# RENFORTH RESOURCES INC.

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2012

## (Expressed in Canadian Dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Renforth Resources Inc.

We have audited the accompanying financial statements of Renforth Resources Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity 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 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 entity'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 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 financial statements.

We believe that the audit evidence we have obtained 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 Renforth Resources Inc. as at December 31, 2012 and 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.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company had continuing losses during the year ended December 31, 2012 and a cumulative deficit as at December 31, 2012. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 15, 2013

**RENFORTH RESOURCES INC.**

**Statements of Financial Position**
(Expressed in Canadian dollars)

| | As at December 31, 2012 | As at December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents *(note 5)* | **$ 540,172** | $ 254,691 |
| Sales tax receivable | **21,638** | 23,379 |
| Prepaid expenses and deposits | **3,013** | 7,929 |
| Advances on exploration expenditures | **-** | 51,219 |
| Total current assets | **564,823** | 337,218 |
| **Non-current assets** | | |
| Equipment *(note 6)* | **2,105** | 2,994 |
| Exploration and evaluation assets *(notes 7and 8)* | **1,014,059** | 6,164,617 |
| Total non-current assets | **1,016,164** | 6,167,611 |
| **TOTAL ASSETS** | **$ 1,580,987** | $ 6,504,829 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities *(note 8)* | **$ 161,100** | $ 663,338 |
| Deferred flow through share premium | **5,250** | - |
| Total liabilities | **166,350** | 663,338 |
| **Equity** | | |
| Share capital *(note 9 (b))* | **10,850,345** | 10,548,903 |
| Warrant reserve *(note 9 (c))* | **33,895** | 294,073 |
| Contributed surplus | **1,505,483** | 1,242,857 |
| Accumulated deficit | **(10,975,086)** | (6,244,342) |
| Total equity | **1,414,637** | 5,841,491 |
| **TOTAL LIABILITIES AND EQUITY** | **$ 1,580,987** | $ 6,504,829 |

**Going concern** (*note 1*)

**Commitments and options** *(notes 7 and 13)*

*The accompanying notes are an integral part of these financial statements.*

Approved by the Board

Signed: "Nicole Brewster", Director

Signed: "Wally Rudensky", Director

**RENFORTH RESOURCES INC.**

**Statements of Loss and Comprehensive Loss**
For the years ended December 31, 2012 and December 31, 2011
(Expressed in Canadian dollars)

| | 2012 | 2011 |
|---|---|---|
| **Expenses** | | |
| General and corporate *(notes 8 and 15)* | $ 292,859 | $ 477,682 |
| Share based payments (*note 9(d)*) | 7,517 | 49,551 |
| **Loss before other items** | $ (300,376) | $ (527,233) |
| **Other items** | | |
| Gain on settlement of debt *(note 8)* | 580,855 | 40,800 |
| Loss on sale of exploration and evaluation assets | (63,000) | - |
| Write down of exploration and evaluation assets (Note 7) | (4,988,028) | (344,030) |
| Loss on foreign exchange | - | (13,593) |
| Interest income | 841 | 1,458 |
| **Net loss before income taxes** | $(4,769,708) | $ (842,598) |
| Income taxes recovery (*note 11*) | 38,964 | - |
| **Net loss and comprehensive loss for the year** | $ (4,730,744) | $ (842,598) |
| **Basic and diluted loss per share** (*note 10*) | $ (0.22) | $ (0.05) |

*The accompanying notes are an integral part of these financial statements.*

**RENFORTH RESOURCES INC.**

**Statements of Cash Flows**
For the years ended December 31, 2012 and December 31, 2011
(Expressed in Canadian dollars)

| | 2012 | 2011 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net loss for the year | **$ (4,730,744)** | $ (842,598) |
| Items not affecting cash | | |
| Share based payments | **7,517** | 49,551 |
| Write down of exploration and evaluation assets | **4,988,028** | 344,030 |
| Gain on settlement of debt | **(580,855)** | (40,800) |
| Loss on sale of exploration and evaluation assets | **63,000** | - |
| Deferred income tax recovery on expired warrants | **(38,964)** | - |
| Depreciation | **889** | 908 |
| | **(291,129)** | (488,909) |
| Changes in non-cash working capital | | |
| Sales tax receivable | **(5,553)** | 12,411 |
| Accounts payable and accrued liabilities | **151,304** | 124,900 |
| Prepaid expenses and deposits | **4,916** | 145,055 |
| Total cash flows from operating activities | **(140,462)** | (206,543) |
| **Cash flow from investing activities** | | |
| Additions to exploration and evaluation assets | **(232,251)** | (442,332) |
| Advances for exploration expenditures | **-** | (38,615) |
| Additions of equipment | **-** | (1,227) |
| Net proceeds from sale of exploration and evaluation assets | **387,000** | - |
| Total cash flows from investing activities | **154,749** | (482,174) |
| **Cash flow from financing activities** | | |
| Issue of common shares | **254,078** | - |
| Issue of warrants | **33,422** | - |
| Share issue costs | **(16,306)** | - |
| Total cash flows from financing activities | **271,194** | - |
| **Increase (decrease) in cash and cash equivalents** | **285,481** | (688,717) |
| **Cash and cash equivalents beginning of year** (note 5) | **254,691** | 943,408 |
| **Cash and cash equivalents, end of year** (note 5) | **$ 540,172** | $ 254,691 |

