# VIPER GOLD LTD.

## CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2013 and 2012

*(Unaudited – Expressed in Canadian Dollars)*

**Notice to Readers:**

These unaudited condensed interim financial statements of Viper Gold Ltd. (the “Company”) have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3 (3) (a) of National Instrument 51-102 - *Continuous Disclosure Obligations.*

**Viper Gold Ltd.**

**Condensed Interim Statements of Financial Position**

*(Unaudited - Expressed in Canadian Dollars)*

| | Notes | As at March 31, 2013 | As at December 31, 2012 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | $ 17,465 | $ 12,274 |
| Amounts receivable | | 1,897 | 15,281 |
| Prepaid expenses and deposits | | 1,753 | 1,753 |
| **Total current assets** | | 21,115 | 29,308 |
| | | | |
| Equipment | *5* | 857 | 1,112 |
| Exploration and evaluation assets | *6* | 1,156,883 | 1,156,883 |
| **Total assets** | | $ 1,178,855 | $ 1,187,303 |
| | | | |
| **Liabilities and Shareholders' Equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | *14* | $ 92,471 | $ 73,200 |
| | | | |
| **Shareholders' Equity** | | | |
| Share capital | *7* | 1,529,071 | 1,529,071 |
| Warrants | *7* | - | - |
| Share-based payments reserve | 8 | 155,117 | 155,117 |
| Deficit | | (597,804) | (570,085) |
| **Total equity** | | 1,086,384 | 1,114,103 |
| **Total liabilities and equity** | | $ 1,178,855 | $ 1,187,303 |

*Going concern (note 2)*

*Commitments and contingencies (notes 6 and12)*

Approved on Behalf of the Board:

| | |
|---|---|
| *Joseph Del Campo* | *Paul C. Davis* |
| Director | Director |

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

**Viper Gold Ltd.**

**Condensed Interim Statements of Loss and Comprehensive Loss**

*(Unaudited - Expressed in Canadian Dollars)*

| | | For the three months ended March 31, | |
|---|---|---|---|
| | ***Notes*** | **2013** | **2012** |
| **Expenses** | | | |
| General and administrative expenses | | $ 14,880 | $ 14,015 |
| Professional and consulting fees | | 12,584 | 17,187 |
| Depreciation | | 255 | 255 |
| **Total expenses** | | 27,719 | 31,457 |
| **Net loss and comprehensive loss for the period** | | $ (27,719) | $ (31,457) |
| Basic and diluted loss per share | *9* | $ (0.00) | $ (0.00) |
| Weighted average number of common shares | | 12,772,000 | 12,605,000 |

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

**Viper Gold Inc.**

**Condensed Interim Statements of Changes in Equity**

*(Unaudited - Expressed in Canadian Dollars)*

| | Notes | Capital stock: Number of shares | Capital stock: Amount | Warrants | Share-based payments reserve | Deficit | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2012 | | 12,772,000 | $ 1,529,071 | $ - | $ 155,117 | $ (570,085) | $ 1,114,103 |
| Net loss | | - | - | - | - | (27,719) | (27,719) |
| **Balance at March 31, 2013** | | 12,772,000 | $ 1,529,071 | $ - | $ 155,117 | $ (597,804) | $ 1,086,384 |
| | | | | | | | |
| Balance at December 31, 2011 | | 12,205,000 | $ 1,487,051 | $ 396,738 | $ 174,717 | $ (774,984) | $ 1,283,522 |
| Issued to Duran for mineral properties | *7 (a)(i)* | 400,000 | 32,000 | - | - | - | 32,000 |
| Net loss | | - | - | - | - | (31,457) | (31,457) |
| **Balance at March 31, 2012** | | 12,605,000 | $ 1,519,051 | $ 396,738 | $ 174,717 | $ (806,441) | $ 1,284,065 |

