



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2012**

# Independent auditor's report

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To the Shareholders of Resinco Capital Partners Inc.:

We have audited the accompanying financial statements of Resinco Capital Partners Inc., which comprise the balance sheet as at December 31, 2012, and the statement of operations and deficit and statement of cash flows for the year then ended, 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 Canadian generally accepted accounting principles, 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 audit. We conducted our audit 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 Resinco Capital Partners Inc. as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

#### Other matters

The financial statements of Resinco Capital Partners Inc. for the year ended December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on March 23, 2012.

*Grant Thornton LLP*

Vancouver, Canada

March 27, 2013

Chartered accountants

**RESINCO CAPITAL PARTNERS INC.**  
**BALANCE SHEETS**  
**AS AT DECEMBER 31**  
**(IN THOUSANDS OF CANADIAN DOLLARS)**

	<i>Note</i>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>			
Cash		\$ 367	\$ 47
Restricted cash		29	29
Accounts receivable		-	86
Due from related parties	5	233	845
Deposits and prepaid expenses		5	40
Loan receivable	6	-	50
Related party loan receivables	7	275	260
Investments	4	9,242	9,197
Property and equipment	8	10	52
		\$ 10,161	\$ 10,606

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Liabilities**

Accounts payable and accrued liabilities		\$ 60	\$ 310
Due to related parties	9	959	856
		1,019	1,166

**Shareholders' equity**

Capital stock	10	40,132	40,132
Contributed surplus	10	8,749	8,681
Deficit		(39,739)	(39,373)
		9,142	9,440
		\$ 10,161	\$ 10,606

Nature of operations	1
Measurement uncertainty - Investments	2
Commitments	17
Subsequent event	10

**On behalf of the Board:**

\_\_\_\_\_  
*"John Icke"* Director      \_\_\_\_\_  
*"Ron Shorr"* Director

- See accompanying notes to the financial statements -

**RESINCO CAPITAL PARTNERS INC.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31**  
**(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)**

	<i>Note</i>	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>			
Net realized (loss) gain on disposal of investments		\$ (10,401) \$	1,526
Net change in unrealized gain (loss) on investments		11,688	(18,563)
		1,287	(17,037)
Other income	11	288	557
		1,575	(16,480)
<b>EXPENSES</b>			
Operating, general and administrative	12	1,730	1,959
Transaction costs		39	36
Interest		71	37
Project investigation and due diligence costs		37	15
Stock-based compensation	10	68	324
Amortization		23	44
Write-off of property and equipment	8	27	-
Gain on settlement of due from related parties	5	(43)	-
Bad debt		-	42
Recovery of bad debts		(11)	(18)
Reversal of loan impairment	6	-	(158)
		(1,941)	(2,281)
<b>Loss for the year</b>		(366)	(18,761)
<b>Deficit, beginning of year</b>		(39,373)	(20,612)
<b>Deficit, end of year</b>		\$ (39,739) \$	(39,373)
<b>Basic and diluted loss per share</b>		\$ (0.00) \$	(0.15)
<b>Weighted average number of common shares outstanding</b>			
Basic		123,019,885	122,098,696
Diluted		123,019,885	122,839,524

- See accompanying notes to the financial statements -

**RESINCO CAPITAL PARTNERS INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF CANADIAN DOLLARS)**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Loss for the year	\$ (366)	\$ (18,761)
Items not affecting cash:		
Net realized loss (gain) on disposal of investments	10,401	(1,526)
Net change in unrealized (gain) loss on investments	(11,688)	18,563
Stock-based compensation	68	324
Amortization	23	44
Write-off of property and equipment	27	-
Gain on settlement of due from related parties	(43)	-
Bad debt	-	42
Reversal of loan impairment	-	(158)
Loan income	(15)	(122)
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	86	(52)
Increase in due from related parties	(102)	(335)
Decrease in deposits and prepaid expenses	35	19
Decrease in accounts payable and accrued liabilities	(250)	(257)
Increase (decrease) in due to related parties	103	(133)
	<u>(1,721)</u>	<u>(2,352)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Advances on warrants	-	(250)
Purchase of investments	(365)	(2,847)
Proceeds on disposal of investments	2,379	5,413
Collection of loan receivable	50	50
Collection of related party loan receivables	260	450
Related party loan receivables	(275)	(635)
Purchase of property and equipment	(10)	(7)
Proceeds on disposal of property and equipment	2	-
	<u>2,041</u>	<u>2,174</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options	-	54
	<u>-</u>	<u>54</u>
<b>Increase (decrease) in cash during the year</b>	<b>320</b>	<b>(124)</b>
<b>Cash, beginning of year</b>	<b>47</b>	<b>171</b>
<b>Cash, end of year</b>	<b>\$ 367</b>	<b>\$ 47</b>
Supplementary cash flow information		
Options exercised by offset to accounts payable and accrued	\$ -	\$ 130
Receipt of shares on settlement of due from related parties	\$ 772	\$ -

**- See accompanying notes to the financial statements -**

**RESINCO CAPITAL PARTNERS INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(IN THOUSANDS OF CANADIAN DOLLARS)**

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**1. NATURE OF OPERATIONS**

Resinco Capital Partners Inc. (“Resinco” or the “Company”) is a global investment company which specializes in providing early-stage financing to private and public exploration and mining companies in the hard rock minerals, precious metals, rare-earth minerals, oil, gas, water and renewable energy markets.