*Supplemental information (note 14)*
*The accompanying notes are an integral part of these financial statements.*

**RENFORTH RESOURCES INC.**

**Statements of Changes in Equity**
For the years ended December 31, 2012 and December 31, 2011
(Expressed in Canadian dollars)

| | Share capital | Share capital | Contributed surplus | Warrant reserve | Deficit | Total |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| **Balance, December 31, 2010** | 88,724,139 | 10,115,926 | 1,193,306 | 294,073 | (5,401,744) | 6,201,561 |
| Share based payments | - | - | 49,551 | - | - | 49,551 |
| Issued for shares owing in accordance with property agreement | 9,915,530 | 405,777 | - | - | - | 405,777 |
| Issued for services | 1,360,000 | 27,200 | - | - | - | 27,200 |
| Net loss and comprehensive loss for the year | - | - | - | - | (842,598) | (842,598) |
| **Balance, December 31, 2011** | 99,999,669 | 10,548,903 | 1,242,857 | 294,073 | (6,244,342) | 5,841,491 |
| | | | | | | |
| **Balance, December 31, 2011** | 99,999,669 | 10,548,903 | 1,242,857 | 294,073 | (6,244,342) | 5,841,491 |
| Share based payments | - | - | 7,517 | - | - | 7,517 |
| Shares issued for settlement of debt | 13,078,720 | 65,393 | - | - | - | 65,393 |
| Share consolidation (note 9(b)(v)) | (90,462,717) | - | - | - | - | - |
| Shares issued under option agreement | 100,000 | 4,000 | - | - | - | 4,000 |
| Shares issued under private placement | 5,750,000 | 287,500 | - | - | - | 287,500 |
| Share issue costs | - | (16,779) | - | 473 | - | (16,306) |
| Valuation of warrants issued under private placement | - | (33,422) | - | 33,422 | - | - |
| Flow through share premium | - | (5,250) | - | - | - | (5,250) |
| Expiry of warrants | - | - | 294,073 | (294,073) | - | - |
| Deferred tax recovery on expired warrants | - | - | (38,964) | - | - | (38,964) |
| Net loss and comprehensive loss for the year | - | - | - | - | (4,730,744) | (4,730,744) |
| **Balance, December 31, 2012** | 28,465,672 | 10,850,345 | 1,505,483 | 33,895 | (10,975,086) | 1,414,637 |

*The accompanying notes are an integral part of these financial statements.*

## 1. NATURE OF BUSINESS AND GOING CONCERN

### Nature of business

Renforth Resources Inc. (the “Company” or “Renforth”), was incorporated in Canada under the Business Corporations Act (Ontario) and carries on business in one segment, being the acquisition, exploration and development of mineral properties in Canada. The Company’s registered and head office is located at 65 Front Street East, Suite 304, Toronto, Ontario M5E 1B5.

These financial statements were approved by the board on April 15, 2013.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and deferred exploration expenditures and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery 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. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values. Changes in future conditions could require material write-downs to the carrying values of the Company's assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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, First Nations claims, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

### Going concern assumption

These financial statements are prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The recoverability of the costs incurred to date on exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the exploration and evaluation assets. Such adjustments could be material.

## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

### Basis of presentation

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

These financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for the Company's reporting date.

### Functional currency

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

### Significant accounting estimates and judgments

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting judgments

- In concluding that the Canadian dollar is the functional currency, management considered the currency that mainly influences the sales prices, and cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- How financial assets and liabilities are categorized is an accounting policy that requires management to make judgments or assessments.

Estimates and assumptions

- The recoverability of amounts receivable and prepayments which are included in the statement of financial position;
- the estimated useful lives of equipment which are included in the statement of financial position and the related depreciation included in the statement of loss and comprehensive loss;
- the estimated value of the exploration and evaluation assets which is recorded in the statement of financial position;
- the inputs used in accounting for share based payment expense in the statement of comprehensive loss;
- the assessment of indications of impairment of each exploration and evaluation asset and related determination of the net realizable value and write-down of those exploration and evaluation assets where applicable.

## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

- In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Exploration and evaluation assets

The Company's properties are in the exploration and evaluation stage and accordingly the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all proceeds received for farm-out arrangements or recovery of costs against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of an impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount but only to the extent that his does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of "Exploration and evaluation assets" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines".

All capitalized exploration and evaluation asset expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation asset expenditures are not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is planned.

### Decommissioning, restoration and environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

As at December 31, 2012 and 2011, the Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

### Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not-deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the tax asset is not recognized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the price of a non-flow through share and the amount the investor pays for the flow-through share. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Company files the appropriate renunciation forms with the Canadian taxation authorities.

A deferred tax liability is recognized, in accordance with IAS 12, *Income Taxes*, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

The Company indemnifies subscribers of flow-through shares for any tax related amounts that become due as a result of the Company not meeting its flow-through share related obligations.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short term deposits with original maturities of three months or less. The deposits are held in a Canadian chartered bank or financial institution.

### Equipment

Equipment is recorded at cost. Depreciation is provided over its expected useful life using the following methods and annual rates:

| | |
|---|---|
| Computer | 45 % declining balance |
| Office furniture | 20 % declining balance |

### Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation.

