SearchGold Resources Inc.

(A Mining Exploration Company)

Consolidated Financial Statements
December 31, 2012 and 2011

Management's report

The consolidated financial statements of SearchGold Resources Inc. and the other financial information included in this annual report are Management's responsibility.

These consolidated financial statements and the other financial information have been prepared by Management in accordance with International Financial Reporting Standards.

The Audit Committee, which is composed of internal directors, meets with the external auditors to discuss matters relating to audit, internal control and financial information. The Committee also reviews the annual financial statements.

These consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, chartered professional accountants, whose report indicating the scope of their audit and their opinion on the consolidated financial statements is presented hereafter.

The Board of Directors has approved the Company's consolidated financial statements, on the recommendation of the Audit Committee.

/S/ Stanley Robinson
President and CEO

/S/ Isabelle Gauthier
CFO

April 10, 2013

SearchGold Resources Inc.

Consolidated Statements of Financial Position

(in canadian dollars)

	Notes	2012-12-31	2011-12-31	2011-01-01
		$	$	$
ASSETS				
Current				
Cash		94,377	146,693	29,877
Guaranteed investment certificate, prime rate less 2.05%, maturing in April 2013		20,000		
Other receivables	8	125,355	28,189	7,013
Prepaid expenses		10,691	10,405	9,577
		250,423	185,287	46,467
Non-current				
Property and equipment		4,564	4,375	5,440
Investment accounted for using the equity method	7			222,776
Other long-term financial assets	9	574,460	996,417	1,750,316
Total assets		829,447	1,186,079	2,024,999
EQUITY AND LIABILITIES				
LIABILITIES				
Current				
Trade and other payables	10	298,171	396,828	321,574
Due to an associate company, without interest				19,708
Total liabilities		298,171	396,828	341,282
EQUITY				
Share Capital	11	18,520,726	17,896,122	17,887,122
Contributed surplus		3,685,749	3,578,782	3,578,782
Deficit		(20,579,496)	(20,011,907)	(19,441,248)
Accumulated other comprehensive loss		(1,095,703)	(673,746)	(340,939)
Total equity		531,276	789,251	1,683,717
Total liabilities and equity		829,447	1,186,079	2,024,999

The accompanying notes are an integral part of the consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors April 10, 2013.

/S/ Stanley Robinson
Director

/S/ David Carbonaro
Director

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
SearchGold Resources Inc.

We have audited the accompanying consolidated financial statements of SearchGold Resources Inc. (an exploration stage company), which comprise the consolidated statement of financial position as at December 31, 2012 and 2011 and January 1, 2011 and the consolidated statements of comprehensive loss, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the years ended December 31, 2012 and 2011, 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 (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

We believe that the audit evidence 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 SearchGold Resources Inc. as at December 31, 2012 and 2011 and January 1, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Company has a negative working capital of $47,748 and a deficit of $20,579,496 as at December 31, 2012. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP[1]

Montréal, Quebec
April 10, 2013

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[1] CPA auditor, CA public accountancy permit no. A115879

SearchGold Resources Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2012 and 2011
(in canadian dollars)

	Notes	2012	2011
		$	$
Revenues			
Royalties		236,593	–
Expenses			
Exploration and evaluation expenditures	12	238,984	178,578
Administrative expenses	13	580,476	592,696
Losses from exchange differences		3,684	5,957
Gain on disposal of mining rights			(48,936)
		823,144	728,295
Operating loss		586,551	728,295
Share of loss from an equity-accounted investment			14,153
Gain on dilution from an equity-accounted investment	7		(91,640)
Gain from disposal of shares in a private company	6		(780,399)
Gain on an equity-accounted investment reclassified as other long-term financial assets	7		(41,334)
Impairment of other long-term financial assets			661,685
Loss on available-for-sale assets recycled in net loss			49,404
Financial costs (recovered)		(50,967)	30,495
Net loss		(535,584)	(570,659)
Other comprehensive loss			
Available-for-sale-financial assets			
Net change in fair value		(421,957)	(382,211)
Reclassification to net loss			49,404
Total of other comprehensive loss		(421,957)	(332,807)
Total comprehensive loss		(957,541)	(903,466)
Net loss per share			
Basic and diluted net loss per share	16	(0.02)	(0.03)
Weighted average number of common share outstanding basic and diluted	16	27,594,310	18,585,894

The accompanying notes are an integral part of the consolidated financial statements.

