with the cash portion requirement and, accordingly, the Company completed the exchange for no additional consideration.

Missinabie/Nudulama Property – Brackin and LeesonTownship, Ontario
The Company has a 100% interest in 7 unpatented mining claims (containing 92 claim units) covering approximately 1472 hectares in the Brackin Township area, approximately 72 kilometres northeast of the town of Wawa, Ontario. The vendor retains a 2% net smelter royalty which continues until the property is written off.

On January 30, 2010, the Company entered into an agreement to acquire a 100% interest in 2 unpatented mining claims in the Leeson Township area, in the mining district of Sault Ste. Marie. Under the terms of the agreement, the Company acquired a 100% interest in the property by issuing 400,000 common shares (issued) and paid $11,200 in the form of non-interest bearing promissory notes payable as follows: $2,500 within six months of the date of the agreement, $1,200 on December 31, 2010, $2,500 within twelve months of the date of the agreement, and $5,000 within twenty months of the date of the agreement. All of the promissory notes have been paid. The vendor retains a 3% net smelter royalty on the property, two-thirds of which can be purchased for $2,000,000.

(Canadian dollars)

8. MINERAL PROPERTIES *(continued)*

Missinabie/Nudulama Property – Brackin and LeesonTownship, Ontario *(continued)*

On or about December 13, 2010, the Company entered into an agreement to purchase a 100% interest in 11 patented and 11 leased claims in Leeson Township (Nudulama Property) approximately 85 kilometers northeast of Wawa, Ontario. The patented claims are adjacent to the Missinabie Property. The agreement closed on September 26, 2011. Under the terms of the agreement, the Company paid $100,000, issued 300,000 common shares valued at a fair value of $30,000 and issued 300,000 warrants. Each warrant entitles the holder to acquire one common share at an exercise price of $0.10 for 24 months. The fair value of the 300,000 warrants was estimated at $16,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 0.93%; volatility 100% and an expected life of 2 years. The vendor retains a 2% net smelter royalty on the property, one-half of which can be purchased for $1,000,000.

9. TRADE AND OTHER PAYABLES

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

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

	As at December 31,	
	2012	2011
Less than 1 month	**$ 97,086**	$ 166,136
1 – 3 months	**6,780**	886
Over 3 months	**437,801**	366,107
Total trade and other payables	**$ 541,667**	$ 533,129

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

	December 31, 2012	December 31, 2011
Balances:		
Short-term employee benefits	**$ 266,000**	$ 118,000
Share based payments - options	**-**	9,000
Total compensation paid to key management	**$ 266,000**	$ 127,000

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

During the year ended December 31, 2012, the Company was charged $56,000 (2011 - $152,000) for legal fees by a law firm of which a director of the Company is an officer, director and shareholder.

The Company settled $18,129 on May 2, 2011 and $8,366 on June 3, 2011 pertaining to a unit-for-debt private placement (see Note 11) of accounts owing to officers, directors and companies controlled by officers and directors of the Company.

(Canadian dollars)

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT *(continued)*

The Company settled long-term debt in full by making a $100,000 payment on May 2, 2011 and $91,634 on June 3, 2011 in treasury securities pertaining to a unit-for-debt private placement (see Note 11).

During the year ended December 31, 2012, the Company exchanged the Clement and Chiniguchi River properties in exchange for services. See Note 8 for further details.

Included in accounts payable at December 31, 2012 is $519,000 (2011 - $433,000) owing to key management and related parties.

11. SHARE CAPITAL

(a) Common shares

Authorized – Unlimited number of common shares
Unlimited number of preference shares issuable in series

	Number of Shares		Amount
Balance, January 1, 2011	25,523,474	$	683,682
Private placements	11,006,663		817,000
Shares issued for settlement of debt	5,592,474		279,624
Shares issued for other financial assets	7,000,000		350,000
Shares issued for property	300,000		30,000
Warrants issued on private placement	-		(263,000)
Shares issue costs – cash	-		(72,068)
Shares issue costs – warrants issued as finder's fees	-		(6,000)
Flow-through share premium	-		(159,000)
Balance, December 31, 2012 and 2011	**49,422,611**	**$**	**1,660,238**

(b) Issuances of shares

On April 19, 2011, the Company completed a private placement totaling 3,240,000 units at $0.05 each for an aggregate amount of $162,000. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of $0.10 for a period of 24 months. The fair value of the 3,240,000 share purchase warrants was estimated at $38,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 1.77%; volatility 100% and an expected life of 2 years.

