SOUTHEAST ASIA MINING CORP.

Consolidated Financial Statements

For the years ended
December 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Southeast Asia Mining Corp., are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

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

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

"Brian Jennings"
Brian Jennings
Chief Executive Officer

"Johnny Oliveira"
Johnny Oliveira
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of
Southeast Asia Mining Corp.

We have audited the accompanying consolidated financial statements of Southeast Asia Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southeast Asia Mining Corp. 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.

McCarneyGreenwood

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 1, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

"McCarney Greenwood LLP"

Toronto, Canada
April 30, 2013

McCarney Greenwood LLP
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Licensed Public Accountants

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Southeast Asia Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2012	December 31, 2011
	$	$
Assets		
Current Assets		
Cash and cash equivalents *(Note 6)*	**408,316**	1,338,638
Trade and other receivables *(Note 7)*	**156,741**	115,704
Prepaid expenses *(Note 8)*	**39,158**	27,001
	604,215	1,481,343
Restricted cash *(Note 6)*	**90,814**	155,112
Property, plant and equipment *(Note 9)*	**17,924**	7,871
	712,953	1,644,326
Liabilities		
Current Liabilities		
Trade and other payables *(Notes 11 and 12)*	**733,908**	604,494
Convertible debentures *(Note 17)*	**924,611**	-
	1,658,519	604,494
Shareholders' Equity (Deficiency)		
Capital stock *(Note 13)*	**18,403,198**	17,379,802
Reserve for warrants *(Note 14)*	**818,000**	804,000
Reserve for share based payments *(Note 16)*	**1,000,914**	648,407
Accumulated other comprehensive loss	**(23,858)**	(14,720)
Accumulated deficit	**(21,143,820)**	(17,777,657)
	(945,566)	1,039,832
	712,953	1,644,326

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 18)
Segmented Information (Note 19)
Subsequent Events (Note 22)

Approved on behalf of the Board of Directors on April 30, 2013:

"James Patterson" (signed)
Director

"James Fairbairn" (signed)
Director

Southeast Asia Mining Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

Year ended December 31,	**2012**	2011
Expenses		
Exploration and evaluation expenditures *(Note 10)*	**$ 2,037,036**	$ 447,186
Management and consulting fees	**364,381**	591,743
Share based payments *(Note 15)*	**347,000**	-
Professional fees	**268,725**	254,175
Office and general	**213,771**	338,859
Financing costs *(Note 17)*	**104,283**	-
Shareholders information and regulatory costs	**22,375**	27,230
Travel	**8,592**	152,567
Net loss	**$ (3,366,163)**	$ (1,811,760)
Other Comprehensive loss		
Exchange difference on translation of foreign subsidiary	**(9,138)**	(14,720)
Total comprehensive loss	**$ (3,375,301)**	$ (1,826,480)
Basic and diluted loss per share	**$ (0.12)**	$ (0.13)
Weighted average number of shares outstanding:		
Basic and diluted (000's)	**26,950**	14,313

Southeast Asia Mining Corp.
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Capital Stock		Reserves				
	Number of shares*	Amount	Warrants	Share-based payments	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance at January 1, 2011	**9,485,533**	**$ 14,946,981**	**$ -**	**$ 648,407**	**$ -**	**$ (15,965,897)**	**$ (370,509)**
Private placement	12,555,687	2,511,137	-	-	-	-	2,511,137
Shares issued for settlement of trade and other payables	4,487,395	897,480	-	-	-	-	897,480
Warrants issued on private placement	-	(689,000)	689,000	-	-	-	-
Share issue costs							
Cash	-	(171,796)	-	-	-	-	(171,796)
Broker warrants	-	(115,000)	115,000	-	-	-	-
Foreign exchange on translation of foreign subsidiary	-	-	-	-	(14,720)	-	(14,720)
Net loss for the year	-	-	-	-	-	(1,811,760)	(1,811,760)
Balance at December 31, 2011	**26,528,615**	**$ 17,379,802**	**$ 804,000**	**$ 648,407**	**$ (14,720)**	**$ (17,777,657)**	**$ 1,039,832**
Shares issued for settlement of trade and other payables	1,052,192	210,438	-	-	-	-	210,438
Shares issued for non-cash consideration	4,037,022	812,958	-	-	-	-	812,958
Warrants issued on convertible debenture private placement	-	-	14,000	-	-	-	14,000
Conversion component of convertible debenture	-	-	-	5,507	-	-	5,507
Share based payments	-	-	-	347,000	-	-	347,000
Foreign exchange on translation of foreign subsidiary	-	-	-	-	(9,138)	-	(9,138)
Net loss for the year	-	-	-	-	-	(3,366,163)	(3,366,163)
Balance at December 31, 2012	**31,617,829**	**$ 18,403,198**	**$ 818,000**	**$ 1,000,914**	**$ (23,858)**	**$ (21,143,820)**	**$ (945,566)**