SearchGold Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012 and 2011
(in canadian dollars)

	Notes	Share Capital (Note 11.1) Number	Share Capital (Note 11.1) $	Accumulated Other Comprehensive Loss $	Contributed surplus $	Deficit $	Total Equity $
Balance at January 1, 2011							
Balance, as previously reported		18,566,305	17,887,122	(340,939)	3,578,782	(17,126,783)	3,998,182
Changes in accounting policies (Note 3)						(2,314,465)	(2,314,465)
Balance as restated		18,566,305	17,887,122	(340,939)	3,578,782	(19,441,248)	1,683,717
Shares issued for the acquisition of mining rights	12	25,000	9,000				9,000
Transactions with owners		25,000	9,000	–	–	–	9,000
Net loss						(570,659)	(570,659)
Other comprehensive loss							
Available-for-sale financial assets							
Net change in fair value				(382,211)			(382,211)
Reclassification to net loss				49,404			49,404
Total comprehensive loss		–	–	(332,807)	–	(570,659)	(903,466)
Balance at December 31, 2011		18,591,305	17,896,122	(673,746)	3,578,782	(20,011,907)	789,251
Balance at January 1, 2012		18,591,305	17,896,122	(673,746)	3,578,782	(20,011,907)	789,251
Shares issued under a private investment	11	14,300,000	715,000				715,000
Warrants issued			(90,396)		90,396		
Equity instrument issue expense						(32,005)	(32,005)
Share-based payments					16,571		16,571
Transactions with owners		14,300,000	624,604	–	106,967	(32,005)	699,566
Net loss						(535,584)	(535,584)
Other comprehensive loss							
Available-for-sale financial assets							
Net change in fair value				(421,957)			(421,957)
Total comprehensive loss		–	–	(421,957)	–	(535,584)	(957,541)
Balance at December 31, 2012		32,891,305	18,520,726	(1,095,703)	3,685,749	(20,579,496)	531,276

The accompanying notes are an integral part of the consolidated financial statements.

SearchGold Resources Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(in canadian dollars)

	Notes	2012	2011
		$	$
OPERATING ACTIVITIES			
Net loss		(535,584)	(570,659)
Adjustments			
Shares issued for the acquisition of mining rights			9,000
Share of loss from an equity-accounted investment			14,153
Gain on dilution from an equity-accounted investment			(91,640)
Loss from disposal of shares in a private company			(780,399)
Gain on an equity-accounted investment reclassified as other long-term financial assets			(41,334)
Impairment of other long-term financial assets			661,685
Loss on disposal of other long-term financial assets			49,404
Gain on disposal of mining rights			(48,936)
Share-based payments		16,571	
Financial costs			30,495
Depreciation of property and equipment		1,259	1,327
Changes in working capital items	19	(196,109)	53,250
Cash flows from operating activities		(713,863)	(713,654)
INVESTING ACTIVITIES			
Guaranteed investment certificate		(20,000)	
Proceed from disposal of mining rights			48,936
Proceed from disposal of shares in a private company			780,400
Property and equipment acquisition		(1,448)	(262)
Other long-term financial assets			51,599
Cash flows from investing activities		(21,448)	880,673
FINANCING ACTIVITIES			
Shares issued under a private investment		715,000	
Equity instrument issue expense		(32,005)	
Due to an associate			(19,708)
Financial costs paid			(30,495)
Cash flows from financing activities		682,995	(50,203)
Net change in cash		(52,316)	116,816
Cash, beginning of year		146,693	29,877
Cash, end of year		94,377	146,693

The accompanying notes are an integral part of the consolidated financial statements.

1. *NATURE OF OPERATIONS AND STATEMENT OF COMPLIANCE WITH IFRS*

SearchGold Resources Inc. and its subsidiary, (hereinafter the "Company") specializes in the acquisition and exploration of gold mining sites in Africa.

SearchGold Resources Inc. is the Company ultimate parent company and its shares are listed on the TSX Venture Exchange.

SearchGold Resources Inc. is incorporated under the Canada Business Corporations Act. The address of SearchGold Resources Inc. registered office and its principal place of business is 36 Lombard St., Suite 700, Toronto, Ontario, M5C 2X3.

These consolidated financial statements have been established in accordance with the International Financial Reporting Standards (the "IFRS").

2. *GOING CONCERN ASSUMPTION*

The consolidated financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated cash flows from its operations. As at December 31, 2012, the Company has a deficit of $20,579,496 ($20,011,907 as at December 31, 2011) and a negative working capital of $47,748 ($211,541 as at December 31, 2011) which will not be sufficient to support the Company's needs for cash during the coming year. The Company will require additional funding to be able to advance and retain mining rights interest and to meet ongoing requirements for general operations. These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

Management assesses its financing needs and strategic alternatives including potential changes relating to its mining property agreements, exploration programs and discretionary expenses.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the consolidated statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. CHANGE IN ACCOUNTING POLICY

Exploration and evaluation assets

During the year 2012, the Company retrospectively changed its accounting policy regarding exploration and evaluation expenditures in order to recognize these expenditures directly to net loss instead of capitalizing them as exploration and evaluation assets. Management believes that the new presentation provides a clearer picture of the expenses incurred by the Company as well as the nature of these expenses.