On April 29, 2011, the Company closed a unit-for-debt private placement at a price of $0.05 per unit by issuing 3,332,473 units in order to settle $166,623.66 of debt owing by the Company. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of $0.10 for a period of 24 months. The issuance of common shares and warrants was completed pursuant to agreements made by the Company with certain creditors, directors, officers and consultants of the Company. The fair value of the 3,332,473 share purchase warrants was estimated at $39,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 1.73%; volatility 100% and an expected life of 2 years.

11. SHARE CAPITAL *(continued)*

On June 1, 2011, the Company completed a private placement totaling 100,000 units at $0.05 each for an aggregate amount of $5,000. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of $0.10 for a period of 24 months. The Company paid a cash finder's fee of $400 and granted 8,000 finder's warrants equal in number to 8% of the number of securities sold by such finder. Each finder's warrant entitles the holder to purchase one common share for a price of $0.10 for a period of 24 months. The fair value of the 100,000 share purchase warrants was estimated at $1,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 1.45%; volatility 100% and an expected life of 2 years. The fair value of the 8,000 finder's warrants was estimated at $Nil using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 1.45%; volatility 100% and an expected life of 2 years. In addition, the Company closed a units-for-debt private placement at a price of $0.05 per unit by issuing 2,260,001 units, in order to settle $113,000.05 of debt owing by the Company. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of $0.10 for a period of 24 months. The issuance of common shares and warrants was completed pursuant to agreements made by the Company with certain directors, consultants and other creditors of the Company. The fair value of the 2,260,001 share purchase warrants was estimated at $26,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 1.45%; volatility 100% and an expected life of 2 years.

On June 9, 2011, the Company settled its liabilities to KWG Resources Inc. ("KWG") by issuing 7,000,000 units in satisfaction of an outstanding debt of $350,000. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of $0.10 for a period of 24 months. The Company had incurred this debt through the acquisition of 3,452,217 liquid securities from KWG. The fair value of the 7,000,000 share purchase warrants was estimated at $81,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 1.44%; volatility 100% and an expected life of 2 years.

On September 26, 2011 the Company issued 300,000 common shares pursuant to the Nudulama property agreement described in Note 8.

On December 30, 2011, the Company completed a private placement totaling 1,999,998 units at $0.07 each for an aggregate amount of $140,000. Each unit was comprised of one common share and one common share purchase warrant. Each full warrant is exercisable into one common share at a price of $0.15 for a period of 18 months. In addition, a total of 5,666,665 flow-through units were issued at $0.09 per unit for gross proceeds of $510,000. Each flow-through unit was comprised of one flow-through common share and one half of one common share purchase warrant. Each full warrant is exercisable into one common share at a price of $0.15 for a period of 18 months. The Company paid cash finder and work fees of $41,441 and granted 355,555 finder's warrants. Each finder's warrant entitles the holder to purchase one common share for a price of $0.15 for a period of 18 months. The fair value of the 4,833,329 share purchase warrants was estimated at $78,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 0.95%; volatility 100% and an expected life of 1.5 years. The fair value of the 355,555 finder's warrants was estimated at $6,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 0.95%; volatility 100% and an expected life of 1.5 years.

During the year ended December 31, 2012, the flow-through premium was calculated to be $Nil (2011 - $159,000). During the year ended December 31, 2012, flow-through share premium liability of $159,000 (2011 - $Nil) was reversed (resulting from flow-through funds spent) and recorded as a flow-through share premium recovery in the statements of loss for year ended December 31, 2012. The remaining flow-through share premium liability of $Nil (2011 - $159,000) will be reversed through the statements of loss as the Company spends the remaining $Nil (2011 - $510,000) in eligible Canadian Exploration Expenditures.

(Canadian dollars)

11. SHARE CAPITAL *(continued)*

(c) Options

The Company has a stock option plan (the "Plan") under which the board of directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees and consultants of the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant less any discounts permitted by regulatory policies and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under option at any time under the Plan is 4,942,261. As at December 31, 2012, the Company had 2,492,261 (2011 – 759,594) options available for issuance under the Plan. The options outstanding to purchase common shares are as follows:

	December 31, 2012		December 31, 2011	
	Options	**Weighted Average Exercise price**	Options	Weighted Average Exercise price
Outstanding at beginning of year	**2,450,000**	**$ 0.11**	1,900,000	$ 0.12
Transaction during the year				
Granted	**-**	**-**	550,000	0.10
Outstanding at end of year	**2,450,000**	**$ 0.11**	2,450,000	$ 0.11

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

Range of Exercise Prices ($)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
0.05	100,000	2.59	0.05
0.10	550,000	3.42	0.10
0.12	1,800,000	2.06	0.12
0.05 - 0.12	**2,450,000**	**2.39**	**0.11**

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

	June 1, 2011	**Total**
Options Issued	550,000	550,000
Risk-free interest rate	2.24%	
Expected life	5 years	
Exercise price	$0.10	
Price volatility	100%	
Dividend yield	Nil	
Forfeiture rate	Nil	
Share based compensation	$9,000	$9,000

The weighted average grant-date fair value of options granted during the year ended December 31, 2012 was $Nil (2011 – $0.02) per option issued.