The Company is listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol “RIN”.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Management has prepared these financial statements of the Company in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The Company is considered an Investment Company under the guidelines set out in the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 18, *Investment Companies* (“AcG-18”).

**(a) Investments**

At the end of each financial reporting period, the Company’s management estimates the fair value of its investments based on the criteria below and records such valuations in the financial statements.

**(i) Public investments**

- 1) Securities, including shares, options and warrants which are traded on an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair values based on quoted closing bid prices at the balance sheet date. These are included in Level 1 in Note 3.
- 2) Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2 in Note 3.
- 3) For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the options and warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the balance sheet date of the underlying security less the exercise price of the option or warrant, and zero. These are included in Level 2 in Note 3.

**(ii) Private investments**

All investments in private companies, other than options and warrants, are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 3. Options and warrants of private companies are carried at nil.

The determinations of fair value of the Company’s investments in private companies at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available or, if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on management’s judgment and any value estimated from these techniques may not be realized or realizable.

**RESINCO CAPITAL PARTNERS INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

The following circumstances are used to determine if the fair value of an investment in a private company should be adjusted upward or downward at the end of each reporting period. In addition to the events described below, which may affect a specific investment, management will take into account general market conditions when valuing the Company's investments. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

The fair value of an investment in a private company may be adjusted upward if:

- 1) There has been a significant subsequent equity financing provided by outside investors at a valuation above the current fair value of the investee company. In this instance, the fair value of the investment is adjusted to the value at which the financing took place; or
- 2) There has been significant corporate, political, operating and/or economic events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and, therefore, its fair value.

The fair value of an investment in a private company may be adjusted downward if:

- 1) There has been a significant subsequent equity financing provided by outside investors at a valuation below the current fair value of the investee company. In this instance, the fair value of the investment is adjusted to the value at which the financing took place; or
- 2) The investee company is placed into receivership or bankruptcy; or
- 3) Based on financial information received from the investee company it is apparent to management that the investee company is unlikely to be able to continue as a going concern; or
- 4) There has been significant corporate, political, operating and/or economic events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and, therefore, its fair value.

In the circumstances where general market conditions so warrant, an adjustment to the fair value of an investment will be based on management's judgment and any value estimated may not be realized and may differ from values that might be determined if a ready market existed.

Transaction costs incurred in the purchase and sale of investments, such as brokerage commissions, are recorded as an expense in the statements of operations. Purchases and sales of securities are accounted for on a trade-date basis.

The Company also incurs costs to investigate certain early stage projects and other potential investment opportunities to determine whether an investment will be made. These costs are expensed as incurred.

**(b) Restricted cash**

Restricted cash is cash not available for immediate use due to it being held as security for the Company credit card.



**RESINCO CAPITAL PARTNERS INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(IN THOUSANDS OF CANADIAN DOLLARS)**

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**(c) Property and equipment**

Property and equipment are recorded at cost, less accumulated amortization. Expenditures for additions are capitalized. Expenditures for maintenance and repairs are charged to net income (loss). Upon retirement, or disposal, the cost and related amortization are removed from the accounts and any gain or loss is reflected in earnings. Property and equipment are amortized over the asset's estimated useful life as follows:

Computer equipment	30% declining
Furniture and fixtures	20% declining

Leasehold improvements are amortized over the term of the lease.

Management assesses the carrying value of long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable from future undiscounted cash flows. An impairment loss equal to the difference in the asset's carrying value and its fair value is recognized in the period in which the determination is made.

**(d) Revenue recognition**

Security transactions are recorded on a trade-date basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of investments are reflected in the statement of operations and are calculated on an average-cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition.

Interest and loan income is recorded on an accrual basis when reasonable assurance exists regarding measurement and collectability.

Revenue for corporate services is recognized when persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured.

**(e) Loan impairment**

Loans are accounted for at their face value net of any allowance for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount which is measured by discounting expected future cash flows at the effective interest rate inherent in the loans, if such future cash flows can be reasonably estimated. Otherwise the net realizable amount is measured as the net recoverable value of any security pledged as collateral for the loan. The amount initially recognized as impairment, together with any subsequent change, is charged to the allowance for loan impairment. A write-off of the loan will occur when the loan is believed to have no reasonable expectation of collectability. Loan impairments are reversed if the conditions that gave rise to the impairment are no longer present and it is determined that the loan is no longer impaired as a result.

