CADMAN
RESOURCES INC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cadman Resources Inc.

We have audited the accompanying financial statements of Cadman Resources Inc. which comprise the statements of financial position as at December 31, 2012 and 2011 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising 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.

Auditors' 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 audits 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 our 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, we consider 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 based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

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

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(b) in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Cadman Resources Inc. to continue as a going concern.

/s/ "Manning Elliott LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 26, 2013

CADMAN RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

	Note	2012	2011
		$	$
ASSETS			
Current Assets			
Cash and cash equivalent		142,874	217,551
HST recoverable		9,189	30,297
Prepaid expenses		5,102	4,425
		157,165	252,273
DEFERRED ACQUISITION COSTS		-	25,000
EXPLORATION AND EVALUATION ASSETS	4	29,828	-
		186,993	277,273
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		137,277	31,896
FLOW-THROUGH SHARE PREMIUM	6(b)	20,033	-
		157,310	31,896
SHAREHOLDERS' EQUITY			
Share capital	6	1,418,514	1,184,485
Shares issued but not paid	6(b)	(18,000)	-
Contributed surplus		79,890	78,148
Deficit		(1,450,721)	(1,017,256)
		29,683	245,377
		186,993	277,273

NATURE OF BUSINESS AND CONTINUED OPERATIONS (Note 1 and 2(b))
SUBSEQUENT EVENTS (Note11)

APPROVED ON APRIL 26, 2013 ON BEHALF OF THE BOARD:

/s/ "Derek Bartlett"
Mr. Derek Bartlett, Director

/s/ "Boris Ziger "
Mr. Boris Ziger, Director

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

CADMAN RESOURCES INC.

STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

	Note	2012	2011
		$	$
GENERAL AND ADMINISTRATIVE EXPENSES			
Consulting	7	34,300	-
General exploration expense	5	41,132	-
Management and director’s fees	7	55,500	-
Marketing		12,615	21,784
Office and miscellaneous		18,933	18,751
Professional fees		118,153	173,632
Rent		26,843	16,168
Share-based compensation		-	44,450
Transfer agent and filing fees		31,226	12,442
Travel and promotion		10,670	69,676
		349,372	356,903
OTHER INCOME (EXPENSES)			
Interest and other income		907	1,666
Impairment of exploration and evaluation assets	4(b)	(30,000)	-
Impairment of deposit	5	(55,000)	-
NET LOSS AND COMPREHENSIVE LOSS		(433,465)	(355,237)
LOSS PER SHARE - BASIC AND DILUTED		(0.04)	(0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		11,307,404	10,359,185

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

CADMAN RESOURCES INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

	Common shares					
	Shares	Amount	Shares Issued but not Paid	Contributed Surplus	Deficit	Shareholders' Equity)
		$	$	$	$	$
Balance, December 31, 2010	8,214,500	602,485	-	33,698	(662,019)	(25,836)
Shares issued for cash, net	4,270,000	582,000	-	-	-	582,000
Share based compensation	-	-	-	44,450	-	44,450
Comprehensive loss	-	-	-	-	(355,237)	(355,237)
Balance, December 31, 2011	12,484,500	1,184,485	-	78,148	(1,017,256)	245,377
Shares cancelled (Note 6 (c))	(1,400,000)	-	-	-	-	-
Shares issued for cash, net	4,373,333	249,062	(18,000)	1,742	-	232,804
Share issue for property	100,000	5,000	-	-	-	5,000
Premium liability on flow-through shares	-	(20,033)	-	-	-	(20,033)
Comprehensive loss	-	-	-	-	(433,465)	(433,465)
Balance, December 31, 2012	15,557,833	1,418,514	(18,000)	79,890	(1,450,721)	29,683