During the years ended December 31, 2012 and 2011, all issued and outstanding warrants and options were anti-dilutive and were excluded from the diluted loss per share calculations.

### Share-based payments

The Company has a stock option plan (the "Plan") which is discussed in note 9(d). The Company uses the fair value-based method of accounting for stock-based compensation arrangements. The fair value of each option granted is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model at the date of grant, with the related increase to contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in net loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of non-financial assets**

At each financial position reporting date, non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset’s 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

**Share issue costs**

Costs incurred for the issue of common shares are deducted from share capital.

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

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

*Other financial liabilities:* This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company's financial instruments consist of the following:

| Financial assets: | Classification: |
|---|---|
| Cash and cash equivalents | Loans and receivables |
| Sales tax receivable | Loans and receivables |

| Financial liabilities: | Classification: |
|---|---|
| Accounts payable and accrued liabilities | Other financial liabilities |

**Comprehensive Loss**

Comprehensive loss, composed of net loss and other comprehensive income (loss), is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive (loss) includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive loss are disclosed in the statements of loss and comprehensive loss. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss ("AOCL") which is presented as a new category in shareholders' equity.

**Future Changes in Accounting Standards not yet adopted**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

**IFRS 7 — Financial Instruments**
IFRS 7 — Financial Instruments Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**IFRS 9 - Financial Instruments**
IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of IFRS 9 on its results of operations and financial position.

**IFRS 10 - Consolidated Financial Statements**
IFRS 10, "Consolidated Financial Statements" (IFRS 10) was issued by the IASB on May 12, 2011 and will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12Consolidated - Special Purpose Entities. IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and continuous reassessment as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 10 on its results of operations and financial position.

**IFRS 11 – Joint Arrangements**
IFRS 11, Joint Arrangements (IFRS 11) was issued by the IASB on May 12, 2011 and will replace IAS31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS11 on its results of operations and financial position.

**IFRS 12 – Disclosure of Interest in Other Entities**
IFRS 12, Disclosure of Interest in Other Entities was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its financial statements.

**IFRS 13 – Fair Value Measurement**
IFRS 13, Fair Value Measurement was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**IAS 1 – Presentation of Financial Statements**
IAS 1 – Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

**IAS 28 - Investments in Associates and Joint Ventures**
IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

**IAS 32 – Financial Instruments: Presentation**
IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

## 4. CAPITAL MANAGEMENT

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 capital of the Company consists of share capital, warrants, contributed surplus and options. 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 and evaluation 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 spend 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.

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 years ended December 31, 2012 and 2011. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

## 5. CASH AND CASH EQUIVALENTS

| | **As at December 31, 2012** | As at December 31, 2011 |
|---|---|---|
| Cash in bank | **$ 499,880** | $ 140,039 |
| Short term bank deposits | **40,292** | 114,652 |
| | **$ 540,172** | $ 254,691 |

Cash and cash equivalents earn interest based on market rates applicable to each form of interest bearing instrument. Cash is deposited at a reputable financial institution. The fair value of cash and cash equivalents approximates the values disclosed in this note.

## 6. EQUIPMENT

| | **Computer equipment** | **Furniture** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| January 1, 2011 | $ 3,004 | $ 3,964 | $ 6,968 |
| Additions | 1,227 | - | 1,227 |
| December 31, 2011 | 4,231 | 3,964 | 8,195 |
| Additions/Dispositions | - | - | - |
| **December 31, 2012** | **$ 4,231** | **$ 3,964** | **$ 8,195** |
| | | | |
| **Accumulated Depreciation** | | | |
| January 1, 2011 | $ 2,612 | $ 1,681 | $ 4,293 |
| Depreciation | 452 | 456 | 908 |
| December 31, 2011 | 3,064 | 2,137 | 5,201 |
| Depreciation | 524 | 365 | 889 |
| **December 31, 2012** | **$ 3,588** | **$ 2,502** | **$ 6,090** |
| | | | |
| **Carrying amounts** | | | |
| December 31, 2011 | 1,167 | 1,827 | 2,994 |
| **December 31, 2012** | **$ 643** | **$ 1,462** | **$ 2,105** |

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS

| | New Algem | Red Lake/Mink Lake | Kyle Properties | Attawapiskat | Total |
|---|---|---|---|---|---|
| **Acquisition costs** | | | | | |
| January 1, 2011 | $ 107,500 | $ - | $ - | $ 920,000 | $ 1,027,500 |
| Additions | 30,000 | - | 30,000 | (2,223) | 57,777 |
| Write down | - | - | - | (291,000) | (291,000) |
| December 31, 2011 | 137,500 | - | 30,000 | 626,777 | 794,277 |
| Additions | 20,000 | 52,393 | - | - | 72,393 |
| Write down | - | - | (30,000) | (395,777) | (425,777) |
| Dispositions | - | - | - | (231,000) | (231,000) |
| **December 31, 2012** | **$ 157,500** | **$ 52,393** | **$ -** | **$ -** | **$ 209,893** |
| **Exploration** | | | | | |
| January 1, 2011 | $ 144,856 | $ - | $ 3,530,058 | $ 1,265,724 | $ 4,940,638 |
| Exploration and other geological | 442,332 | - | 40,400 | - | 482,732 |
| Write down | - | - | - | (53,030) | (53,030) |
| December 31, 2011 | 587,188 | - | 3,570,458 | 1,212,694 | 5,370,340 |
| Exploration and other geological | 123,820 | 93,158 | (1,900) | - | 215,078 |
| Write down | - | - | (3,568,558) | (993,694) | (4,562,252) |
| Disposition | - | - | - | (219,000) | (219,000) |
| **December 31, 2012** | **$ 711,008** | **$ 93,158** | **$ -** | **$ -** | **$ 804,166** |
| **Carrying amounts** | | | | | |
| December 31, 2011 | 724,688 | - | 3,600,458 | 1,839,471 | 6,164,617 |
| **December 31, 2012** | **$ 868,508** | **$ 145,551** | **$ -** | **$ -** | **$ 1,014,059** |