** Number of shares outstanding reflects the eight for one share consolidation on November 14, 2011 of the Company’s issued and outstanding shares*

Southeast Asia Mining Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Year ended December 31,	**2012**	2011
Operating activities	**$**	$
Net loss for the year	**(3,366,163)**	(1,811,760)
Non-cash items:		
Share based payments	**347,000**	-
Accretion expense	**2,822**	-
Shares issued for exploration and evaluation expenditures	**600,000**	-
Warrants expensed on convertible debt financing	**14,000**	-
Amortization	**3,922**	1,230
Unrealized foreign exchange loss	**(6,464)**	(2,956)
Net change in non-working capital:		
Prepaid expenses	**(12,157)**	(18,102)
Trade and other receivables	**(41,037)**	(73,279)
Trade and other payables	**552,810**	358,905
Cash used in operating activities	**(1,905,267)**	(1,545,962)
Financing activities		
Proceeds received for shares to be issued	**-**	2,339,341
Proceeds from issuance of convertible debt	**927,296**	-
Cash provided from financing activities	**927,296**	2,339,341
Investing activities		
Purchase of property, plant and equipment	**(13,975)**	(9,101)
Restricted cash	**64,298**	(155,112)
Cash provided from (used in) investing activities	**50,323**	(164,213)
(Decrease) increase in cash and cash equivalents	**(927,648)**	629,166
Foreign exchange gain on cash held in foreign currency	**(2,674)**	(11,764)
Cash and cash equivalents, beginning of year	**1,338,638**	721,236
Cash and cash equivalents, end of year	**$ 408,316**	$ 1,338,638

Supplementary cash flow information		
Shares issued for settlement of trade and other payables	**$ 223,396**	$ 897,480

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Southeast Asia Mining Corp. ("Southeast Asia", "SEA" or "the Company") was incorporated on August 18, 2006 under the Canada Business Corporations Act. Its principal business activity is that of mineral exploration and development in Thailand.

At the Company's annual and special meeting of shareholders held on October 20, 2011, the shareholders approved the consolidation of its common shares on the basis of one (1) new common share for eight (8) old common shares (the "Consolidation"). Fractional shares remaining after giving effect to the Consolidation were cancelled such that shareholdings of each shareholder was rounded down to the nearest whole number of post-Consolidation common shares. On November 3, 2011, Articles of Amendment were filed to give effect to the Consolidation.

Southeast Asia is pursuing exploration opportunities in Thailand. The recovery of expenditures on mineral properties will be dependent upon the existence of economically recoverable mineralization, the ability of Southeast Asia to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The underlying value of the mineral properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

At December 31, 2012 the Company had a working capital deficiency of $1,054,304 (2011 – $876,849 working capital), had not yet achieved profitable operations, has accumulated losses of $21,143,820 (2011 – $17,777,657) and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. Southeast Asia will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These consolidated financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Company's Consolidated Financial Statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2012.

These audited consolidated financial statements were authorized by the Board of Directors of the Company on April 30, 2013.

2.2 Basis of measurement

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

2.3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements' -* effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities' -* effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement' -* effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements' -* the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.

2. BASIS OF PREPARATION (continued)

2.3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 '*Investments in Associates and Joint Ventures'* - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IAS 32 '*Financial instruments, Presentation'* – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly controlled subsidiaries, Southeast Asia Exploration and Mining Company Limited (formerly Geotai Exploration and Mining Ltd.), Southeast Asia Resource Company and White Trillium Ltd., and 80% of Southeast Asia Mining Company, companies based in Thailand. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Since the amount is not material, it is not reported. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

3.2 Mineral properties

All acquisition and exploration and evaluation costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized to mineral properties or property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base. Consideration received under option agreements is recorded as other income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight line method over the following expected useful lives:

• Office equipment	5 years
• Furniture and fixtures	5 years
• Leasehold improvements	5 years
• Computer equipment	3-5 years

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

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

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

3.4 Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2012 no provision for restoration was necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Share-based payments

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

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

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

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

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

3.6 Taxation

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Taxation (continued)

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

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

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

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

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

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

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

3.7 Loss per share

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through net loss. The Company's cash and cash equivalents are classified as FVTPL.