**(f) Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical rates. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the transaction dates. Gains or losses arising from the translation of foreign currencies are included in the determination of net income for the period.

**RESINCO CAPITAL PARTNERS INC.  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**(g) Non-monetary transactions**

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliably measurable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up, adjusted by the fair value of any monetary consideration received or given.

**(h) Stock-based compensation**

The Company has a stock option plan as described in Note 10. Management uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. The value of stock options granted to employees, directors and consultants is recorded as stock-based compensation expense and credited to contributed surplus. The value of any stock options issued as compensation for private placements and other financings is recorded as share issue costs and credited to contributed surplus. Any consideration received from the exercise of stock options is credited to capital stock and the appropriate amount of the options' fair value is reallocated from contributed surplus to capital stock.

**(i) Earnings (loss) per share**

Basic earnings (loss) per share ("EPS") is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. To compute diluted earnings (loss) per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the period, which would reduce the weighted average number of common shares outstanding as calculated under basic earnings per share. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share.

**(j) Income taxes**

The Company follows the liability method of accounting for income taxes. Under this method, the estimated income taxes payable for the current period are recognized. Future income tax assets and liabilities are recognized when a temporary difference between the tax basis and the accounting basis of an asset and/or liability exists. Future income tax assets and liabilities are recorded using enacted or substantively-enacted tax rates. Future income tax assets are recognized only to the extent that their realization is considered more likely than not.

**(k) Financial instruments**

i) Classification

Financial instruments of a company are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale and other financial liabilities. All financial instruments are measured at fair value at initial recognition. Subsequent to initial recognition, loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost, held-for-trading financial assets are measured at fair value with changes in fair value recognized in the statement of operations, and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or impaired.

**RESINCO CAPITAL PARTNERS INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**(k) Financial instruments (cont'd...)**

i) Classification (cont'd...)

The Company has classified its cash and restricted cash as held-for-trading. The accounting method for the Company's investments under AcG-18 is consistent with the held-for-trading classification as investments are accounted for at fair value with changes in fair value recognized in the statement of operations. Accounts receivable, due from related parties, loan receivable and related party loan receivables are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortized cost with a reduction for an allowance for doubtful accounts or a provision for impairment, if necessary. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

ii) Fair value

The Company has determined the fair value of its financial instruments as follows:

- a. The carrying values of cash, restricted cash, accounts receivable, due from related parties, accounts payable and accrued liabilities, and due to related parties in the balance sheets approximate their fair values due to the short-term nature of these instruments.
- b. The carrying value of loan receivable and related party loan receivables approximates its fair value as the amounts presented are stated net of an impairment provision.
- c. Fair value of investments is determined as disclosed in Note 2(a).
- d. The Company does not have any other comprehensive income (loss) components and, as such, comprehensive income (loss) is equal to net income (loss).

**(l) Use of estimates and measurement uncertainty**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates and assumptions include the determination of the fair value of investments and loans, the allowance for doubtful accounts, loan impairment provisions, recognition of future income tax assets and stock-based transactions. Actual results may differ materially from those estimates.

**(m) Comparative figures**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

**RESINCO CAPITAL PARTNERS INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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(IN THOUSANDS OF CANADIAN DOLLARS)**

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**(n) Transition to new financial reporting framework**

Canadian publicly listed enterprises were required to adopt International Financial Reporting Standards (“IFRS”) in replacement of Canadian GAAP on January 1, 2011. This transition would have required the Company to present its financial statements under IFRS starting with its first quarterly report dated March 31, 2011, with restated comparative information for the comparative quarter of March 31, 2010, also under IFRS. The Company elected to defer adoption of IFRS until no later than January 1, 2014. This election is permitted by the Canadian Accounting Standards Board (“AcSB”) and applies to Investment Companies and Segregated Accounts of Life Insurance Enterprises. The decision is in response to the International Accounting Standards Board’s announcement in late 2010 that its Investment Company project is delayed. The current rules under IFRS are inconsistent with the rules followed by the Company pursuant to AcG-18. The conversion to IFRS will impact the Company’s accounting policies and financial reporting systems. The transition may also impact certain business processes, accounting for contractual agreements and compensation arrangements.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Financial instruments**

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The financial instruments measured at fair value on the Company’s balance sheet are classified as follows:

<b>December 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash	\$ 367	\$ -	\$ -	\$ 367
Restricted cash	\$ 29	\$ -	\$ -	\$ 29
Investments	\$ 8,689	\$25	\$528	\$ 9,242
<b>December 31, 2011</b>				
<b>Assets</b>				
Cash	\$ 47	\$ -	\$ -	\$ 47
Restricted cash	\$ 29	\$ -	\$ -	\$ 29
Investments	\$ 8,775	\$402	\$20	\$ 9,197

During the year ended December 31, 2012, \$250 of the investments which were held in Level 2 as at December 31, 2011 were transferred out to Level 1 as the shares were no longer restricted.