**New Alger Gold Project – Quebec (see subsequent events note 16)**

On November 1, 2009, Renforth entered into an agreement (the "agreement") with Cadillac Ventures Inc. ("Cadillac") whereby Renforth shall have the right to acquire from Cadillac a 51% interest in the New Alger gold property in Québec (the "Property"). Renforth may acquire a 51% interest in the Property through (a) the payment of $250,000 in cash over a period of 3 years to Cadillac, (b) the issuance of 2,500,000 (500,000 common shares post share consolidation) common shares over a period of 2 years to Cadillac and (c) upon spending a minimum of $2,500,000 in exploration on the Property over a period of 3 years. Upon completion of its obligations, the parties shall be contributing as to the property – 51% Renforth and 49% Cadillac.

As per the original agreement, Renforth shall pay to Cadillac the following amounts on the following dates:

| | Cash | Shares |
|---|---|---|
| Formation date | $10,000 paid | - |
| Formation date plus 60 days | 15,000 paid | 500,000 (100,000 shares post share consolidation)– issued |
| Formation date plus 12 months | 25,000 paid | 1,000,000 (200,000 shares post share consolidation)– issued |
| Formation date plus 24 months | 100,000 | 1,000,000 (200,000 shares post share consolidation) – issued |
| Formation date plus 36 months | 100,000 | - |
| | $250,000 | 2,500,000 (500,000 shares post share consolidation) |

## 7. EXPLORATION AND EVALUATION ASSETS - continued

### New Alger Gold Project (continued)

On March 6, 2012, the Company and Cadillac have agreed that in consideration for a payment of $10,000 by Renforth to Cadillac, the remaining cash payments and expenditures have been extended as follows:

- Cash payment of $100,000 (previously due November 1, 2011), extended to June 1, 2012
- Exploration expenditures of $1,000,000 (previously due November 1, 2011), extended to June 1, 2012

On September 14, 2012, the Company and Cadillac have agreed that in consideration for a payment of $10,000 by Renforth to Cadillac, the remaining cash payments and expenditures have been extended as follows:

- Cash payment of $100,000 (previously due June 1, 2012), extended to August 13, 2013
- Cash payment of $100,000 (previously due November 1, 2012), extended to August 13, 2014
- Exploration expenditures of $1,000,000 (previously due June 1, 2012), extended to August 13, 2013
- Exploration expenditures of $1,000,000 (previously due November 1, 2012), extended to August 13, 2014

### Red Lake Gold Project

On July 26, 2012, the Company entered into an option agreement with Rubicon Minerals Corporation (the "optionor"), to acquire a 100% undivided interest in certain unpatented mining claims situated in the Townships of Shabumeni Lake, Little Shabumeni Lake, Casummit Lake and Satterly Lake in the District of Red Lake, Ontario.

To exercise the option, Renforth is required to: (i) issue 250,000 common shares of Renforth to the optionor over three years (of which 100,000 shares have been issued and valued at $4,000), and (ii) pay $98,000 to the optionor over four years (of which an initial payment of $20,000 has been paid).

If Renforth acquires and begins commercial production on the Property, the optionor retains a production royalty equal to 1.5% of the net smelter returns, subject to Renforth's right to buy-back half of the royalty (0.75%) for $750,000.

### Mink Lake Gold Project

On February 28, 2012, the Company acquired an option to acquire the Mink Lake Gold Project, located approximately 110 kms east-northeast from the Town of Red Lake in the Birch-Uchi Greenstone Belt. The Project is comprised of 9 unpatented mining claims totaling 123 units (the "Property").

Renforth acquired the option on the Mink Lake Gold Project from Accolade Resources Corporation ("Accolade") through the assumption of Accolade's rights and obligations under a Purchase Option Agreement (the "Option Agreement") between Accolade and an arm's length exploration and development company (the "Optionor"). Renforth now has the right to earn 100% ownership in the Property, subject to a 2% Net Smelter Return Royalty in favour of the Optionor (half of which can be purchased back for a payment of one million dollars to the Optionor), by making the following payments to the Optionor:

1) $15,000 by September 30, 2012 (paid);
2) $20,000 by September 30, 2013; and
3) $25,000 by September 30, 2014.

This is a total of $60,000 in payments, which can be accelerated at the election of Renforth.

In addition to this Renforth has staked certain units in the area which join the Mink Lake Property to the optioned ground, forming one large land block.