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

**Viper Gold Ltd.**
**Condensed Interim Statements of Cash Flows**
*(Unaudited - Expressed in Canadian Dollars)*

| | Notes | For the three months ended March 31, 2013 | 2012 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss for the period | | $ (27,719) | $ (31,457) |
| **Adjustments to reconcile net loss to net cash flows:** | | | |
| **Non-cash adjustments:** | | | |
| Depreciation | | 255 | 255 |
| | | (27,464) | (31,202) |
| **Working capital adjustments:** | | | |
| Decrease (increase) in amounts receivable | | 13,384 | (2,615) |
| Decrease in prepaid expenses | | - | 2,646 |
| Increase in accounts payable and accrued liabilities | | 19,271 | 7,322 |
| **Net cash flows (used) in operating activities** | | 5,191 | (23,849) |
| **Net cash flows used in investing activities** | | - | - |
| **Net cash flows from financing activities** | | - | - |
| **Net increase (decrease) in cash and cash equivalents** | | 5,191 | (23,849) |
| Cash and cash equivalents - Beginning of year | | 12,274 | 98,813 |
| **Cash and cash equivalents - End of the period** | | $ 17,465 | $ 74,964 |
| **Supplemental information:** | | | |
| Common shares issued for interest in exploration properties | *7 (a)(i)* | $ - | $ 32,000 |
| Interest paid | | $ - | $ - |

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

## 1. NATURE OF OPERATIONS

Viper Gold Ltd. (the “Company”) was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on January 29, 2008 under the name Leboldus Capital Inc. Until August 19, 2010, the Company was classified as a capital pool company as defined by TSX Venture Exchange (the “TSXV”) Policy 2.4. During the year ended December 31, 2010, the Company completed its Qualifying Transaction, namely, the optioning of the Corongo Property as described in Note 6. The Company is a public corporation whose shares are listed and posted for trading on the TSXV under the symbol “VPR”. The Company is in the business of acquiring and exploring mineral properties with a view to finding and developing mineable deposits of precious and base metals.

The address of the Company’s executive office is: First Canadian Place, Suite 5700,100 King Street West, Toronto, Ontario, M5X 1C7, Canada.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. The Company’s interest in the Corongo Property is located outside of Canada and is subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, and political uncertainties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory and environmental requirements.

## 2. GOING CONCERN

The Company is in the exploration and evaluation stage and has an interest in certain mineral claims in Peru and Canada from which no revenue has yet been generated. The exploration and development of mineral properties involves significant financial risk, with recoverability of costs incurred being subject to future profitable production from economically recoverable reserves and/or financing through issuance of shares or sale of property interests.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in these financial statements. Such adjustments could be material. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet ongoing administration expenses and related liabilities as they fall due.

## 2. GOING CONCERN (continued)

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. The Company has incurred a loss in the current and prior periods, with a loss of $27,719 for the three months ended March 31, 2013, (2012 - $31,457), and as at March 31, 2013 has an accumulated deficit of $597,804 and a working capital deficiency of $71,356.

## 3. BASIS OF PRESENTATION

### (a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, *Interim Financial Reporting.* These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjuction with the Company's audited annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on May 21, 2013.

### (b) Basis of preparation

These condensed interim financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis. In addition, these financial statements are prepared using the accrual basis of accounting except for cash flow information.

### (c) Recent accounting pronouncements

Certain pronouncements were issued by the "IASB" or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after July 1, 2012 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the discussion below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- IFRS 9 - *Financial instruments* ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier adoption is permitted.

## 3. BASIS OF PRESENTATION (continued)

### (c) Recent accounting pronouncements (continued)

- IFRS 10 - *Consolidated financial statements* ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's return. IFRS 10 is effective for annual period beginning on or after January 1, 2013.

- IFRS 11 - *Joint arrangements* ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

- IFRS 12 - *Disclosure of interests in other entities* ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

- IFRS 13 - *Fair value measurement* ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

  - fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;

  - financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;

  - disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;

  - a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;

  - a narrative must be provided discussing the sensitivity fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs; and

  - information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

  IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

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

## 3. BASIS OF PRESENTATION (continued)

### (c) Recent accounting pronouncements (continued)

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

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

### (d) Significant accounting judgments and use of estimates

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

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

*i.* *Capitalization of exploration and evaluation costs*
Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See note 6 for details of capitalized exploration and evaluation costs.