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

CADMAN RESOURCES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

	2012	2011
	$	$
OPERATING ACTIVITIES		
Net loss	(433,465)	(355,237)
Items not involving cash		
Impairment of exploration and evaluation assets	25,000	-
Share-based compensation	-	44,450
	(408,465)	(310,787)
Changes in non-cash working capital items:		
HST recoverable	21,108	(11,130)
Other receivable	-	1,475
Prepaid expenses	(677)	1,350
Accounts payable and accrued liabilities	90,665	(27,188)
Cash Used in Operating Activities	(297,369)	(346,280)
INVESTING ACTIVITIES		
Deferred acquisition costs	-	(25,000)
Investment in exploration and evaluation assets	(10,112)	-
Cash Used in Investing Activities	(10,112)	(25,000)
FINANCING ACTIVITIES		
Common shares issued, net	232,804	582,000
Cash Provided by Financing Activities	232,804	582,000
INCREASE (DECREASE) IN CASH	(74,677)	210,720
CASH AND CASH EQUIVALENTS, BEGINNING	217,551	6,831
CASH AND CASH EQUIVALENTS, ENDING	142,874	217,551
NON-CASH TRANSACTIONS		
Shares issued for property	5,000	
Agent warrants issued	1,742	
Premium liability recorded on flow-through shares	20,033	-
SUPPLEMENTAL INFORMATION:		
Interest paid	-	-
Income taxes paid	-	-

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

1. NATURE OF BUSINESS AND CONTINUED OPERATIONS

Cadman Resources Inc. ("the Company") was incorporated pursuant to the British Columbia Business Corporation Act on November 13, 2007 as a "Capital Pool Company" ("CPC") as defined in the policies of the TSX Venture Exchange (the "Exchange"). As the Company failed to complete a Qualifying Transaction within the prescribed time frame under the Exchange's policy, on December 23, 2010 the Company transferred the listing of the Company's shares to the NEX Board. On July 6, 2012, the Company delisted trading of its shares from the NEX Board and began trading on the Canadian National Stock Exchange ("CNSX"). The head office, principal address and records of the office of the Company are located at 336-1 Queen Street South, Mississauga, Ontario L5M 1M2.

As of December 31, 2012, the Company is an exploration stage company that is engaged principally in the acquisition and exploration of its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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

(b) Going concern

The Company had net loss of $433,465 for the year ended December 31, 2012 and an accumulated deficit of $1,450,721 which has been funded primarily by the issuance of equity. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from exploration and evaluation assets, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3 (h). All amounts are expressed in Canadian dollars unless otherwise stated.

(b) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

(c) Exploration and evaluation assets

(i) Acquisition of exploration and evaluation assets

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are charged to profit or loss.

(ii) Exploration and evaluation costs

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating mineral reserves on specific properties are capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments are applied against exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Exploration and evaluation expenditures are evaluated annually and then reclassified as mineral properties upon completion of technical feasibility and commercial viability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Reclamation and restoration

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at December 31, 2012, the Company did not have any asset retirement obligations.

(e) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(g) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss (“FVTPL”). Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value less directly attributable transaction costs and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

(i) Financial assets

The Company has recognized its cash and cash equivalents as FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

(ii) Financial liabilities

The Company has recognized its accounts payable as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The Company derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

(i) Share-based payments

The Company accounts for share-based payments awards granted to employees and consultants using the fair value method. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest, using the Black-Scholes option pricing model. The amount recognized as expense is adjusted to reflect the number of share options expected to vest at each reporting period.

(j) Flow through shares

The proceeds from the offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures occurred.

(k) Current and deferred income taxes

Income tax expense comprises current and deferred tax and is recognized in operations except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Current and deferred income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill. Deferred tax is recognized at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax assets is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive. The weighted average number of common shares outstanding is adjusted retrospectively for changes in capitalization such as share splits, reverse splits, or cancellations without consideration.

(m) Use of estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets and financial instruments, decommissioning liabilities, deferred income tax assets and liabilities, and assumptions used in valuing options in share-based payment calculations. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

(n) Use of judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Use of judgments (continued)

(i) Going concern (continued)

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 2.

(ii) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditure is capitalized suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

(o) New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been published that are not effective for the year ended December 31, 2012 and have not been applied in preparing these financial statements. The extent of impact of adoption of these standards and interpretations on the financial statements has not been determined.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2011, or later. Some updates that are not applicable or are not consequential to the Company may have been excluded from this list.

<u>New accounting standards effective January 1, 2013</u>

IFRS 1 – First time adoption of IFRS - In March 2012, the IASB issued an amendment to this standard, which a new exception was included in respect of government loans. Measurement of below-market rate government loans is allowed to be applied prospectively at date of transition. In addition, if the entity had obtained the information to measure the loan at its fair value at the inception of the loan, it could re-measure the loan on transition. This exception is to be applied on a loan-by loan basis. This amendment is not expected to affect the Company.