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

### Attawapiskat – James Bay Lowlands

On August 26, 2003, the Company purchased from Greenstone Exploration Company Ltd. ("Greenstone") and Michael Peplinski, their 10-30% beneficial interest in 12 claims comprising of certain claims in Northern Ontario (the "Renforth Claims"). The purchase closed in escrow on August 26, 2003. The purchase price of $325,000 payable to Greenstone, consisted of $50,000 in cash and the balance in common shares of the Company at market prices no later than one year subsequent to the anniversary of the signed agreement. On May 31, 2011, the Company and Greenstone settled the remaining $275,000 (plus 3% interest accrued from the original due date) by the issuance of 6,915,530 common shares (1,383,106 common shares post consolidation) of the Company. Greenstone retained a 1.5% net smelter return royalty ("NSR").

On May 7, 2007, the Company entered into an Option Interest Agreement (the "Agreement") with 1231674 Ontario Limited ("123") to purchase their 100% interest in four mining claims located in the Attawapiskat district of the James Bay Lowlands in Northern Ontario. Under the terms of the Agreement, the Company purchased a 100% interest in the property for $250,000, consideration consisting of 500,000 common shares of the Company (100,000 common shares post consolidation) at a price of $0.50 per share ($2.50 per share post consolidation). 123 retained a NSR of 2% subject to the right of the Company to purchase one half of the NSR, at any time up to commercial production, for $1,000,000. During the year ended December 31, 2011, these claims were written down by $91,784 to their estimated net realizable value. In 2012, the Company sold the remaining three claims for net proceeds of $387,000.

On January 22, 2009, the Company finalized the acquisition of 18 claims (consisting of 288 units) located in the James Bay Lowlands, Ontario. Under the terms of the agreement, the Company purchased a 100% interest in these claims in exchange for $150,000 and 3,200,000 common shares (640,000 common shares post consolidation) of the Company valued at $64,000. The 3,200,000 common shares (640,000 common shares post consolidation) were issued on February 16, 2010. These claims expired during 2011 and as such all acquisition and exploration expenditures on the property totalling $252,246 were written off during 2011.

As at December 31, 2012, the remaining carrying value of the property was written off, as the Company has no current plans for exploration.

### Kyle Kimberlite Properties

On July 20, 2006, the Company entered into an Option Agreement with Cliffs Chromite Far North Inc. (formerly Spider Resources Inc.) ("Cliffs") and KWG Resources Inc. ("KWG") to earn a 55% interest in five diamondiferous Kyle Kimberlite properties, consisting of eight claims which are comprised of 128 units (the "Kyle Properties"), located in the James Bay Lowlands area of Northern Ontario.

During 2010, Renforth analyzed the expenses incurred on the property and on October 18, 2010, together with Cliffs and KWG, concluded that Renforth had completed its 55% earn-in on the Kyle Series of diamondiferous kimberlites in the James Bay Lowlands region of Northern Ontario. As part of the option agreement, KWG and Cliffs collectively earned a 45% interest in certain massive sulphide targets held by Renforth in the same region. Renforth, Cliffs and KWG were working towards formalizing their relationship in the form of a joint venture agreement. On December 7, 2011, Renforth issued the 2,000,000 commons shares (400,000 common shares post consolidation) that were issuable under the amended letter (note 9(b)(iii)).

As at December 31, 2012, the carrying value of the property was written off, as the Company has no current plans for exploration.

(Expressed in Canadian dollars)

## 8. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Compensation of key management personnel
Key management includes members of the board of directors, the President and Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows for the years ended December 31, 2012 and December 31, 2011:

| | **2012** | 2011 |
|---|---|---|
| Salary or other short term benefits | **$ 182,833** | $ 195,000 |
| Share based payments issued | **500** | 17,600 |
| Directors' fees | **-** | 31,500 |
| | **$ 183,333** | $ 244,100 |

(b) Other related party balances and transactions

During the year ended December 31, 2012, the Company issued 1,612,060 common shares (322,412 common shares post consolidation) of the Company at a deemed price of $0.05 per share ($0.25 per share post consolidation) to Billiken Management Services Inc. ("Billiken"), a geological consulting company, for the settlement of outstanding fees in the amount of $80,603. The Company's CEO, Nicole Brewster, is a shareholder of Billiken. The services relating to the fees were rendered by Billiken prior to Ms. Brewster becoming CEO of the Company. The shares were issued on June 28, 2012 with a market value of $0.005 per share ($0.025 per share post consolidation).

The Company engages Billiken to manage the Company's exploration programs. From the period Nicole Brewster was appointed CEO to December 31, 2012, the Company was charged $19,268 in property related expenditures, $90,000 in management fees for the CEO (accrued at December 31, 2012), and $1,788 in administration expenses. The Company also rents office space from Billiken at a rate of $1,266 per month. During the period, the Company was charged $10,134 for office rent.

During the year ended December 31, 2012, the Company issued 10,086,660 common shares (2,017,332 common shares post consolidation) of the Company at a deemed price of $0.05 per share ($0.25 per share post consolidation) (to settle debt of $504,333) to David Danziger for previous management and director fees owing for services as President & Chief Executive Officer from 2008 until 2012. The shares were issued on June 28, 2012 with a market value of $0.005 per share ($0.025 per share post consolidation).

During the year ended December 31, 2012, the Company issued 1,380,000 common shares (276,000 common shares post consolidation) of the Company at a deemed price of $0.05 per share ($0.25 per share post consolidation) to one independent director and two former directors for outstanding director fees in the amount of $69,000. The shares were issued on June 28, 2012 with a market value of $0.005 per share ($0.025 per share post consolidation). The Company also paid the independent director $10,000 against previous year's director fees owing.