**RESINCO CAPITAL PARTNERS INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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(IN THOUSANDS OF CANADIAN DOLLARS)**

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

**Financial instruments (cont'd...)**

The following table reconciles the Company's Level 3 fair value measurements from December 31, 2011 to December 31, 2012:

	<b>Level 3 Investments</b>	
	December 31, 2012	December 31, 2011
Balance at beginning of the year	\$ 20	\$ 108
Acquired	452	50
Realized losses	-	(764)
Unrealized gains	76	626
Transferred out to level 1	(20)	-
Balance at end of the year	\$ 528	\$ 20

During the year ended December 31, 2012, the investments which were held in Level 3 as at December 31, 2011, were transferred to Level 1. The transfer was due to the investee going public during the year.

**Risk management**

The Company is or may be subject to certain risks including interest rate risk, currency risk, credit risk and market risk. Risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results and increase overall financial strength.

*Interest rate risk*

The Company has loans receivable and, therefore, may be subject to interest rate risk. Management believes the exposure to the interest rate risk is immaterial given the size of the loans outstanding and the current low global interest rate environment. This risk is further mitigated by fixing interest rates at the inception of the loans where possible.

*Currency risk*

The Company has foreign investments and is therefore subject to currency risk. Management believes these investment and transaction amounts are not significant and there are no material foreign currency commitments. The currency risk is therefore manageable and not significant. The Company does not currently use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

*Credit risk*

Credit risk is the risk associated with the inability of a third party to fulfil its payment obligations. The Company is exposed to the risk that third parties that owe money or securities in connection with services provided, or for other purposes, will default on their underlying obligations.

Prior to accepting any service engagement or providing any loan, the Company assesses future recoverability by examining the entities' financial conditions, properties and assets, business development activities and management. The Company manages its exposure to credit risk by reviewing the outstanding balances on an ongoing basis, monitoring the amount attributable to each counterparty and the length of time taken for amounts to be settled. Where necessary, management takes appropriate action to follow up on those balances considered overdue.

**RESINCO CAPITAL PARTNERS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(IN THOUSANDS OF CANADIAN DOLLARS)**

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**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Credit risk (cont'd...)*

Credit risk encompasses the default risk of the counterparties. As at December 31, 2012, the Company was owed \$508 from related parties.

The Company is exposed to credit risk on accounts receivable, due from related parties, loan receivable, and related party loan receivables from investee companies. Management has determined that the maximum exposure to losses is equal to \$508 in 2012 (2011 - \$1,241).

*Liquidity risk*

Liquidity risk is the risk that the Company will have insufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company does not have access to the capital markets, whether as a result of a downturn in general market conditions or related matters specific to the Company, or if the value of the Company's investments decline, resulting in lower proceeds and/or losses on disposition. The Company generates cash flows primarily from the disposition of its investments and from its financing activities. The Company's investments focus on early-stage natural resource and renewable energy companies which can at times be relatively illiquid and if the Company decides to dispose of certain securities, it may not be able to do so at favorable prices at that time, or at all. However, the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions such that, in the absence of overall market disruptions or exceptional circumstances, liquidity risk can be minimized.

*Market risk*

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are primarily concentrated in the junior natural resource industry, which results in exposure to higher volatility than broader market investments and indexes. The Company's investments are accounted for at fair value and are sensitive to changes in market bid prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. A 10% change in the fair values of the Company's investments at December 31, 2012, would have a \$924 (2011 - \$920) impact on net income.

*Concentration risk*

The Company is subject to concentration risk due to the nature of the Company's operations as an investment company and the number of investments held in the portfolio which consists primarily of early-stage natural resource and renewable energy companies and their related technologies. As a result, the investment portfolio is directly exposed to the risks associated with companies operating in this industry sector.

As at December 31, 2012, approximately 97% (2011 - 95%) of the fair value of the Company's investment portfolio consisted of investments in five companies with the largest single investment comprising 80% (2011 - 53%) of the total portfolio value.