IFRS 7 - Financial Instruments: Disclosures - In December 2011, the IASB issued an amendment to this standard, which requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. This amendment is not expected to affect the Company.

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New standards and interpretations not yet adopted (continued)

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1 – Presentation of Financial Statements - In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be recycled to profit or loss in future periods.

IAS 19 – Employee Future Benefits - In June 2011, the IASB issued an amendment to IAS 19, which changes the recognition, measurement and presentation of defined benefit pension expense and provides for additional disclosures for all employee benefits.

IAS 27 – Separate Financial Statements - As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 – Investments in Associates and Joint Ventures - As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provided the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New standards and interpretations not yet adopted (continued)

New accounting standards effective January 1, 2014

IAS 32 – Financial Instruments: Presentation
In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

New accounting standards effective January 1, 2015

IFRS 9 – Financial Instruments
In November 2009, as part of the IASB project to replace IIAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

4. EXPLORATION AND EVALUATION ASSETS

	Gaspe Copper	Golden Star Block	Total
	$	$	$
Balance, December 31, 2010 and 2011	-	-	-
Acquisition costs	11,050	30,000	46,050
Exploration costs			
Geological and engineering	18,000	-	18,000
Travel & Others	778	-	778
	18,778	-	18,778
Impairment	-	(30,000)	(30,000)
Balance, December 31, 2012	29,828	-	29,828

(a) Gaspe copper

On November 9, 2012, the Company entered into an option agreement to acquire 100 percent interest in the copper project located in Gaspe Peninsula in the Province of Quebec. The Gaspe copper property comprises 56 permits totalling 3,192 Ha. As consideration the Company agreed to pay cash of $30,000, issue 1,100,000 common shares and incur 300,000 exploration expenditures as follows:

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Gaspe copper (continued)

	Cash Payment	Share Issuance		Exploration Expenditures	
	$			$	
Before October 15, 2012 (paid)	5,000	-		-	
Before October 31, 2012 (issued)	-	100,000	*a*	-	
On or before June 1, 2013	-	-		100,000	*b*
On or before December 31, 2013	25,000	1,000,000	*a*	200,000	
Total	30,000	1,100,000		300,000	

a. Shares (4 months hold period) to be issued within a delay of five (5) business days following the receipt of the required regulatory approvals.
b. Of which an amount shall be incurred on the permits at the latest six (6) months before the expiry date of the permits.

The property is subject to a 2% net smelter return ("NSR"). The Company has the right, at any time and at its sole discretion, to purchase one of the two percentage points of the NRR on the property by paying to the optionor the sum of $1,000,000.

(b) Golden Star Block

On March 6, 2012 and amended on May 28, 2012, the Company entered into an option agreement to acquire a 55% undivided interest in 2 blocks of mining claims, leases and patents, known as the Golden Star Block and the Baseline/Nugget Block, that are located in Northwestern Ontario. The Company can acquire the interest by paying $275,000 in cash, issuing 960,000 common shares of the Company and incurring $600,000 exploration expenditures on the properties within two years as follows:

	Cash Payments	Share Issuance	Exploration Expenditures
	$		$
30 days after July 6, 2012 (paid)	25,000	–	–
5 days after July 6, 2012	–	960,000	–
3 months after July 6, 2012 (paid $5,000)	100,000	–	–
12 months after July 6, 2012	150,000	–	250,000
24 months after July 6, 2012	–	–	350,000
	275,000	960,000	600,000

The property is subject to a 2% NSR. The Company may purchase one half of each of the NSR at any time for $500,000.

The Company made deposit of $25,000 in 2011 and made $5,000 payment in 2012 on the property. The Company did not issue the 960,000 common shares as required in the option agreement. Management has determined not to pursue any further exploration in the property. Consequently, the $30,000 deferred acquisition cost balance was charged to net loss in 2012.

5. MBOZI COPPER DEPOSIT

On July 10, 2012 the Company entered into a letter of intent with Shenba Resources Holdings Limited ("Shenba") to acquire a 65% interest in the Mbozi Copper project located in the United Republic of Tanzania. During the year ended December 31, 2012, the Company paid $55,000 as a deposit and incurred $41,132 for geology related expenses.