During the year ended December 31, 2012, the Company was charged $13,053 (2011-$7,357) in legal fees from a law firm in which a former director of the Company is a partner of the firm. These fees represent the period until the date of the director's resignation (April 10, 2012).

As at December 31, 2012, $109,282 (2011 - $519,000) was owed to related parties and included in accounts payable and accrued liabilities. The amounts were unsecured, non interest bearing, with no fixed terms of repayment.

(Expressed in Canadian dollars)

## 8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

During the year ended December 31, 2012, the Company was charged $20,000 (2011-$40,000) in geological consulting fees included in exploration and evaluation assets by a company owned by a former director of the Company.

During the year ended December 31, 2012, the Company was charged $28,000 (2011-$nil) in geological consulting fees included in exploration and evaluation assets to the technical director of the Company.

During the year ended December 31, 2012, the Company was charged $60,000 (2011-$75,000) in management fees by a company owned by the Chief Financial Officer of the Company, for CFO services.

On December 17, 2012, the Company closed a private placement financing for aggregate gross proceeds of $287,500 through the issuance of 2,250,000 units ("Units") at $0.05 per Unit and 3,500,000 flow-through Units at $0.05 per Flow-Through Unit. The CEO and CFO participated in this financing and each subscribed for 200,000 flow-through units for gross proceeds of $20,000. Billiken subscribed for 1,800,000 non flow through units for gross proceeds of $90,000. A family member of the CEO subscribed for 250,000 non flow through units for gross proceeds of $12,500. Another family member of the CEO subscribed for 200,000 flow through units for gross proceeds of $10,000.

## 9. SHARE CAPITAL

**a) Shares authorized**
The Company is authorized to issue an unlimited number of preferred and common shares without nominal or par value. No preferred shares have been issued.

**b) Common shares issued and outstanding**
Details of shares issued and outstanding are as follows:

| | Shares | Amount |
|---|---|---|
| Balance, December 31, 2010 | 88,724,139 | 10,115,926 |
| Issued in accordance with a property agreement (note 7) | 6,915,530 | 345,777 |
| Issued for services (i) | 1,360,000 | 27,200 |
| Issued in accordance with a property agreement (ii) | 1,000,000 | 30,000 |
| Issued in accordance with a property agreement (iii) | 2,000,000 | 30,000 |
| Balance, December 31, 2011 | 99,999,669 | 10,548,903 |
| Shares issued for settlement of debt (iv) | 13,078,720 | 65,393 |
| Share consolidation (v) | (90,462,717) | - |
| Shares issued in accordance with an option agreement (vi) | 100,000 | 4,000 |
| Shares issued under private placement (vii) | 5,750,000 | 287,500 |
| Flow through share premium | - | (5,250) |
| Valuation of warrants (vii) | - | (33,422) |
| Share issue costs | - | (16,779) |
| **Balance, December 31, 2012** | **28,465,672** | **10,820,595** |

(i) On September 23, 2011, the Company issued 1,360,000 common shares (272,000 common shares post consolidation) at $0.02 per share ($0.10 per share post consolidation) for services rendered.

(ii) On November 11, 2011, the Company issued 1,000,000 common shares (200,000 common shares post consolidation) at $0.03 per share ($0.15 per share post consolidation) in accordance with the joint venture agreement with Cadillac (see note 7).

(Expressed in Canadian dollars)

**9. SHARE CAPITAL - continued**

(iii) On December 7, 2011, the Company issued 2,000,000 common shares (400,000 common shares post consolidation) at $0.015 per share ($0.075 per share post consolidation) in accordance with an option agreement with KWG and Cliffs (see note 7).

(iv) On June 28, 2012, the Company issued 13,078,720 common shares (2,615,744 common shares post consolidation) at $0.005 per share ($0.025 per share post consolidation) for settlement of debt with related parties (note 8).

(v) On July 20, 2012, the Company consolidated all of its issued and outstanding common shares on the basis of five (5) pre-consolidation shares for one (1) post-consolidation share. All reference to common shares, options and warrants in these financial statements have been noted to reflect the share consolidation.

(vi) On September 12, 2012, the Company issued 100,000 common shares at $0.04 per share, in accordance with an option agreement (note 7).

(vii) On December 17, 2012 the Company closed a financing for aggregate gross proceeds of $287,500 through the issuance of 2,250,000 units ("Units") at $0.05 per Unit and 3,500,000 Flow-Through Units at $0.05 per Flow-Through Unit. Each Unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.05 for a period of 12 months following closing. These warrants were assigned a value of $15,726 using the black scholes option pricing model using the following assumptions: risk free interest rate 1.23%; expected volatility 100%; expected dividend yield and an expected life of one year. Each Flow-Through Unit consists of one common share in the capital of the Company issued on a 'flow-through' basis, and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.07 for a period of 12 months following closing. These warrants were assigned a value of $17,697 using the black scholes option pricing model using the following assumptions: risk free interest rate 1.23%; expected volatility 100%; expected dividend yield and an expected life of one year.

In connection with the Offering, the Company issued 52,500 compensation warrants to an arm's length third party for services rendered to the Corporation in respect of the Offering. Each compensation warrant is exercisable, for 12 months, for one common share of Renforth at $0.07 per share. These warrants were assigned a value of $473 using the black scholes option pricing model using the following assumptions: risk free interest rate 1.23%; expected volatility 100%; expected dividend yield and an expected life of one year.