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

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. As at December 31, 2012, the Company had no assets classified as available-for-sale.

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

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

3.9 Financial liabilities

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of financial assets

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

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

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

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

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

3.11 Impairment of non-financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3.13 Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. As at December 31, 2012, the Company has no obligations that require provisions.

3.14 Related party transactions

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

3.15 Foreign currency transactions

Functional and presentation currency
Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company is the Canadian dollar and the functional currency of the Company’s subsidiaries is the Thailand Baht. The consolidated financial statements are presented in Canadian dollars which is the group’s presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Foreign currency transactions (continued)

Group companies

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each consolidated statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction), and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of loss as part of the gain or loss on sale.

3.16 Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to: plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments and warrants. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

4. CAPITAL MANAGEMENT

The Company considers its capital to be equity, which is comprised of capital stock, reserve accounts, accumulated other comprehensive loss, and accumulated deficit, which as at December 31, 2012 totaled a deficiency of $945,566 (2011 - $1,039,832 positive capital). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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

5. FINANCIAL INSTRUMENTS

Fair value hierarchy and fair value

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

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

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

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

The Company has designated its cash and cash equivalents as FVTPL, which are measured at fair value and are based on Level 1 measurements.

As at December 31, 2012, the carrying and fair value amounts of the Company's other financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

5. FINANCIAL INSTRUMENTS (continued)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian and Thai banks and therefore the risk of loss is minimal.

b. **Trade and other receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian and Thai governments.

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

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2012, the Company had a working capital deficiency of $1,054,304 (2011 – $876,849 working capital). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Southeast Asia may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit some or all of its interests and reduce or terminate its operations therein.

iii) Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

iv) Currency risk

The Company's functional currencies are Canadian dollar and the Thai Baht ("BAHT") and major purchases are transacted in Canadian dollars and BAHT. The Corporation funds major operations and exploration expenses in Thailand, therefore the Company maintains BAHT bank accounts in Thailand. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

The table below summarizes the effects on foreign exchange gains and losses as a result of a 10% change in the value of the foreign currencies against the Canadian dollar where the Company has significant exposure. The analysis assumes all other variables remain constant.

	Effect of a 10% increase in foreign exchange rates on translation of investments in foreign monetary assets	Effect of a 10% decrease in foreign exchange rates on translation of investments in foreign monetary assets
Thai Baht	$ 14,000	$ (14,000)

6. CASH AND CASH EQUIVALENTS

The balance at December 31, 2012, consists of $408,316 (2011 - $1,338,638) on deposit with major Canadian and Thai banks and $90,814 (2011 - $155,112) in restricted term deposits which have been pledged as collateral for certain property licenses that are restricted until the Company completes certain exploration commitments.

7. TRADE AND OTHER RECEIVABLES

	As at,	
	December 31, 2012	December 31, 2011
	$	$
Taxes recoverable	**140,591**	115,704
Other	**16,150**	-
Total Trade and Other Receivables	**$ 156,741**	$ 115,704

At December 31, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 5.

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

8. PREPAID EXPENSES

	As at,	
	December 31, 2012	December 31, 2011
	$	$
Insurance	**26,730**	22,060
Various deposits	**12,428**	4,941
Total Prepaid expenses	**$ 39,158**	$ 27,001

9. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvement	Total
	$	**$**	**$**	**$**	**$**
Cost					
As at January 1, 2011	-	-	-	-	-
Additions	1,665	4,226	3,210	-	9,101
As at December 31, 2011	**1,665**	**4,226**	**3,210**	**-**	**9,101**
Additions	5,192	3,443	3,697	1,643	13,975
As at December 31, 2012	**6,857**	**7,669**	**6,907**	**1,643**	**23,076**
Accumulated depreciation					
As at January 1, 2011	-	-	-	-	-
Depreciation expense	189	623	418	-	1,230
As at December 31, 2011	**189**	**623**	**418**	**-**	**1,230**
Depreciation expense	1,064	1,455	1,126	277	3,922
As at December 31, 2012	**1,253**	**2,078**	**1,544**	**277**	**5,152**
Net book value					
As at January 1, 2011	-	-	-	-	-
As at December 31, 2011	**1,476**	**3,603**	**2,792**	**7,871**	**7,871**
As at December 31, 2012	**5,604**	**5,591**	**5,363**	**1,366**	**17,924**

10. EXPLORATION AND EVALUATION PROPERTIES

Included in Mining and Exploration Costs are exploration rights, referred to as Special Prospecting Licenses ("SPL"), which are held by SEAM in certain locations in Thailand. As of December 31, 2012, SEAM held three such SPLs.