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NOTES TO THE FINANCIAL STATEMENTS  
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**4. INVESTMENTS**

At December 31, 2012, the Company held the following investments:

<b>Investee</b>	<b>Shares</b>	<b>Warrants</b>	<b>Options</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Public Companies</b>					
"Woulfe" - Woulfe Mining Corp. (i)	25,113,353	-	-	\$ 5,481	\$ 7,408
"Lions Gate" - Lion Gate Metals Inc. (i) (ii)	4,590,937	618,750	-	5,021	436
"Terreno" - Terreno Resources Corp. (i) (ii)	8,621,600	2,333,333	120,000	1,342	517
"Teslin" - Teslin River Resources Corp. (i) (ii) (iii)	3,343,284	625,000	-	1,554	167
"Salmon River" - Salmon River Resources Ltd.	1,412,338	-	-	161	64
Total of 8 other public company investments, each valued under \$50 (iv) (vi)				615	122
				<u>14,174</u>	<u>8,714</u>
<b>Private Companies</b>					
"Pembroke" - Pembroke Mining Corp. (v)	320,000	-	-	452	452
"Coral Rapids" - Coral Rapids Minerals Inc. (i) (ii)	21,000,000	-	-	100	76
Total of 5 other private company investments, each valued at \$nil				1,988	-
				<u>2,540</u>	<u>528</u>
				\$ 16,714	\$ 9,242

- i) Director or officer of Resinco is also a director or officer of the investee company.
- ii) Resinco holds greater than 10% of the outstanding share capital of the investee company.
- iii) During the year ended December 31, 2012, Teslin completed a 5 for 1 consolidation.
- iv) During the year ended December 31, 2012, Touchstone Gold Limited ("Touchstone") and Atlantis Gold Mines Corp. ("Atlantis") completed a business combination in which Atlantis shares were exchanged for Touchstone shares on a 1:1 basis.
- v) During the year ended December 31, 2012, the Company received shares of Pembroke as part of the settlement agreement with the former CEO of the Company (Note 5).
- vi) During the year ended December 31, 2012, the Company realized a loss on disposal of investments of \$6,509 relating to investee companies that were previously recognized in unrealized loss on investments. The \$6,509 is comprised of \$4,409 from investments in private companies and \$2,100 from investments in public companies.

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**4. INVESTMENTS (cont'd...)**

At December 31, 2011, the Company held the following investments:

<b>Investee</b>	<b>Shares</b>	<b>Warrants</b>	<b>Options</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Public Companies</b>					
Woulfe (i)	27,042,353	-	-	\$ 5,902	\$ 4,868
Lions Gate (i) (ii)	3,883,437	1,567,887	-	4,656	1,313
Terreno (i) (ii)	8,621,600	2,333,333	120,000	1,342	850
Teslin (i) (ii)	3,343,284	625,000	-	1,554	688
Salmon River	2,489,343	-	-	285	498
"Cue" - Cue Resources Ltd. (i) (ii)	18,901,850	4,285,715	-	5,055	382
Total of 9 other public company investments, each valued under \$150				2,766	328
Advance against Cue warrants				250	250
				<u>21,810</u>	<u>9,177</u>
<b>Private Companies</b>					
Atlantis	200,000	-	-	50	20
Total of 8 other private company investments, each valued at \$nil				6,497	-
				<u>6,547</u>	<u>20</u>
				\$ 28,357	\$ 9,197

- i) Director or officer of Resinco was also a director or officer of the investee company.
- ii) Resinco held greater than 10% of the outstanding share capital of the investee company.
- iii) During the year ended December 31, 2011, the Company realized a loss on disposal of investments of \$760 related to investee companies that were dissolved in fiscal 2012.

**5. DUE FROM RELATED PARTIES**

	<b>2012</b>	<b>2011</b>
Due from Coral Rapids	\$ 6	\$ 16
Due from Cue (i)	-	247
Due from Lions Gate	1	9
Due from Terreno	-	2
Due from Teslin (ii)	225	83
Due from Woulfe	1	14
Due from the former CEO (iii)	-	474
<b>Total</b>	<b>\$ 233</b>	<b>\$ 845</b>

Other than for the details below, all amounts due from related parties are unsecured and have no fixed terms of repayment.

- i) As at December 31, 2011, the amount due from Cue related to corporate services that Resinco was providing to Cue of \$189 as well as interest of \$8 and a loan bonus of \$50, both related to the loan Resinco advanced to Cue (Note 7). During the year ended December 31, 2012, Resinco continued to provide Cue corporate services until it was acquired by Uranium Energy Corporation ("UEC") in March 2012. In March 2012, \$232, which was the outstanding amount due for corporate services, was settled through the issuance of 75,670 shares of UEC. The interest and loan bonus were also settled in shares of UEC (Note 7). All UEC shares were sold during the year.