**c) Share purchase warrants**

The following summarizes the activity during the years ended December 31, 2012 and 2011:

| | Warrants outstanding | Value |
|---|---|---|
| Balance at December 31, 2010 and 2011 | 12,373,333 | $ 294,073 |
| Share consolidation (note 9(b)(v)) | (9,898,666) | - |
| Expiry of warrants | (2,474,667) | (294,073) |
| Issue of warrants | 2,927,500 | 33,895 |
| Balance at December 31, 2012 | 2,927,500 | $ 33,895 |

(Expressed in Canadian dollars)

**9. SHARE CAPITAL - continued**

Summary of warrants outstanding as at December 31, 2012:

| Number of Warrants Outstanding | Weighted Average Exercise Price | Expiry Date | Issue Date | Weighted Average Remaining Life | Grant Date Fair Value |
|---|---|---|---|---|---|
| 1,125,000 | $ 0.05 | 17-Dec-13 | 17-Dec-12 | 0.96 | $ 15,726 |
| 1,802,500 | 0.07 | 17-Dec-13 | 17-Dec-12 | 0.96 | 18,169 |
| **2,927,500** | **$ 0.06** | | | **0.96** | **$ 33,895** |

**d) Stock option plan**

The Company has a stock option plan which provides for the granting of options to purchase common shares to a maximum of 10% of the issued and outstanding common shares of the Company to officers, directors, and other service providers at the discretion of the directors. Each option granted under this Plan shall be exercisable for a maximum period of five years from the date the option is granted to the optionee. Stock options vest over a period of 12 months.

On September 22, 2011, the Company granted a total of 850,000 stock options (170,000 stock options post consolidation) to directors and a consultant of the Company exercisable for one common share at $0.05 per share ($0.25 per share post consolidation), for a five year period. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.44%; and expected life of 5 years. The options were valued at $10,200 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

On November 21, 2011, the Company granted a total of 400,000 stock options (80,000 stock options post consolidation) to directors and a consultant of the Company exercisable for one common share at $0.05 per share ($0.25 per share post consolidation), for a five year period. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.37%; and expected life of 5 years. The options were valued at $8,000 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

On April 20, 2012, the Company granted a total of 250,000 stock options (50,000 stock options post consolidation) to an officer of the Company exercisable for one common share at $0.05 per share ($0.25 per share post consolidation), for a five year period. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.64%; and expected life of 5 years. The options were valued at $500 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

For the year ended December 31, 2012, stock option expense of $7,517 (2011 - $49,551) was charged to operations with an equivalent offset credited to contributed surplus to reflect the vested portion of the fair value of stock options granted. Stock-based compensation expense of $7,384 (2011 - $41,667) was related to directors and officers and $133 (2011 – $7,884) to consultants compensation.

(Expressed in Canadian dollars)

## 9. SHARE CAPITAL - continued

As at December 31, 2012, the weighted average exercise price of options outstanding and options exercisable were as follows:

| | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Number | Weighted Average Exercise price | Number | Weighted Average Exercise price |
| **Outstanding – beginning of year** | **5,880,000** | **$ 0.157** | **5,930,000** | **$ 0.243** |
| Expired | (2,250,000) | ($0.152) | (1,300,000) | 0.244 |
| Granted | 250,000 | $0.050 | 1,250,000 | 0.050 |
| Share consolidation (note 9(b)) | (3,104,000) | - | - | - |
| Expired | (136,000) | ($0.500) | | |
| **Outstanding – end of year** | **640,000** | **$ 0.653** | **5,880,000** | **$ 0.157** |
| **Exercisable – end of year** | **627,500** | **$ 0.661** | **5,155,000** | **$ 0.172** |

As at December 31, 2012 the Company had the following stock options outstanding:

| Number of Options Outstanding | Exercise Price | Expiry Date | Number of Options Exercisable | Weighted Average Remaining Life |
|---|---|---|---|---|
| 30,000 | 1.40 | 01-Feb-13* | 30,000 | 0.09 |
| 40,000 | 1.40 | 10-Apr-13* | 40,000 | 0.27 |
| 100,000 | 1.40 | 10-Nov-13 | 100,000 | 0.86 |
| 250,000 | 0.50 | 26-Oct-15 | 250,000 | 2.82 |
| 90,000 | 0.25 | 30-Sep-16 | 90,000 | 3.75 |
| 80,000 | 0.25 | 21-Nov-16 | 80,000 | 3.89 |
| 50,000 | 0.25 | 20-Apr-17 | 37,500 | 4.30 |
| 640,000 | | | 627,500 | 2.61 |

The weighted average fair value of options issued during the period was $0.002 (2011 - $0.02).
* expired unexercised subsequent to December 31, 2012.

## 10. LOSS PER COMMON SHARE

The following table sets forth the computation of basic and diluted loss per common share:

| **For the years ended December 31** | **2012** | **2011** |
|---|---|---|
| Numerator: | | |
| Net loss attributable to common shareholders | | |
| - basic and diluted | $ (4,730,744) | $ (842,598) |
| Denominator: | | |
| Weighted average common shares outstanding | | |
| - basic | 21,583,573 | 18,634,603 |
| Basic and diluted loss per common share | $ (0.22) | $ (0.05) |

The warrants and options outstanding were excluded from the computation of diluted loss per share in 2012 and 2011 because their impact was anti-dilutive.