For the years ended December 31, 2012 and 2011, all of the Companies exploration and evaluation expenditures were spent on the Kemco and Boh Yai mining lease permit renewal and special prospecting licences.

During the years ended December 31, 2012 and 2011, exploration and evaluation expenditures on the Company's properties were as follows:

Year ended December 31,	**2012**	2011
	$	$
Acquisition costs - cash	**495,250**	-
Acquisition costs - shares	**600,000**	-
Exploration and evaluation expenditures	**941,786**	447,186
Total exploration and evaluation expenditures	**$ 2,037,036**	$ 447,186

10. EXPLORATION AND EVALUATION PROPERTIES (continued)

Kemco and Boh Yai

On November 27, 2006, Southeast Asia Exploration and Mining Company Limited ("SEAM") on behalf of the Company entered into an agreement with Kanchanaburi Exploration and Mining Co. ("Kemco") and Boh Yai Mining Company Limited ("Boh Yai"), both companies incorporated and operating pursuant to the laws of Thailand, whereby SEAM obtained an exclusive right to acquire an 80 percent equity interest in Kemco and Boh Yai upon commencement of commercial production. Under the terms of the agreement, SEAM paid US$1,000,000 and committed to provide Kemco and Boh Yai with the expertise and funds necessary to rehabilitate and commence the ore stockpile production at the historical mine site.

Under the terms of the November 27, 2006 agreement, SEAM was required to pay Kemco upon the commencement of commercial production the greater of US$2 million or 20 percent of the net profits annually for the first five years and 20 percent of the net profits annually thereafter.

Following a period of inactivity from April 2009 to December 2010 and upon the Company reacquiring control of SEAM in December 2010, negotiations were entered into with Kemco and Boh Yai to reconfirm SEAM's interest in the Kemco project. On March 1, 2011 a new Agreement was entered into which essentially confirmed all of the terms and conditions of the November 27, 2006 agreement except for the following additional provisions:

a) SEAM agreed to compensate Kemco and Boh Yai a total of $6.4 million BAHT as compensation for their terminated employees. $4.0 million BAHT was paid upon execution of the agreement and $2.6 million BAHT on June 1, 2011,

b) SEAM agreed to pay $200,000 BAHT monthly as compensation for Kemco and Boh Yai salaried employees commencing January 1, 2011,

c) SEAM agreed to pay for an Environmental and Health Impact Assessment which is required to be filed with the Thai government as part of the mine permitting process,

d) The Company agreed to raise a minimum US$2.0 million, and

e) Kemco acknowledged that SEAM's commitment to refurbish the Song Toh floatation plant and complete the processing of an ore stockpile was satisfied.

Amended Joint Venture Agreement

On October 15, 2012, the Company entered into an amended joint venture agreement ("Amended JVA") which replace all prior agreements. Under the terms of the Amended JVA, SEA can earn its 80% interest in the mining lease applications by exercising the first and second option. In connection with executing the Amended JVA, SEA made a USD$48,528 payment on signing the Amended JVA and made payment of USD$16,176 on closing of the first option to its joint venture partner as compensation for the current mine staff.

First Option
SEA may exercise the first option by making a payment of USD$500,000 and issuing 3,000,000 Common Shares to its joint venture partner prior to December 13, 2012 for the exclusive right to exercise the second option detailed below. On December 13, 2012 SEA exercised the first option.

Second Option
SEA may exercise the second option by making a USD$2,500,000 payment to its joint venture partner on July 11, 2013. Upon making the payment, SEA will have earned an 80% interest in the mining lease applications and will assume operatorship of the project. The mining lease applications will be effectively transferred to SEAMC which is controlled 80% by SEA and 20% by its joint venture partner, Pornnaret.