(Canadian dollars)

11. SHARE CAPITAL *(continued)*

(d) Common Share Purchase Warrants

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

Warrants	Exercise Price	Expiry Date
3,240,000	0.10	April 19, 2013
3,332,473	0.10	May 2, 2013
2,368,001	0.10	June 3, 2013
7,000,000	0.10	June 9, 2013
5,188,884	0.15	June 30, 2013
300,000	0.10	September 26, 2013
21,429,358		

12. RESERVE FOR WARRANTS

Reserve for warrants is comprised of the following:

As at December 31,		**2012**		2011
Balance, beginning of the year	**$**	**543,525**	$	258,525
Warrants issued on private placement		**-**		269,000
Warrants issued for property		**-**		16,000
Balance, end of year	**$**	**543,525**	$	543,525

13. RESERVE FOR SHARE BASED PAYMENTS

Reserve for share based payments is comprised of the following:

As at December 31,		**2012**		2011
Balance, beginning of the year	**$**	**66,000**	$	57,000
Share based payments		**-**		9,000
Balance, end of year	**$**	**66,000**	$	66,000

14. SUPPLEMENTAL CASH FLOW INFORMATION

As at December 31,		**2012**		2011
Trade and other receivables	**$**	**22,627**	$	(13,161)
Prepaid expenses		**1,500**		(1,184)
Trade and other payables		**8,538**		250,064
Changes in non-cash working capital balances	**$**	**32,665**	$	235,719
Interest paid	**$**	**-**	$	-
Income tax paid	**$**	**-**	$	-

15. CAPITAL MANAGEMENT

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

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, and accumulated deficit, which as at December 31, 2012 was a deficiency of $487,449 (2011 – capital of $46,239).

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

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

The Company expects its capital resources, together with its access to the capital markets and accommodation from its service providers, will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2012. The Company is not subject to externally imposed capital requirements.

(Canadian dollars)

16. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

During the year ended December 31, 2011, 5,666,665 flow-through shares were issued pursuant to the private placements described in Note 11 for gross proceeds of $510,000. As at December 31, 2012, the Company is committed to spending approximately $Nil (2011 - $510,000) on Canadian exploration costs as part of its 2011 flow-through funding agreements the Company. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscribers as a result of the Company failing to meet its expenditure commitments.

17. INCOME TAXES

Deferred Income Tax Recovery

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

	2012	2011
	$	$
Loss before income taxes	**(533,688)**	(683,901)
Combined Statutory rate	**26.50%**	28.25%
Estimated recovery of deferred taxes	**(141,000)**	(193,000)
Difference between current and future tax rates	**(40,000)**	21,000
Renunciation of CCEE on flow-through shares	**-**	127,000
Flow-through share premium recovery	**(42,000)**	-
Share and warrant issue costs	**-**	(18,000)
Non-deductible expenses	**-**	7,000
Other	**(207,000)**	-
Non-taxable portion of capital losses	**2,000**	5,000
Change in tax assets not recognized	**428,000**	51,000
Deferred tax recovery	**-**	-

17. INCOME TAXES (continued)

(Canadian dollars)

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

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

	2012	2011
	$	$
Deferred tax assets		
Share issuance costs and other	**17,000**	26,000
Deferred exploration expenses	**256,000**	199,000
Capital losses carried forward	**302,000**	5,000
Non-capital losses carried forward	**319,000**	236,000
	894,000	466,000
Less : tax assets not recognized	**(894,000)**	(466,000)
Net deferred tax assets	**-**	-
Deferred tax liabilities		
	-	-
Net deferred tax liability	**-**	-

The Company has available for carry forward non-capital losses of $1,199,000 (2011 - $946,000). As at December 31, 2012, the non-capital losses carry forwards expire as follows:

	$
2014	**15,000**
2015	**54,000**
2026	**21,000**
2027	**140,000**
2028	**306,000**
2029	**64,000**
2030	**167,000**
2031	**231,000**
2032	**201,000**
	1,199,000

As at December 31, 2012, the Company has cumulative Canadian exploration and evaluation expenditures ("CCEE"), cumulative Canadian development expenditures ("CCDE) totaling $967,000 (2011 - $795,000) which are available to reduce taxable income of future years. The CCEE and CCDE balances can be carried forward indefinitely. In addition, the unamortized balance, for income tax purposes, of share issuance costs amounts to approximately $64,000 (2011 - $100,000) and will be deductible in Canada over the next 3 (2011 – 4) years.

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