This Option Agreement was terminated on March 12, 2013 when the Company signed a new letter of intent with Shenba to acquire a 75% ownership interest in Tung Wing Trading Co. Ltd., a registered company in the United Republic of Tanzania (see Note 11). As a result, the $55,000 deposit was recorded as impairment expense and the $41,132 exploration and evaluation expenditures were charged to net loss in 2012.

A director of Shenba who owns 15% equity interest in Shenba is related to an officer of the Company who was appointed Chief Financial Officer of the Company on March 7, 2013.

6. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued and outstanding

On March 3, 2011, the Company closed a non-brokered private placement of 4,000,000 common shares at a price of $0.15 per share for gross proceeds of $600,000. The Company incurred finders' fees of $18,000 and issued 270,000 finder's common shares at a fair value of $40,500 in relation to the private placement.

On August 9, 2012, the Company closed a non-brokered private placement of 280,000 units at a price of $0.15 per unit for gross proceeds of $42,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is entitled the holder to purchase one common share at a price of $0.20 per share for a period of 18 months. The Company incurred cash commission of $3,360 and granted 8,000 common share purchase warrants as finders' fees. The Company recorded $259 in non-cash issue costs related to the 8,000 warrants. These warrants have the same term and exercise price as the private placement warrants.

On November 19, 2012, pursuant to the option agreement for the Gaspe copper property, the Company issued 100,000 common shares valued at $0.05 per share (see Note 4(a)).

On December 22, 2012, the Company closed a non-brokered private placement of 2,003,333 flow-through units at a price of $0.06 per unit for gross proceeds of $120,200. Each unit consisted of one flow through common share and one non-flow through common share purchase warrant. Each whole warrant is exercisable to one common share at a price of $0.09 per share for a two year term. In connection with the flow-through share issuance, the Company recorded a $20,033 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred cash commission of $8,176 and granted 136,226 common share purchase warrants as finders' fees. The Company recorded $1,483 in non-cash share issue costs related to the 136,226 warrants. These warrants have the same term and exercise price as the private placement warrants.

In connection with this private placement, $18,000 of the gross proceeds was not received until subsequent to year end. The Company reduced the share consideration by $18,000 at December 31, 2012 to reflect the outstanding consideration.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL(Continued)

(b) Issued and outstanding (Continued)

On December 28, 2012, the Company closed a non-brokered private placement of 2,090,000 units at a price of $0.05 per unit for gross proceeds of $104,500. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to one common share at a price of $0.07 per share for a two year term. The Company incurred a cash commission of $4,360.

(c) Escrowed shares

On July 3, 2012, as a requirement of delisting from the NEX Board, the Company cancelled 1,400,000 escrowed common shares. As at December 31, 2012, the Company has no escrowed shares. The weighted average number of common shares used in the loss per share calculation has been adjusted retrospectively for years ended December 31, 2012 and 2011, due to the cancellation of the escrow shares without a corresponding change in resources.

(d) Share purchase warrants

A summary of the changes in the Company's warrants for the year ended December 31, 2012 and 2011 is presented below:

	Number of warrant	Weighted average exercise price
		$
Balance, December 31, 2010 and 2011	-	
Issued	4,377,599	0.08
Balance, December 31, 2012	4,377,599	

The following table summarizes the share purchase warrants outstanding and exercisable as at December 31, 2012:

Exercise price	Expiry date	Number of warrants
$0.20	1/5/2014	8,000
$0.20	2/20/2014	140,000
$0.09	12/28/2014	2,003,333
$0.07	12/28/2014	2,090,000
$0.09	12/28/2014	136,266
		4,377,599

The followings assumptions were used for the Black-Scholes option pricing model calculation resulting in the following estimated issue date values for the finders warrants:

	2012
Share price	$0.06
Risk free interest rate	1.13%
Expected life	1.97 years
Expected volatility	70%
Expected dividend yield	0.0%

The weighted average issue date fair value of finders warrants was $0.01.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(e) Stock options

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of the Exchange, subject to a minimum of $0.10 per common share. Options granted are non-transferable and may not exceed a term of five years from the grant date. Vesting is as determined by the directors at the time of grant.