The retrospective application of this change decreased the value of exploration and evaluation assets by $1,403,575 and $2,314,465 at December 31, 2011 and January 1, 2011, respectively. Net loss for the year ended December 31, 2011 decreased by $670,357, and deficit at January 1, 2011 increased by $2,314,465 reflecting the cumulative impact on net loss of prior periods. Basic and diluted net loss per share decreased by $0.04 for the year ended December 31, 2011.

3. CHANGE IN ACCOUNTING POLICY (Continued)

Financial statement presentation

In May 2012, the International Accounting Standards Board (IASB) issued amendments to IAS 1 "Presentation of Financial Statements" from the Annual Improvements 2009-2011. These amendments require incremental disclosures regarding comparative information, retrospective restatement or reclassification or change in accounting policy. These amendments are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has elected to apply these amendments as of January 1, 2012. Accordingly, the disclosures required by these amendments have been incorporated into the Company's Financial Statements.

Furthermore, expenses presentation was retroactively changed to a presentation by function. Management previously presented expenses by nature. Management believes that this new presentation provides a clearer picture of the expenses incurred by the Company.

4. SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

4.1 Basis of consolidation

The consolidated financial statements include those of the parent company and its wholly-owned subsidiary Ressources SearchGold Guinée SARL. The subsidiary is an entity over which the Company has the power to control the financial and operating policies. The annual reporting date of the subsidiary is December 31.

Net earnings (loss) and other comprehensive income (loss) of a subsidiary acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

All transactions between the parent company and its subsidiary, balances, income and expenses are eliminated upon consolidation.

4.2 Functional and presentation currency and basis of evaluation

The consolidated financial statements are presented in canadian dollars, which is also the functional currency of the entities of the Company.

The monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate in effect during the year. Gains and losses are include in the net earnings (loss) for the year.

These financial statements are presented using the historical cost method, except for available-for-sale financial assets that are recognized at fair value through comprenhensive loss.

4.3 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through net earnings (loss), which are measured initially at fair value.

Financial assets and financial liabilities of the Company are measured subsequently as described below.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, guaranteed investment certificate, royalties receivable and advances to consultants fall into this category of financial instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include other long-term financial assets.

The equity interest in private companies is measured at cost less any impairment loss, when the fair value cannot be reasonably determined.

Available-for-sale financial assets are measured at fair value. The net change in fair value is recognized in other comprehensive income (loss) and reported within the available-for-sale reserve within equity. When the asset is derecognized, the cumulative gain or loss accounted in other comprehensive income (loss) is reclassified to net earnings (loss) in Gain or loss on available-for-sale assets recycled in net loss if applicable and presented as a reclassification adjustment within other comprehensive income (loss). If applicable, interest calculated using the effective interest method and dividends are recognized in net earnings (loss) within Finance income.

Impairment charges are recognized in net earnings (loss) as impairment of other long term financial assets, if applicable.

Reversals of impairment losses are recognized in other comprehensive income (loss).

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default. When applicable, impairment are presented in net earnings (loss) within Administrative expenses.

Financial liabilities

The Company's financial liabilities include trade and other payables, except taxes payable included within this account.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in net earnings (loss) within Financial costs.

SearchGold Resources Inc.
Notes to Consolidated Financial Statements
(in canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.4 Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the net earnings (loss) generated by the associate are reported within Share of income (loss) from equity accounted investments in the consolidated statement of comprehensive income (loss).

Changes resulting from other comprehensive income (loss) of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income (loss) or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. In that case additional losses are provided for, and a liability is recognized. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

Amounts reported in the financial statements of associates have been adjusted when necessary to ensure consistency with the accounting policies of the Company.

4.5 Basic and diluted net loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the loss attributable to ordinary equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares.

For the periods presented, the diluted loss per share is equal to the basic loss per share of the anti-dilutive effect of the outstanding warrants and share options, as described in Notes 11 and 14 respectively.

4.6 Revenue recognition

Revenue arising from royalties are recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and when the amount can be measured reliably. Royalties are recognized at the time the right to receive payment is established.

4.7 Exploration and evaluation expenditures

All of the Company's projects are currently in the exploration and evaluation phase.

Exploration and evaluation expenditures are costs incurred in the course of initial search of mineral deposits before the technical feasibility and commercial viability of the extraction have been demonstrated.

The costs directly related to the acquisition of the mineral property rights and the exploration expenditures incurred during the exploration and evaluation phase are expensed.

The Company will capitalize its exploration expenditures under property and equipment once technical feasibility and commercial viability of extracting a mineral resource are demonstrated.

To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

SearchGold Resources Inc.
Notes to Consolidated Financial Statements
(in canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with the option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the amounts received directly from the acquirer are recognized as a gain on disposal of mining rights in net earning (loss).

4.8 Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses and are depreciated on a straight-line basis as follow:

	Useful life
Property and equipment	
Computer equipment	3 years
Office furniture	5 years
Exploration equipment	
Machinery and equipment and Base camp	5 years

4.9 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. At December 31, 2012 and 2011, there is no provision in the consolidated statement of financial position.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realized.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.10 Income taxes

Generally, tax expense recognized in net earnings (loss) comprises the sum of deferred tax and current tax not recognized in other comprehensive loss or directly in equity.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in net earnings (loss) is comprised only of deferred tax when applicable.