10. EXPLORATION AND EVALUATION PROPERTIES (continued)

Production Payments
In order to maintain its 80% ownership interest in the Property, SEA is required to make the following production payments:

- Upon completion of the first complete calendar year following the commencement of commercial production at the Boh Yai mine, SEA must pay USD$600,000 and 20% of any net profits in excess of USD$2,000,000;
- Upon completion of the second and third complete calendar years following the commencement of commercial production at the Boh Yai mine, SEA must pay the greater of USD$2,000,000 or 20% of the net profits; and upon completion of the fourth complete calendar year following the commencement of commercial production at the Boh Yai mine, SEA must pay USD$400,000 and 20% of any net profits in excess of USD$2,000,000.

Upon completion of the fifth complete year following the commencement of commercial production at the Boh Yai mine, SEA must pay 20% of any net profits in excess of USD$2,000,000 and thereafter 20% of net profits.

Equipment Option
In addition to the option to earn an 80% interest in the Property, SEA has been granted the option to earn an 80% interest in a flotation plant, buildings and equipment by making installment payments to its joint venture partner totaling USD$1,400,000. The installment payments are as follows:

Date	Amount
October 15, 2013 to June 15, 2015	USD$5,823 per month
July 15, 2015	USD$377,709
August 15, 2015 to December 15, 2015	USD$6,470 per month
January 15, 2016	USD$467,648
February 15, 2016 to June 15, 2016	USD$6,470 per month
July 15, 2016	USD$367,650

On the date that is six months following the receipt of a mining permit at the Boh Yai mine, the remaining installment payments are due. Upon making the total payment of USD$1,400,000 the equipment will be transferred to SEAMC. In the event that SEA fails to make an equipment option payment the option to acquire the equipment shall terminate.

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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

	December 31, 2012	December 31, 2011
Balances:		
Short-term employee benefits - cash	**$ 179,000**	$ 276,000
Short-term employee benefits – shares issued for services (Note 13)	**200,000**	-
Share based payments	**321,000**	-
Total compensation to key management	**$ 699,000**	$ 276,000

At December 31, 2012, included in trade and other payables is $163,000 (2011 - $119,000) due to these key management personnel.

12. TRADE AND OTHER PAYABLES

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

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

	As at,	
	December 31, 2012	December 31, 2011
Less than one month	**$ 88,800**	$ 76,789
Over one month	**645,108**	527,705
Total Trade and Other Payables	**$ 733,908**	$ 604,494

13. CAPITAL STOCK

The Company is authorized to issue an unlimited number of common shares without par value. The issued and outstanding common shares consist of the following:

	No. of Shares	Amount
Balance at January 1, 2011	**75,884,262**	**$ 14,946,981**
Private Placement	100,445,499	2,511,137
Shares issued for settlement of trade and other payables	35,899,198	897,480
Warrants issued on private placement	-	(689,000)
Share issuance costs – cash	-	(171,796)
Share issuance costs – broker warrants	-	(115,000)
Balance at November 14, 2011	**212,228,959**	**$ 17,379,802**
Share consolidation (1:8)*	**(185,700,344)**	**-**
Balance at December 31, 2011	**26,528,615**	**$ 17,379,802**
Shares issued for debt	**1,052,192**	**210,438**
Shares issued for non-cash consideration	**4,000,000**	**800,000**
Shares issued for interest on convertible bonds	**37,022**	**12,958**
Balance at December 31, 2012	**31,617,829**	**$ 18,403,198**

*On November 3, 2011 the Company consolidated its shares on a 1 for 8 basis.

Year ended December 31, 2012:

On November 5, 2012, the Company issued 1,052,192 shares to settle $210,438 in outstanding accounts payable. The shares were issued at a price of $0.20 which represents the fair value of the shares on the date of settlement.

On December 4, 2012 the Company issued 3,000,000 shares as part of the first option of its joint venture agreement with Kemco (see note 10). The shares were issued at a price of $0.20 which represents the fair value of the shares on the date of issuance.

On December 17, 2012 the Company issued 1,000,000 shares to the CEO of the Company for services provided. The shares were issued at a price of $0.20 which represents the fair value of the shares on the date of settlement.

On December 31, 2012 the Company issued 37,022 shares to various bond holders as settlement of interest accrued on the convertible debenture up to December 31, 2012. The shares were issued at a price of $0.35 which represents the fair value of the shares on the date of settlement.