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**5. DUE FROM RELATED PARTIES (cont'd...)**

- ii) As at December 31, 2012, the amount due from Teslin related to corporate services that Resinco was providing to Teslin of \$170 (2011 – \$77) as well as interest of \$15 (2011 – \$6) and a loan bonus of \$40 (2011 - \$Nil), both related to the loan Resinco advanced to Teslin (Note 7).
- iii) On December 1, 2009, the Company and the former CEO signed a debt agreement in respect of the total amount owing of \$421 for the recovery of personal indebtedness to the Company. The amount was due on demand, unsecured, and accrued interest at 5% as of December 1, 2010 and increased five percentage points each six months thereafter, until the interest rate is 60% per annum. During the year ended December 31, 2012, the Company settled the outstanding balance of \$484 (principal and interest) through the receipt of \$200 cash and 320,000 shares in Pembroke valued at \$452. Within the same transaction, the Company assumed the former CEO's outstanding loan balance of \$125 owed to Coral Rapids (Note 9). As a result of these agreements, the Company recorded a gain on settlement of due from related parties of \$43.

**6. LOAN RECEIVABLE**

During fiscal 2011, a loan receivable of \$158 initially advanced in fiscal 2008 was reinstated and during fiscal 2011 \$108 was settled (\$50 in cash and \$58 through the settlement of accounts payable). The loan receivable was unsecured, due on demand and bore interest at 6%. During fiscal 2012, the Company received the remaining balance of \$50 together with accrued interest of \$30.

**7. RELATED PARTY LOAN RECEIVABLES**

	Teslin	Cue	Total
As at December 31, 2010	\$ 75	\$ -	\$ 75
Advances	375	260	635
Collections	(450)	-	(450)
As at December 31, 2011	-	260	260
Advances	275	-	275
Collections	-	(260)	(260)
As at December 31, 2012	\$ 275	\$ -	\$ 275

- i) The \$275 loan receivable from Teslin is unsecured and bears interest at prime + 4%, compounded annually with a one-time administration fee of \$25 and 300,000 bonus shares valued at \$15. The administration fee and the interest on the loan are included in due from related parties (Note5). All amounts are due by December 31, 2014.
- ii) During the year ended December 31, 2011, the Company loaned Cue \$260. During the year ended December 31, 2012, the loan was repaid in cash and 1,000,000 bonus shares of Cue were issued to the Company at a value of \$50. In addition, the accumulated interest of \$13 was settled in 4,089 shares of UEC and the one-time administration fee of \$25 was settled in 8,143 shares in UEC.

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**8. PROPERTY AND EQUIPMENT**

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
<b>Cost</b>				
At December 31, 2010	\$ 161	\$ 162	\$ 6	\$ 329
Assets acquired	6	1	-	7
Assets sold	-	-	-	-
At December 31, 2011	167	163	6	336
Assets acquired	2	6	2	10
Assets sold	(2)	-	-	(2)
Write-offs	(121)	(169)	(8)	(298)
At December 31, 2012	\$ 46	\$ -	\$ -	\$ 46
<b>Accumulated amortization</b>				
At December 31, 2010	\$ 116	\$ 122	\$ 1	\$ 239
Amortization for the year	35	9	1	45
At December 31, 2011	151	131	2	284
Amortization for the year	6	16	1	23
Write-offs	(121)	(147)	(3)	(271)
At December 31, 2012	\$ 36	\$ -	\$ -	\$ 36
<b>Carrying amounts</b>				
At December 31, 2011	\$ 16	\$ 32	\$ 4	\$ 52
At December 31, 2012	\$ 10	\$ -	\$ -	\$ 10

During the year ended December 31, 2012, the Company wrote-off fully amortized computer equipment totalling \$121 and fully amortized furniture and fixtures of \$105. In addition, the Company wrote-off furniture and fixtures and leasehold improvements with a total net book value of \$27 related to the Company's sublease agreement (Note 17).

**9. DUE TO RELATED PARTIES**

	2012	2011
Due to the former CFO	\$ 8	\$ 11
Due to current and former directors	95	95
Due to Coral Rapids (i)	125	-
Due to the CEO (ii)	731	750
Total	\$ 959	\$ 856

Other than for the details below, all amounts due to related parties are unsecured and have no fixed terms of repayment.

- i) During the year ended December 31, 2012, the Company settled certain debt with the former CEO (Note 5) and as part of the settlement agreed to settle the former CEO's outstanding loan balance with Coral Rapids for \$125.

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**9. DUE TO RELATED PARTIES (cont'd...)**

- ii) During fiscal 2010, a company controlled by the CEO earned an incentive payment of \$964. The incentive payment was payable in three equal instalments of \$321 on April 30, 2011, December 31, 2011, and December 31, 2012. Interest at prime plus 2% applies on any amounts unpaid by April 30, 2011. Further interest applies if any instalment is not paid by the date payable, at a rate of prime plus 10% per annum for the first 6 months, prime plus 15% for the next 6 months and prime plus 20% for any period thereafter. The total incentive payment plus accrued interest must be repaid by December 31, 2013. During the year ended December 31, 2012, the Company made the final payment on the first installment of \$76 (2011 – \$246). As at December 31, 2012, the amount outstanding relates to the second and third installments plus accrued interest.