When the Company will have current income tax assets or liabilities, these will comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from net earnings (loss) in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in net earnings (loss), except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

4.11 Equity

Share capital represents the amount received upon the share issuance. If shares are issued when options and warrants are exercized, the share capital account also comprises the compensation cost previously recognized in contributed surplus. In addition, if the shares are issued as part of an option agreement, they were measured at their fair value according to the quoted price on the day of signature of the agreement.

Unit placements

Proceeds from unit placements, which include common shares and warrants, are allocated proportionately between common shares and warrants according to their respective fair values.

Other elements of equity

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised.

Deficit includes all current and prior period retained net earnings (loss) and the share issue expenses net of any tax benefits from these issuance costs.

Accumulated other comprehensive loss includes the net change in fair value recognition on available-for-sale financial asset.

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.12 Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement. Occasionally, the Company issue warrants to the brokers.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or service received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employee and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity-settled share-based payments under Equity-settled share-based payments plans (except warrants to brokers) are ultimately recognized as an expense in the net earnings (loss) with a corresponding credit to Contributed surplus, in equity. Warrants issued to brokers are recognized as issuance cost of equity instruments with a corresponding credit to Contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. 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 period if share options ultimately exercised are different to that estimated on vesting.

4.13 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and Chief Executive Officer and the Board of Directors. Management currently identifies only one operating segment, that is exploration and evaluation in Africa.

4.14 Existing standards that are not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Company

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

Amendments to IAS 1, Presentation of financial statements

The Amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012 and require entities to group items presented in other comprehensive income (loss) (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to net earnings (loss) and those that will be reclassified subsequently to net earnings (loss) when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax, then the amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately. The Company’s management expects this will change the current presentation of items in other comprehensive loss, however, it will not offset the measurement or recognition of such items.

SearchGold Resources Inc.
Notes to Consolidated Financial Statements
(in canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments (effective from 1 January 2015)

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters will be effective for annual periods beginning on or after January 1, 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2012, the IASB published an exposure draft in order to made limited modifications to IFRS 9's financial asset classification model to address application issues. The Company's management have yet to assess the impact of this new standard on the Company's consolidated financial statements. However, Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

A package of new consolidation standards is effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. Management has not yet completed its assessment of the impact of these new and revised standards on the Company's consolidated financial statements.

IFRS 10, Consolidated Financial Statements (effective beginning January 1st, 2013)

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation - Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Company's existing investees at 31 December 2012.

IFRS 12, Disclosure of Interests in Other Entities (effective beginning January 1st, 2013)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Transition guidance for IFRS 10 and IFRS 12

Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10 and IFRS 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 12 which provide similar relief from the presentation or adjustment of comparative information the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The new guidance is also effective for annual periods on or after 1 January 2013.

IFRS 13, Fair Value Measurement (effective beginning January 1st, 2013)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Company's consolidated financial statements.

(in canadian dollars)

5. *ESTIMATES, JUDGMENTS AND ASSUMPTIONS*

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

5.1 Judgments

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires managements to assess whether it is probable that sufficient taxable income will exit in the future to utilize these losses within the carry-formward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets.

5.2 Estimations

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company estimates the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

6. *DISPOSAL OF SHARES IN A PRIVATE COMPANY*

In May 2011, the Company signed a Sale Agreement (the "Agreement") with Managem International A.G. and Ressources Golden Gram Gabon SARL for the sale of its remaining 27% interest in the Bakoudou-Magnima gold project ("Bakoudou-Magnima") located in Gabon, Africa. Under the terms of the Agreement, the Company received a cash consideration of $780,400 (US$800,000) and retained a 0.75% Net Smelter Return ("NSR") in Bakoudou-Magnima.

The assets disposed of are as follows:

	$
Assets	
Investment	1
Cash received	780,400
Gain from disposal of shares in a private company	780,399

7. *INVESTMENT IN AN ASSOCIATE*

The Company has an interest in Golden Share Mining Corporation. Although the Company owns less than 20% of the voting rights, in the opinion of management, it nevertheless exercised significant influence over Golden Share Mining Corporation because the majority of the members of the Board of Director were the same as the Company's prior to July 2011. Accordingly, the Company has recognized its interest using the equity method. The associate's year-end date is December 31.

On July 13, 2011, the Company announced a management change and accordingly, the Company ceased to exercise its significant influence and recognized its investment as an available-for-sale financial asset in other long-term financial assets (Note 9) and a gain on an equity-accounted investment reclassified as other long-term financial assets of $41,334 was recorded in net earnings (loss).