(Expressed in Canadian dollars)

## 11. INCOME TAXES

### a) Provision for Income Taxes - Current

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.5% (2011 – 28.25%) were as follows:

| | 2012 | 2011 |
|---|---|---|
| Loss before recovery of income taxes | $ (4,769,708) | $ (842,598) |
| Statutory rate applied to loss for the year before income taxes | $ (1,264,000) | $ (238,034) |
| Increase (decrease) in taxes resulting from: | | |
| Non-deductible stock-based compensation | 2,000 | 13,998 |
| Flow-through expenditures | 46,400 | 129,950 |
| Other items | (4,400) | 97,408 |
| Change in tax rates | 72,040 | (8,581) |
| Tax benefits not realized | 1,108,996 | 5,259 |
| | (38,964) | - |
| Current tax expense | (135,934) | - |
| Deferred income tax recovery | 174,898 | - |
| | $ 38,964 | $ - |

### b) Deferred Income Taxes

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the financial statements due to the unpredictability of future earnings:

| | 2012 | 2011 |
|---|---|---|
| Deductible temporary differences | | |
| Non-capital loss carry-forward | $ 4,994,110 | $ 5,654,104 |
| Exploration and development | 869,360 | - |
| Equipment | 6,090 | 6,428 |
| Share issue costs | 65,394 | 109,239 |
| | $ 5,934,954 | $ 5,769,771 |

### c) Tax Loss Carry-Forwards

Any non-capital losses that may be utilized to reduce taxable income in Canada in future years expire at the end of the following years:

| | |
|---|---|
| 2026 | $ 327,476 |
| 2027 | 1,098,253 |
| 2028 | 1,400,430 |
| 2029 | 629,929 |
| 2030 | 893,889 |
| 2031 | 644,133 |
| | $ 4,994,110 |

## 12. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures during the years ended December 31, 2012 and 2011.

**Credit risk**
The Company's credit risk is primarily attributable to short-term investments included in cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Sales tax receivable consists of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these items is remote.

**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 a cash and cash equivalent balance of $540,172 (2011 – $254,691) to settle current financial liabilities of $166,350 (2011 - $663,338).

**Market risk**
(a) Interest rate risk
The Company has cash balances and no long term 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.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

**Sensitivity analysis**
The Company has designated its cash and cash equivalents and sales tax receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, classified as other financial liabilities, are measured at amortized cost.

As at December 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

The Company’s financial instruments that are carried at fair value, consisting of cash equivalents have been classified as Level 1 within the fair value hierarchy.

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

Cash and cash equivalents include liquid investments which are at variable rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $5,400 annualized based on the December 31, 2012 cash and cash equivalents balance.

The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

(Expressed in Canadian dollars)

## 13. COMMITMENTS AND OPTIONS

**Environmental Contingencies**
The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(a) See *note 7* for additional commitments and options on evaluation and exploration assets.
(b) The Company renounced $175,000 of qualifying exploration expenditures to the shareholders in 2012. Under the "look back" provision governing flow-through shares this amount must be spent by the end of 2013. As at December 31, 2012, $175,000 remains to be spent under the flow through subscription agreements.

## 14. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

| | 2012 | 2011 |
|---|---|---|
| Interest paid | $ - | $ - |
| Income taxes paid | $ - | $ - |
| **Non-Monetary Transactions:** | | |
| Shares in exchange for exploration and evaluation assets | $ - | $ 405,777 |
| Shares issued for debt settlement | $ 65,393 | $ - |
| Shares issued under option agreement | $ 4,000 | $ - |
| Shares issued for services | $ - | $ 27,200 |

## 15. GENERAL AND CORPORATE EXPENSES

| | 2012 | 2011 |
|---|---|---|
| Management compensation (note 8) | $ 92,833 | $ 195,000 |
| Legal and audit (note 8) | 98,700 | 71,578 |
| Consulting services | 32,500 | 68,000 |
| Investor relations | 22,500 | 60,000 |
| Rent (note 8) | 15,201 | 15,201 |
| Insurance | 11,173 | 11,750 |
| Transfer agent | 6,380 | 5,240 |
| Administrative and general (note 8) | 7,282 | 14,905 |
| Stock exchange fees | 5,400 | 3,600 |
| Amortization | 889 | 908 |
| Directors fees | - | 31,500 |
| | $ 292,859 | $ 477,682 |

## 16. SUBSEQUENT EVENTS

On January 28, 2013, Renforth entered into an agreement (the "**Purchase Agreement**") with Cadillac to acquire a 100% interest in Cadillac's New Alger Property, located in Cadillac Township, Québec. The Purchase Agreement supersedes previous agreements, as amended, and as described in Note 7.

The Purchase Agreement provides for the payment to Cadillac of the following: (i) $20,000 cash and 2,000,000 common shares of Renforth at the time of signing the Agreement, (ii) $210,000 cash by June 15, 2013, and (iii) $250,000 cash by November 15, 2013. Upon satisfaction of the foregoing conditions, Renforth will acquire a 100% interest in the property, subject to an existing 1% net smelter return royalty and Cadillac will retain an additional 1% net smelter return royalty.