**10. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
<b>Authorized:</b>			
An unlimited number of common voting shares without par value			
<b>Issued:</b>			
As at December 31, 2010	120,953,885	\$ 39,681	\$ 8,624
Issued for exercise of stock options (a)	2,066,000	451	(267)
Stock-based compensation	-	-	324
As at December 31, 2011	123,019,885	40,132	8,681
Stock-based compensation	-	-	68
As at December 31, 2012	123,019,885	\$ 40,132	\$ 8,749

During the year ended December 31, 2011, 2,066,000 stock options were exercised at prices between \$0.055 and \$0.155 per share for total proceeds of \$184, including \$54 of cash and \$130 as a reduction in the Company's accrued liabilities. Pursuant to the exercise of these stock options, \$267 was reallocated from contributed surplus to capital stock.

**Warrants**

As at December 31, 2012, there were no outstanding warrants. During the year ended December 31, 2011, 6,250,000 warrants exercisable at \$0.15 per share expired unexercised.

**Stock options**

In its discretion, the Board of Directors of the Company may from time-to-time and in accordance with TSX policies, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to five years from the date of grant. The Company's Stock Option Plan requires that options vest 20% immediately, with 20% vesting every six months thereafter; however, the Board may change such provisions at its discretion or as required on a grant-by-grant basis.

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**10. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options (cont'd...)**

The following is a summary of the stock option transactions during years ended December 31, 2012 and 2011:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding:</b>		
As at December 31, 2010	7,210,000	\$ 0.10
Granted	4,530,000	0.14
Exercised	(2,066,000)	0.09
Expired / forfeited	<u>(854,000)</u>	0.10
As at December 31, 2011	8,820,000	0.12
Granted	530,000	0.04
Exercised	-	-
Expired / forfeited	<u>(1,952,000)</u>	0.09
As at December 31, 2012	<u>7,398,000</u>	<u>\$ 0.12</u>

As at December 31, 2012, the Company had outstanding stock options enabling the holders to acquire 7,398,000 shares as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining Life
200,000	200,000	\$ 0.060	February 9, 2014	1.11
300,000	300,000	0.055	July 1, 2014	1.50
700,000	700,000	0.080	October 19, 2014	1.80
1,740,000	1,740,000	0.110	November 25, 2014	1.90
300,000	300,000	0.130	January 22, 2015	2.06
250,000	250,000	0.100	February 1, 2015	2.09
80,000	80,000	0.135	December 18, 2015	2.96
2,800,000	2,200,000	0.155	January 24, 2016	3.07
357,000	332,000	0.110	March 15, 2016	3.21
250,000	200,000	0.105	April 13, 2016	3.28
75,000	60,000	0.085	May 16, 2016	3.38
60,000	60,000	0.085	August 8, 2016	3.61
250,000	150,000	0.055	November 4, 2016	3.85
10,000	10,000	0.060	March 28, 2017	4.24
26,000	26,000	0.040	June 12, 2017	4.45
<u>7,398,000</u>	<u>6,608,000</u>			

The weighted average exercise price for options exercisable is \$0.12.

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**10. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

Subsequent to year-end, 717,000 stock options were forfeited.

**Stock-based compensation**

During the year ended December 31, 2012, the Company recorded \$68 (2011 - \$324) in stock-based compensation for options vested during the year. The weighted average fair value of stock options granted during the year was \$0.03 (2011 - \$0.10) based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	<u>2012</u>	<u>2011</u>
Risk-free interest rate	1.00%-1.12%	1.10%-1.75%
Expected life of option	5 years	2.5 years
Annualized volatility	113%-118%	115%-140%
Dividend rate	0%	0%

**11. OTHER INCOME**

	<u>2012</u>		<u>2011</u>	
Corporate services revenue	\$	189	\$	392
Interest income		34		82
Loan fees		65		83
<b>Total</b>	<b>\$</b>	<b>288</b>	<b>\$</b>	<b>557</b>

**12. OPERATING, GENERAL AND ADMINISTRATIVE**

	<u>2012</u>		<u>2011</u>	
Consulting fees	\$	649	\$	617
Investor relations		-		144
Office and miscellaneous		325		310
Professional fees		290		362
Rent		118		80
Salaries and benefits		348		446
<b>Total</b>	<b>\$</b>	<b>1,730</b>	<b>\$</b>	<b>1,959</b>

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**13. RELATED PARTY TRANSACTIONS**

Related party transactions not disclosed elsewhere in these financial statements are as follows:

- (a) During the year ended December 31, 2012, the Company received or accrued corporate services revenue of \$179 (2011 - \$209) and interest and loan income of \$96 (2011 - \$136) from investee companies and the former CEO.
- (b) During the year ended December 31, 2012, the Company paid or accrued consulting fees of \$280 (2011 - \$280) to a company controlled by the CEO, \$63 (2011 - \$18) to a company controlled by a director, and \$134 (2011 - \$158) to a company controlled by the former CFO.
- (c) During the year ended December 31, 2012, the Company paid or accrued professional fees of \$16 (2011 - \$Nil) to a company controlled by the current CFO.
- (d) During the year ended December 31, 2012, the Company paid or accrued interest of \$71 (2011 - \$31) to a company controlled by the CEO.
- (e) The Company has a committed obligation, effective January 1, 2008, whereby the Board of Directors and corporate officers have the option to collectively participate in up to 20% of any founding stock in all new private company investments.

Transactions with related parties were conducted and recorded at the exchange amount at the time of the transaction.

**14. INCOME TAXES**

Income tax attributable to income before taxes differs from the amounts computed by applying the combined Federal and B.C. Provincial tax rate of 25% (2011 - 26.5%) on pre-tax income as follows:

	<b>2012</b>	<b>2011</b>
Loss before taxes	\$ (366)	\$ (18,761)
Expected income tax (recovery) expense	\$ (91)	\$ (4,972)
Non deductible expenses	11	79
Change in statutory tax rates	-	277
Change in future income tax asset valuation allowance	-	4,700
Reversal of temporary differences at rate different than statutory rate	79	(117)
Other differences	1	33
Income tax (recovery) expense	\$ -	\$ -

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**14. INCOME TAXES (cont'd...)**

The significant components of the Company's future tax assets and liabilities are as follows:

	<b>2012</b>	<b>2011</b>
Future income tax assets:		
Non-capital losses	\$ 8,520	\$ 8,028
Loan receivable	-	1
Accrued liabilities	183	188
Property and equipment	6	1
Capital losses	110	110
	<u>8,819</u>	<u>8,328</u>
Future income tax liabilities:		
Unrealized losses on investments, net	(482)	(70)
	<u>8,337</u>	<u>8,258</u>
Less: valuation allowance	(8,337)	(8,258)
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2012, the Company has approximately \$34,080 (2011 - \$32,114) of non-capital losses available to reduce future years' taxable income, the tax effect of which has been recorded as a future income tax ("FIT") asset before taking any valuation allowance. These non-capital losses will expire between 2028 and 2032.

The FIT asset relates primarily to the tax benefit that would arise from the realization of unrealized losses on investments. A valuation allowance against the FIT asset is recorded to the extent that the Company considers it more likely than not that all or a portion of the FIT asset will not be realized.

At December 31, 2012 and 2011, the Company considered the various factors set out in CICA Handbook Section 3465 – Income Taxes in determining whether it was more likely than not that all or a portion of the FIT asset will be realized. Based on these factors, it was concluded that a full valuation allowance should be recognized.

**15. SEGMENTED INFORMATION**

The Company operates in one business segment being the financing of private and public exploration and mining companies in the hard rock minerals, precious metals, rare-earth minerals, oil, gas, water and renewable energy markets. All of the companies investments are traded on Canadian exchanges and all of the companies property and equipment are located in Canada.

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**16. MANAGEMENT OF CAPITAL**

The Company considers its common shares, options and warrants to comprise its capital.

The Company's objectives when managing capital are:

- (a) To ensure that the Company maintains the level of capital necessary to meet its operational requirements;
- (b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- (c) To create sustained growth in shareholder value by increasing shareholders' equity and minimizing shareholder dilution; and
- (d) To maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to meet its objectives, in order of preference, by:

- (a) Realizing proceeds from the disposition of investments and provision of corporate services; and
- (b) Raising funds through equity financings.

The Company has been able to avoid shareholder dilution by maintaining its capital and liquidity through the sale of investments and has not needed to raise funds by the issuance of equity since 2007.

The Company is not subject to any externally imposed capital requirements. Management monitors the Company's capital to ensure capital resources will be sufficient to discharge its liabilities on an ongoing basis.

**17. COMMITMENTS**

The Company has one office lease agreement with the following lease commitments remaining:

2013	\$ 54
2014	54
2015	54
2016	18

In November 2012, the Company entered into a sublease agreement on the above office lease agreement and will recover 100% of the above lease payments over the term of the lease.

In addition, the Company rented shared office premises on a one year lease for \$20 in 2013.

**18. LEGAL MATTER**

The Company was named as a cross-defendant in a legal matter between an investee and their supplier. In fiscal 2011, management did not believe that the matter met the criteria of being likely and possible to estimate and therefore no provision was established at that time. In October 2012, the legal matter was settled through mediation without admittance of guilt and the Company paid \$144.