SearchGold Resources Inc.
Notes to Consolidated Financial Statements
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7. *INVESTMENT IN AN ASSOCIATE (Continued)*

Dilution of an interest

From January 1, 2011 to July 13, 2011, Golden Share Mining Corporation issued shares pursuant to a private financing, to the contractual agreements pertaining to its mining properties and through the exercise of its share options and warrants. This resulted in reducing the Company's interest from 3.2% to 2.0%. A $91,640 gain on dilution was recognized in net earnings (loss).

8. *OTHER RECEIVABLES*

	2012-12-31	2011-12-31
	$	$
Royalties receivable	103,513	
Goods and services tax receivable	21,255	20,986
Advances to consultants, without interest	587	5,116
Deposits, without interest		2,087
	125,355	28,189

9. *OTHER LONG-TERM FINANCIAL ASSETS*

	2012-12-31	2011-12-31
	$	$
Common shares in a private company, at cost		
Swala Resources Inc. (a)		
Shares representing a -% interest (7% as at December 31, 2011)		755,885
Common shares in a quoted companies, at fair value		
Stellar Diamonds Limited		
Shares representing a 0.6% interest (0.8% as at December 31, 2011)	72,021	80,408
Golden Share Mining Corporation		
Shares representing a 1.95% interest (2.0% as at December 31, 2011) (Note 7)	85,399	160,124
Concordia Resource Corp. (a)		
Shares representing a 2% interest	417,040	
	574,460	996,417

(a) During the year ended December 31, 2011, the Company recognized on its investment in Swala Resources Inc. an investment impairment of $661,685 in net loss as Impairment of other long-term financial assets. This impairment was necessary to take account of the fair value attributed to the shares of Concordia Resource Corp. following their acquisition of all Swala Resources Inc. shares on January 16, 2012. Under that transaction, the Company received 1,737,666 common shares of Concordia Resource Corp.

10. *TRADE AND OTHER PAYABLES*

	2012-12-31	2011-12-31
	$	$
Trade accounts	71,822	21,829
Others	226,349	374,999
	298,171	396,828

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11. *SHARE CAPITAL*

11.1 Share Capital

The share capital of the company consists only of fully paid common shares and an unlimited number of common shares voting and participating, without par value

In March 2012, the Company completed a non-brokered private placement for $500,000. The Company issued 10,000,000 common shares of the Company at a price of $0.05 per share.

In November 2012, the Company completed a non-brokered private placement for $215,000. The Company issued 4,300,000 units each unit including one common share of the Company at a price of $0.05 per share and one warrant of the Company. Each warrant entitles the holder to subscribe to one common share of the Company at a price of $0.10 par share, valid for 24 months following the issue. The warrants were valued at $90,396 using the Black-Scholes option pricing model combined with a proportionate fair value method. The following assumptions were used in the valuation: share price of $0,06, risk free interest rate of 1.08%, expected life of 2 years, expected dividends of zero, and expected annual volatility of 174%.

Consolidation of the common shares

On October 13, 2011, the shareholders of the Company approved a eight-for-one consolidation of the common shares of the Company. The common shares began trading on a consolidated basis on the TSX on November 1st, 2011. All references to shares, warrants, options and per share amounts in these consolidated financial statements are references to post-consolidation shares. As a result, comparative figures have been adjusted as if the consolidation had occured since inception.

11.2 Warrants

Outstanding warrants entitle their holder to subscribe to an equal number of common shares as follows:

	2012-12-31	
	Number of warrants	Weighted average exercise price
		$
Balance, beginning of year	–	–
Issued	4,300,000	0.10
Balance, end of year	4,300,000	0.10

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

Expiration date	2012-12-31	
	Number	Exercise price
		$
November 5, 2014	4,300,000	0.10

(in canadian dollars)

12. *EXPLORATION AND EVALUATION EXPENDITURES*

Exploration and evaluation expenditures by property are detailed as follows:

	2012-12-31	2011-12-31
	$	$
Guinea		
Mandiana	238,984	120,158
Burkina Faso		
Guéguéré	–	58,420
	238,984	178,578

Mandiana

On January 25, 2006, the Company signed an agreement under which it acquired a 100% interest in a property located in Guinea, West Africa covering an area of 487 km^2.

Under that agreement, the Company has to pay 5% of project expenditures to the vendor per quarter with a minimum US$10,000 and a maximum of US$50,000 per quarter. These payments are considered as an advance royalty and will be deductible from the net smelter royalty should the property advance to a production phase.

On June 30, 2012, the Company signed an addendum under which the payments have been modified as an amount of $US5,000 per quarter and an additional amount of US$5,000 per quarter only if production commence on the property. Also, the vendor has agreed to waive the interest that has accrued on payments due. As a result, the Company has reversed an amount of $43,530 in financial cost in net earnings (loss).

The property is subject to a 2% net smelter return.

Under legislation governing exploration permits, the Company was required to incur US$964,000 in exploration expenses by November 2012. SearchGold filed an application with the Ministry of Mines to extend the permits for an additional year pursuant to the Mining Code. The Department of Mines decision is pending.