13. CAPITAL STOCK (continued)

Year ended December 31, 2011:

Over the period from August 11, 2011 to October 11, 2011, the Company closed several tranches of a non-brokered private placement which generated gross proceeds of $2,511,137 in cash and the conversion of $897,480 in outstanding accounts payable. The financing consisted of 136,344,697 units pre-consolidation (17,043,082 post consolidation units), of which 35,899,198 pre-consolidation units (4,487,395 post consolidation units), were issued on conversion of outstanding accounts payable. Each unit was issued at $0.025 and was comprised one common share and one half of one common share purchase warrant for a total of 68,172,348 pre consolidation warrants (8,521,542 post consolidation warrants) being issued with each full warrant exercisable at $0.035 ($0.28 post consolidation) for a period of 36 months.

In connection with the financing, the Company has paid eligible persons a cash finder's fee of $171,796 and has issued 6,849,185 pre-consolidation finder's warrants (856,148 post consolidation warrants). Each finder's warrant entitles the holder to subscribe for one unit made up of one common share and one half common share purchase warrant at a price of $0.025 ($0.20 post consolidation) per pre-consolidation unit for a period of 36 months. The underlying broker warrant is exercisable at $0.035 ($0.28 post consolidation) per pre-consolidation share for a period of 36 months.

14. RESERVE FOR WARRANTS

The following table reflects the continuity of warrants for the year ended December 31, 2012 and 2011.

	Number of Warrants	Amount $
Balance – January 1, 2011	**-**	**-**
Issued pursuant to private placement (i)	8,521,542	689,000
Agent warrants issued (ii)	856,148	80,000
Warrants on agent units (iii)*	428,074	35,000
Balance – December 31, 2011	**9,805,764**	**804,000**
Agent warrants issued (iv)	**179,040**	**14,000**
Balance – December 31, 2012	**9,984,804**	**818,000**

*These warrants are issuable upon exercise of the agent units.
The warrants in the table are post 1:8 share consolidation on November 14, 2011

(i) The warrants issued pursuant to the private placement between August 11, 2011 and October 11, 2011 are described in Note 13 and have a fair value of $689,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.95% - 1.24%	Expected volatility	100%
Dividend yield	nil	Expected life-units	3 years

(ii) The agent's warrants issued pursuant to the private placement between August 11, 2011 and October 11, 2011 are described in Note 13 and have a fair value of $80,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.95% - 1.24%	Expected volatility	100%
Dividend yield	nil	Expected life-units	3 years

14. RESERVE FOR WARRANTS, (continued)

(iii) The warrants on exercise of agent's warrants issued pursuant to the private placement between August 11, 2011 and October 11, 2011 are described in Note 13 and have a fair value of $35,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.95% - 1.24%	Expected volatility	100%
Dividend yield	nil	Expected life-units	3 years

(iv) The agent's warrants were issued pursuant to the private placement of debentures described in Note 17 and have a fair value of $14,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.06%	Expected volatility	100%
Dividend yield	nil	Expected life-units	2 years

Warrants to purchase common shares carry exercise prices and terms to maturity at December 31, 2012 are as follows:

Exercise price $	Number of outstanding warrants exercisable warrants	Expiry date
0.35	179,040	December 2014
0.28	8,521,542	August to October 2014
0.20*	856,148	August to October 2014
0.28**	428,074	August to October 2014

* These are broker warrants which are issuable for one common share and ½ purchase share warrant
** To be issued upon exercise of broker warrants

15. SHARE BASED PAYMENTS

Share based payments
The Company has an incentive stock option plan ("the Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding capital stock increases.

The Plan provides that it is solely within the discretion of the Board to determine who will receive stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The maximum number of options which may be reserved for issuance to insiders of the Company shall not exceed 10% of the outstanding shares of the Company;
- The maximum number of options which may be issued to any insider of the Company, together with any previously established or proposed share compensation arrangements, within a 12-month period shall not exceed 5% of the outstanding shares of the Company.
- The maximum number of options, which may be issued to insiders of the Company, together with any previously established or proposed share compensation arrangements within a 12-month period shall not exceed 10% of the outstanding shares of the Company.

15. SHARE BASED PAYMENTS, (continued)

As at December 31, 2012, the Company had 836,783 (2011 – 2,652,862) options available for issuance under the plan.