	Outstanding and Exercisable	Exercise Price	Expiry Date
Balance, December 31, 2010	-	-	-
Options granted	280,000	$0.10	January 8, 2013
Balance, December 31, 2011 and 2012	280,000	$0.10	January 8, 2013

There was no stock option activity for the year ended December 31, 2012.

At December 31, 2012, 280,000 options with a weighted average remaining contractual life of 0.02 year were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held.

For purposes of the calculation, the following weighted average assumptions were used under the Black-Scholes model:

	2011
Share price	$0.25
Risk free interest rate	2.68%
Expected dividend yield	0%
Expected stock price volatility	125%
Expected life of options	5 years

The weighted average grant date fair value of stock options was $0.22.

7. RELATED PARTY TRANSACTIONS

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the years ended December 31, 2012 and 2011. Short-term key management compensation consists of the following for the years ended December 31, 2012 and 2011:

	2012	2011
	$	$
Director fees, paid to a Company with a common director	6,000	-
Management fees, paid to 3 Officers and/or Directors	49,500	-
Consulting fees, paid to a Company with a common director	2,100	
Total key management compensation	57,600	-

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2012, the Company also paid consulting fees of $3,000 to an officer of the Company who was appointed as CFO on March 7, 2013.

Included in prepaid and accounts payable was $177 and $40,413 due from and to these related parties respectively (2011 - $1,790). These amounts are unsecured and non-interest bearing.

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

		2012		2011
Combined statutory tax rate		25.0%		26.5%
Income tax recovery at combined statutory rate	$	108,366	$	94,138
Non-deductible item		-		(11,779)
Reduction in tax rates		-		(4,662)
Amounts not recognized		(108,366))		(77,697)
Deferred income tax recovery	$	–	$	–

At December 31, 2012, the amount of deductible temporary differences for which no deferred tax asset is recognized in the statements of financial position is as follows:

	December 31, 2012				December 31, 2011			
		Temporary Difference		Tax Effect		Temporary Difference		Tax Effect
Non-capital losses	$	1,233,000	$	308,000	$	869,000	$	217,000
Loans receivables		37,000		9,000		37,000		9,000
Mineral properties		269,000		67,000		142,000		36,000
Share issue costs		67,000		17,000		108,000		27,000
	$	1,606,000	$	401,000	$	1,156,000	$	289,000

As at December 31, 2012, the Company has approximately $1,233,000 of non-capital loss carry forwards available to reduce taxable income for future years. These losses expire from 2027 to 2032 if unused.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

9. MANAGEMENT OF CAPITAL

The Company's objective for capital management is to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. As the Company has no practical ability presently to raise money by long term or other debt, for practical purposes all of its capital management is directed towards management of its equity, warrant and option issuances. There is thus very limited flexibility in its capital management.

10. FINANCIAL INSTRUMENTS AND RISK

Fair value

As at December 31, 2012, the Company's financial instruments consist of cash and cash equivalents and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS 7 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments measured at fair value on a recurring basis at December 31, 2012 is as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalent	142,874	-	-	142,874

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with a financial institution.

10. FINANCIAL INSTRUMENTS AND RISK (continued)

Liquidity risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed Commercial Paper or similar instruments.

Foreign exchange risk

The Company does not have any foreign exchange risk as all of its transactions are in Canadian dollars.

Interest rate risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

11. SUBSEQUENT EVENTS

On January 8, 2013, 280,000 outstanding options expired unexercised.

On March 6, 2013, the Company issued 1,425,000 new options to various directors, officers and consultants.

On March 26, 2013, the Company renegotiated with Shenba Resources Holdings Limited to acquire a 75% equity interest in Tung Wing Trading Co. Ltd., a Tanzania registered company. Tung Wing Trading Co. Ltd. has a letter of intent ("LOI") to acquire certain mineral interest in Tanzania. The Company will pay to Shenba the sum of US$100,000 cash and issue a total of 10,000,000 common shares of the Company within 6 months of completion of the final purchase agreement and the receipt of approval by the CNSX. On signing of this LOI, the Company effectively terminated the previous LOI with Shenba to acquire 65 per cent of the Mbozi Copper project (see note 5).

On April 10, 2013, the Company issued 724,285 shares on the exercise of warrants.

On April 12, 2013, the Company signed a two year office lease agreement, with an option to renew for one additional year under the same terms. The agreement requires the Company to pay $1,100 per month commencing on May 1, 2013.