Guéguéré

In 2009, the Company entered into an option agreement with SOMIKA SARL under which it can acquire 100% interest in the 500 km^2 area Guéguéré gold-bearing property located in the south-west part of Burkina Faso once all of the following conditions have been met:

- By paying a total of US$50,002, as US$2 upon signature, US$20,000 two years after the date of signature and US$30,000 three years after the date of signature;

- By issuing a total of 62,500 common shares of the Company, as 25,000 common shares upon signature, 12,500 common shares on the first anniversary date, 12,500 common shares on the second anniversary date and 12,500 common shares on the third anniversary date;

- By incurring a total of US$800,000 in exploration and evaluation expenditures, as US$400,000 on the second anniversary date and US$400,000 on the third anniversary date.

The property is subject to a 2% net smelter return which the Company have the right to purchase for $1,000,000 per 0.5% net smelter return bracket.

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12. *EXPLORATION AND EVALUATION EXPENDITURES (Continued)*

On December 23, 2011, the Company signed an addendum with Somika to postponed the exploration and evaluation expenditures requirements to January 16, 2013.

In total, the Company has paid an amount of $49,420 (US$50,002) and issued 62,500 common shares of the Company (25,000 in 2011; 12,500 in 2010; 12,500 in 2009) for a total value of $20,500 ($9,000 in 2011; $5,500 in 2010; $6,000 in 2009).

On January 28, 2011, the Company signed a joint venture agreement with Swala for the development of its Gueguere mining property under which Swala can acquire an interest of up to 80% at the following conditions:

- Acquisition of an initial interest of 25% upon paying the Company the sum of $49,730 (US$50,000) and agreeing to take over the exploration expenditure commitments for the two Gueguere exploration licences.

- Acquisition of an additional interest of 26% for a total of 51%, upon the completion of a Phase 1 program entailing exploration expenditures of $390,840 (US$400,000) on each of the exploration licences, for total of $795,680 (US$800,000) over the entire property, prior to January 16 2013;

- Acquisition of an additional interest of 9% for a total of 60%, upon the completion of a Phase 2 program entailing the execution of a NI 43-101 compliant report demonstrating the existence of indicated and inferred resources. Phase 2 will be executed within such time frame and with the necessary associated expenditures to insure full compliance with the Burkina Faso Mining Code;

- Acquisition of an additional interest of 20% for a total of 80%, upon the completion of a Phase 3 program entailing the execution of a preliminary NI 43-101 compliant feasibility study followed by a bankable NI 43-101 compliant feasibility study regarding all promising sites identified on the property.

The Company will then participate in the development costs or will be diluted in proportion to its interest. Swala will be the project operator and a technical committee will be created to supervise the development work carried out on the property. Should there be a commercial start of output, both parties agree to be diluted in proportion to their respective interest through the Burkina Faso state's non-contributing 10% interest.

In 2011, the Company received the cash payment of $48,936 (US$50,000) which was recognized in net earnings (loss) as a gain on disposal of mining rights.

13. *ADMINISTRATIVE EXPENSES BY NATURE*

	2012-12-31	2011-12-31
	$	$
Management fees	71,970	83,457
Professional services	321,844	460,712
Consultants	16,572	
Investors related fees	65,196	21,969
Regulatory fees	47,262	79,512
Other expenses	99,679	64,176
Expenses recovered	(42,047)	(117,130)
	580,476	592,696

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14. *SHARE-BASED PAYMENTS*

The Company has adopted a stock-based compensation plan under which members of the Board of Directors may award options for common shares to directors, officers, employees and consultants. The maximum number of common shares issuable pursuant to the share option plan must not exceed 10% of the total number of common shares outstanding from time to time.

The exercise price of each option is determined by the Board of Directors and cannot be less than the market value of the common shares on the eve of the award and the term of the options cannot be more than five years. The options are exercisable immediately.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's share options are as follows for the reporting periods presented:

	2012-12-31		2011-12-31	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	187,500	1.14	506,250	1.20
Issued	250,000	0.10		
Expired	(137,500)	1.20	(218,750)	1.18
Cancelled			(100,000)	1.29
Balance, end of year	300,000	0.24	187,500	1.14
Number of options exercisable	300,000	0.24	187,500	1.14

During the year, the Company granted 250,000 stock options to a consultant. The weighted average fair value of $0.07 was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2012-12-31
Weighted average price at the grant date	0.07
Rate of return of dividends	- %
Expected average volatility	178%
Risk-free average interest rate	1.46%
Expected average life (years)	5 years
Weighted average exercise price	0.10

The expected volatility was determined using the historical data of public companies from the same sector according to each grant period.

An amount of $16,571 was recognized in net earnings (loss) under Administrative expenses.