Summary of stock option activity:

	Number of stock options	Weighted average exercise price
Beginning, January 1, 2011	**3,200,000**	**$ 0.70**
Expired	**(3,200,000)**	**$ 0.70**
Ending, December 31, 2011	**-**	**$ -**
Granted	**2,325,000**	**$ 0.20**
Ending, December 31, 2012	**2,325,000**	**$ 0.20**

The weighted average remaining contractual life for outstanding options is as follows:

Price Range	Number of Options	Weighted Average Remaining Life (years)	Weighted Average Exercise Price
$0.20	2,325,000	4.82	$ 0.20
$0.20	2,325,000	4.82	$ 0.20

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation for the stock options granted during the year ended December 31, 2012:

	October 26, 2012
Number of options granted	2,325,000
Weighted average information	
Exercise Price	$0.20
Risk-free interest rate	1.39%
Expected life	5 years
Expected volatility	100%
Vesting	100% immediately
Expected dividends	0
Fair value of options granted	$ 347,000
Total share based payments	$ 347,000

The weighted average grant-date fair value of options granted during the year ended December 31, 2012 is $0.20 (2011 - $nil) per option issued.

16. RESERVE FOR SHARE BASED PAYMENTS

A summary of the changes in the Company's reserve for share based payments for the years ended December 31, 2012 and 2011 is set out below:

	December 31, 2012	December 31, 2011
	Amount ($)	Amount ($)
Balance at beginning of year	**648,407**	648,407
Share based payments	**347,000**	-
Conversion component of convertible debt	**5,507**	-
Balance at the end of year	**1,000,914**	648,407

17. CONVERTIBLE DEBENTURES

On December 7, 2012, the Company closed the first tranche of its brokered private placement of unsecured convertible debentures ("Debentures") for gross proceeds of $927,296. These Debentures were issued at a 2% discount to face value. Therefore, face value of these debentures issued was $946,220. On the maturity date, each Debenture will be convertible into units of the Company at a price of $0.35 per Unit prior to June 30, 2013 and at a price of $0.30 per Unit thereafter. Each Unit consists of one common share in the capital of the Company and one-half of a Common Share purchase warrant. Each Warrant will entitle the holder thereof to purchase one Common Share at a price of $0.50 per Common Share in the event that the maturity date is prior to June 30, 2013, and at a price of $0.40 in the event the maturity date is after June 30, 2013 for a period of two years from the maturity date. The maturity date is the earlier of: the date the Company receives approval for the listing of its Common Shares on a recognized stock exchange; the date upon which a change of control occurs; and December 31, 2014.

The rate of interest on the Debentures is 20% per annum, payable quarterly in equal installments on March 31, June 30, September 30 and December 31 of each year in cash or Common Shares, at the option of the Company.

In consideration of the services rendered by the Agent, the Agent received a cash commission of $90,283. The Agent also received 179,040 broker warrants. Each Broker Warrant entitles the Agent to purchase one Common Share at a price of $0.35 per Common Share for a period of 24 months from the closing of the private placement and had a fair value of $14,000 (see note 14). The total cost of $104,283 has been expensed for the year ended December 31, 2012.

The debenture is classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The discount is being accreted over the term of the debenture utilizing the effective interest rate method at a 25% discount rate.

The following table reflects the continuity of convertible debt for the year ended December 31, 2012 and 2011.

	December 31, 2012	December 31, 2011
	Amount ($)	Amount ($)
Balance at beginning of year	**-**	-
Debentures issued	**921,789**	-
Accretion expense	**2,822**	-
Balance at the end of year	**924,611**	-

18. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's exploration activities are subject to certain international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

19. SEGMENTED INFORMATION

Operating Segments

At December 31, 2012 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Thailand. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *'Operating Segments'*. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

Geographic Segments

Southeast Asia is in the business of mineral exploration and production in the country of Thailand. As such, management has organized the Company's reportable segments by geographic area. The Thailand segment is responsible for that country's mineral exploration and development activities while the Canadian segment manages corporate head office activities. Information concerning Southeast Asia's reportable segments is as follows:

	December 31, 2012	December 31, 2011
Consolidated net loss		
Canada	**$ 2,593,644**	$ 759,042
Thailand	**772,519**	1,052,718
	3,366,163	1,811,760
Identifiable assets		
Canada	**441,212**	995,522
Thailand	**271,741**	648,804
	712,953	1,644,326

20. INCOME TAXES

Deferred Income Tax Recovery

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

	2012	2011
Combined statutory income tax rate	**26.50%**	28.25%
Recovery of income taxes computed at statutory rates	**(892,000)**	(511,000)
Difference in foreign jurisdiction tax rates	**(27,000)**	(18,000)
Difference between current and deferred tax rates	**-**	29,000
Non-deductible expenses	**22,000**	12,000
Share issue costs	**(23,000)**	(43,000)
Tax benefits of losses and temporary differences not recognized	**920,000**	531,000
Income tax provision	**-**	-