(in canadian dollars)

14. *SHARE-BASED PAYMENTS (Continued)*

The table below summarizes the information related to share options:

2012-12-31			2011-12-31		
Number of options outstanding	Weighted average exercise price	Remaining contractual average life	Number of options outstanding	Weighted average exercise price	Remaining contractual average life
	$	(years)		$	(years)
250,000	0.10	3.88			
50,000	0.96	0.48	50,000	0.96	1.48
			137,500	1.20	0.68
300,000	0.24	3.31	187,500	1.14	0.89

15. *INCOME TAXES*

Relationship between expected tax expense and accounting net earnings (loss)

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive income can be reconciled as follows:

	2012-12-31	2011-12-31
	$	$
Expected taxes revovery calculated using the combined federal and provincial income tax rate in Canada of 26.90% (28.40% as at December 31, 2011)	(144,071)	(162,067)
Adjustments for the following items:		
Impact of change in tax rates	(17,165)	2,646
Prior period adjustments		(14,935)
Recognition of tax attributes not previously benefited	150,863	193,897
Stock-based payments	4,458	
Non-deductible expenses and other	5,915	(19,541)
Income tax expense	–	–

The statutory tax rate in 2012 is lower than the statutory tax rate in 2011 because of a change in the federal tax rate as of January 1, 2012.

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15. *INCOME TAXES*

Deferred tax assets and liabilities

The Company has the following timing differences:

	2012-12-31		2011-12-31	
	Federal	Provincial	Federal	Provincial
	$	$	$	$
Exploration and evaluation assets	1,963,309	1,963,309	1,724,324	1,724,324
Property and equipment	63,592	57,027	63,592	57,027
Other long-term financial assets	4,737,353	4,737,353	4,315,395	4,315,395
Issuance costs of equity instruments	35,921	35,921	29,497	29,497
Capital losses	2,440,548	2,440,548	2,440,548	2,440,548
Non-capital losses carried forwards	4,676,150	4,408,383	4,389,166	4,129,476
	13,916,873	13,642,541	12,962,522	12,696,267

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, no deferred tax assets have been recognized, these deferred tax assets not recognized equal an amount of $2,807,093 as at December 31, 2012 ($2,590,867 as at December 31, 2011).

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the consolidated statement of financial position, that can be carried over the following years:

	Federal	Provincial
	$	$
2013	157,429	70,776
2014	610,615	550,745
2025	1,040,877	1,021,128
2026	557,157	509,318
2028	958,736	937,235
2029	226,914	210,648
2030	183,490	183,491
2031	653,947	646,135
2032	286,985	279,362
	4,676,150	4,408,838

Nature of evidence supporting recognition of deferred tax assets

In assessing the recoverability of deferred tax assets, the Company's management determines, at each balance sheet date, whether it is probable that the amount recognized will be realized. This determination is based on the Company management's quantitative and qualitative assessments and the weighting of all available evidence, both positive and negative. Such evidence included, notably, the scheduled reversal of deferred tax liabilities, projected future taxable income, and the implementation of tax planning strategies. Generally, since the Company is still in the exploration and evaluation stage of development, no deferred tax assets have been recognized.

(in canadian dollars)

16. *NET LOSS PER SHARE*

The calculation of basic net loss per share is based on the net loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted net loss per share, potential dilutive common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11 and 14.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2012 and 2011.

17. *FINANCIAL ASSETS AND LIABILITIES*

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the consolidated statement of financial position are as follows:

		2012-12-31		2011-12-31	
	Notes	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
Financial assets					
Loans and receivables					
Cash		94,377	94,377	146,693	146,693
Guaranteed investment certificate		20,000	20,000		
Royalties receivable		103,513	103,513		
Advances to consultants	8	587	587	5,116	5,116
Available-for-sale financial assets					
Common shares in private companies					
Swala Resources Inc.	9			755,885	(a)
Common shares in quoted Companies					
Stellar Diamond Limited	9	72,021	72,021	80,408	80,408
Golden Share Mining Corporation	9	85,399	85,399	160,124	160,124
Concordia Resource Corp.	9	417,040	417,040		
Financial liabilities					
Financial liabilities measured at amortized cost					
Trade and other payables	10	161,705	161,705	260,435	260,435

(a) This equity interest is measured at cost less any impairment loss, because at this time the fair value cannot be reasonably determined.

The carrying value of cash, guaranteed investment certificate, royalties receivable, advances to consultants and trade and other payables are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

See Note 4.3 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 22.

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17. *FINANCIAL ASSETS AND LIABILITIES (Continued)*

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. 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 within 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 assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Common shares in quoted companies are classified under level 1, that is valuation based on active market price in determining fair value.

The fair value of the common shares in quoted mining exploration companies was determined by reference to the quoted bid prices at the reporting date.

There have been no transfers between Levels 1 and 2 in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

18. *ENTITY-WIDE REPORTING*

The Company has reviewed its activities and determined that it operates in a single reportable operating segment (see Note 4.13).