The Canadian statutory income tax rate of 26.25% (2011 – 28.25%) is comprised of the federal income tax rate at approximately 15% (2011 – 16.5%) and the provincial income tax rate of approximately 11.25% (2011 – 11.75%). The Thailand statutory income tax rate is approximately 30% (2011 – 30%). The primary differences which give rise to the deferred income tax assets and liabilities at December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets	**$**	$
Share issuance costs and other	**53,000**	44,000
Deferred exploration expenditures	**605,000**	145,000
Non-capital losses carried forward	**2,531,000**	2,080,000
	3,189,000	2,269,000
Less: deferred tax asset not recognized	**(3,189,000)**	(2,269,000)
Net deferred tax assets	**-**	-
Deferred tax liabilities	**-**	-
Net deferred tax liability	**-**	-

The unamortized balance, for income tax purposes, of the share issuance costs amounted to approximately $200,000 (2011 - $175,000) and will be deductible in Canada over the next four (2011 – four) years.

20. INCOME TAXES (continued)

The Company has available for carry forward non-capital losses in Canada of $7,467,000 (2011 - $6,826,000) and in Thailand of $1,840,000 (2011 - $1,247,000) to offset future taxable income. As at December 31, 2012, the non-capital loss carry forwards expire as follows:

	Thailand	Canada
	$	$
2014	52,000	-
2015	567,000	-
2016	628,000	-
2017	593,000	
2026	-	261,000
2027	-	630,000
2028	-	2,108,000
2029	-	1,127,000
2030	-	1,647,000
2031	-	1,053,000
2032	-	641,000
	1,840,000	7,467,000

21. COMPARABLE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's basis of presentation.

22. SUBSEQUENT EVENTS

On February 12, 2013, the Company granted the 900,000 stock options to directors, officers and consultants of the Company. These stock options vest immediately and are exercisable at $0.25 for a period of 5 years.

On February 13, 2013, the Company closed the second tranche of its previously announced private placement of Debentures. Tranche two consisted of additional gross proceeds of $55,860 and were issued under the same terms as tranche one (See Note 17 for terms).

On April 16, 2013 the Company issued 139,892 shares to various bond holders as settlement of all interest accrued on the convertible debenture up to March 31, 2013 of $48,966. The shares were issued at a price of $0.35 which represents the fair value of the shares on the date of settlement.

On April 23, 2013, the Company engaged Jennings Capital Inc. ("Jennings") to lead a brokered private placement to raise, on a best efforts agency basis, a minimum of $6,000,000 through the issue of special warrants ("Special Warrants"), at a price of $0.50 per Special Warrant. Each Special Warrant will entitle the holder thereof to receive, without payment of any additional consideration, one Unit to be issued from treasury of the Company (the "Units") upon the exercise of the Special Warrants. The Special Warrants will be exercised or deemed exercised by the holders thereof at any time on or before 5:00 p.m. on the earlier of:

(a) the date the Special Warrant is exercised at the election of the holder; and

(b) the listing of shares on a recognized exchange

Each Unit will be comprised of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each full warrant may be exercised for $0.65 for one Common Share for a period of three years from the date that the common shares are listed on a recognized exchange. The closing of the Offering is anticipated to be on or about June 5, 2013.

22. SUBSEQUENT EVENTS (continued)

The Company will make commercially reasonable efforts to obtain a listing of the Common Shares on a recognized exchange and obtain a final receipt for a short form prospectus qualifying the distribution of the Common Shares and the Warrants issuable upon conversion of the Special Warrants no later than thirty (30) days after the Closing Date. In the event that a final receipt for the short form prospectus is not obtained within thirty (30) days after the Closing Date, each subscriber of Special Warrants shall be entitled to receive in respect of each Special Warrant purchased, without the payment of any additional consideration and without any further action on the part of the holder thereof, an additional 0.10 of the securities underlying each Special Warrant purchased by such holder.

The proceeds from the sale of the Special Warrants will be used by the Company to make payments pursuant to the Company's joint venture agreement, mine permitting, pre-production design and engineering, exploration data compilation, drilling and geophysical surveys at or near the Song Toh and Boh Yai mines, and for general working capital purposes.

Jennings will be paid a cash commission equal to 7% of the aggregate gross proceeds of the Offering, and will be issued broker warrants equal to 7% of the number of Special Warrants issued to qualified investors.