The following information provides the required entity-wide disclosures :

	2012-12-31	2011-12-31
	$	$
Non-current assets by geographic area		
Canada	574,460	996,417
Africa	4,564	4,375
	579,024	1,000,792

19. *ADDITIONAL INFORMATIONS – CASH FLOWS*

The changes in working capital items are detailed as follows:

	2012-12-31	2011-12-31
	$	$
Other receivables	(97,166)	(21,176)
Prepaid expenses	(286)	(828)
Trade and other payables	(98,657)	75,254
	(196,109)	53,250

(in canadian dollars)

20. *RELATED PARTY TRANSACTIONS*

The Company's related parties include its joint key management personnel.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

20.1 Transactions with key management personnel and directors

Remuneration of the key management personnel, that is, the President, the Vice-President Finance, the Vice-President Exploration and the directors, includes the following expenses

	2012-12-31	2011-12-31
	$	$
Management fees	71,970	83,457
Professional services (a)	111,030	191,551
	183,000	275,008

(a) In professional services, there is an amount of $42,047 ($117,130 in 2011) that was recovered in relation to services rendered for the Araé-Gassel project.

During the reporting periods, key management personnel did not exercise any share options.

21. *CAPITAL MANAGEMENT POLICIES AND PROCEDURES*

The Company's capital management objectives are:

– to ensure the Company's ability to continue as a going concern;
– to increase the value of the assets of the business; and
– to provide an adequate return to Shareholders

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in the consolidated statement of changes in equity.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

(in canadian dollars)

22. *FINANCIAL INSTRUMENT RISKS*

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 17. The main types of risks the Company is exposed are credit risk, liquidity risk and market risk. The Company does not use financial assets for speculative purposes.

No change were made in the objectives, policies and processes related to financial instrument risk management during the reported periods.

The most significant financial risks to which the Company is exposed are described below.

22.1 Credit risk

Credit risk is the risk that another party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	2012-12-31	2011-12-31
	$	$
Cash	94,377	146,693
Guaranteed investment certificate	20,000	
Royalties receivable	103,513	
Advances to consultants	587	5,116
	218,477	151,809

The Company has no trade accounts. The receivables are mainly advances to consultants and royalties receivable. The exposure to credit risk for the Company's receivables is considered immaterial. The Company continuously monitors defaults of counterparties. No impairment loss has been accounted for the periods presented.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk regarding cash is considered to be negligible because the counterparties are reputable banks with an investment grade external credit rating.

22.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the past period, the Company has financed its exploration and evaluation expense commitments, its working capital requirements and acquisitions through private financings.

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22. *FINANCIAL INSTRUMENT RISKS (Continued)*

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	Within three months	
	2012-12-31	2011-12-31
	$	$
Trade and other payables	298,171	396,828

22.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following three type of market risks: currency risk, interest risk and other price risk.

Currency risk

Currency risk is the risk that the faire value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk as a result of its transactions denominated in foreing currency.

As at December 31, 2012, there were no trade and others payables denominated in foreign currency (no trade and others payables denominated in foreign currency as at December 31, 2011).

As at December 31, 2012, there were royalties receivable denominated in foreign currency for an amount of US$104,005.

The Company does not enter into arrangements to hedge its foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company is not exposed to a significant interest rate risk since the Company has no credit facility and its guaranteed investment certificate is not significant.

Based on the balances outstanding as at December 31, 2012 and 2011 a 1% increase (decrease) in the interest rate index would have no significant impact on earnings.

Other price risk

The Company is exposed to fluctuation in the market prices of its investments in quoted companies. The fair value of the investments in quoted companies represents the maximum exposure to price risk.

As of December 31, 2012, a 10% decrease (increase) in the closing price on the stock market would have had an impact of $57,000 ($24,000 as at December 31, 2011) on total Comprehensive loss.

23. *SUBSEQUENTS EVENTS*

On January 16, 2013, the Company signed an addendum on its Guéguéré property under which Somika has agreed to waive the exploration and evaluation expenditures of US$800,000.

On March 5, 2013, the Company has entered into a letter of intent with Ubika Corp. to acquire from the shareholders of Ubika 100 per cent of the issued and outstanding shares in the capital of Ubika. It is expected that the combined entity, after completion of the proposed transaction, will qualify as a Tier 2 industrial issuer pursuant to the requirements of the TSX Venture Exchange.

The proposed transaction will be an arm's-length transaction, as the directors and officers of SearchGold presently have no interest in Ubika. It is intended that the proposed transaction shall take place by way of an amalgamation, arrangement, share exchange or other similar form of transaction. The proposed transaction will be considered a change of business for the Company, as such term is defined in Exchange Policy 5.2.

Pursuant to the proposed transaction, the Company will be issuing 35 million common shares from treasury to the holders of the Ubika shares in exchange for all of the issued and outstanding Ubika shares. As a result of the transaction, the Ubika shares underlying Ubika's outstanding securities exercisable or exchangeable for, or convertible into, or other rights to acquire Ubika shares will be exercisable into RSG shares on the same terms and conditions as such original outstanding securities.