*ii.* *Share-based payments*
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## 3. BASIS OF PRESENTATION (continued)

### (d) Significant accounting judgments and use of estimates (continued)

*iii. Estimation of decommissioning and restoration costs and the timing of expenditure*

The cost estimates are updated annually and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

*iv. Impairment of exploration and evaluation assets*

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

*v. Income taxes and recoverability of potential deferred tax assets*

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws. Future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these condensed interim financial statements are summarized in the audited financial statements of the Company for the year ended December 31, 2012. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2012.

**(Unaudited - Expressed in Canadian dollars)**

## 5. EQUIPMENT

| | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| As at March 31, 2013 | $ 3,056 | $ 2,199 | $ 857 |
| As at December 31, 2012 | $ 3,056 | $ 1,944 | $ 1,112 |

## 6. EXPLORATION AND EVALUATION ASSETS

| | Balance December 31, 2011 | 2012 Additions | 2012 Write-Offs | Balance December 31, 2012 | 2013 Additions | Balance March 31, 2013 |
|---|---|---|---|---|---|---|
| **Corongo Property** | $ 1,124,883 | $ 32,000 | $ - | $ 1,156,883 | $ - | $ 1,156,883 |
| **Grindstone Creek Property** | - | 10,020 | (10,020) | - | - | - |
| **Currie-Bowman Property** | 46,709 | 500 | (47,209) | - | - | - |
| | $ 1,171,592 | $ 42,520 | $ (57,229) | $ 1,156,883 | $ - | $ 1,156,883 |

**Corongo:**

On March 17, 2010, the Company entered into an option agreement ("Option Agreement") with Duran Ventures Inc. ("Duran"), an arm's length resources company, and its subsidiary Minera Aguila de Oro S.A.C. ("Minera"), providing for the right to acquire a 50% interest in certain mineral claims comprising a prospective gold property known as the Corongo Property in Peru. The Option Agreement was subsequently amended June 22, 2010 and August 5, 2010. The Option Agreement, as amended, provides for the acquisition of a 50% interest in certain mineral claims comprising the Corongo Property in consideration for: (i) the payment of US$25,000 ($25,247 paid) in cash upon execution of the Agreement, (ii) the Company incurring not less than US$1,000,000 in exploration expenditures on the Corongo Property (US$1,000,000 has been incurred) prior to March 10, 2012; and (iii) the issuance of 1,000,000 common shares in the capital of the Company as to: (a) 300,000 common shares on or prior to the closing of the Qualifying Transaction (issued and valued at $45,000); (b) 300,000 common shares on or prior to March 10, 2011 (issued and valued at $72,000); and (c) 400,000 common shares on or prior to March 10, 2012 (issued and valued at $32,000). The Company has earned its 50% interest in the property however a definitive joint venture agreement has not been signed yet.

**Grindstone Creek:**

On July 31, 2012, the Company entered into an option agreement (the “Agreement”) with Kinross Gold Corporation (“Kinross”) and Selkirk Metals Corp.(“Selkirk”), a wholly owned subsidiary of Imperial Metals Corporation on the Currie-Bowman Property, located 54 kilometres east of Timmins Ontario (the “Grindstone Creek Property”). Pursuant to the Agreement the Company can acquire 100% interest in the Grindstone Creek Property by earning 100% of the 60% participating interest held by Kinross and 100% of the 40% interest held by Selkirk. The option requires expenditures totalling $375,000 over 2 years, with the first $125,000 committed to be expended during the first year of the Agreement in addition to staged share payments totalling 667,000 common shares of the Company, of which 167,000 were due within 10 days of completing a 30 day due diligence period (issued and valued at $10,020). In November 2012, the Company decided not to proceed with this option, as it will not be able to fund the first year commitment of $125,000, and therefore has written off all costs incurred on this property. A mutual decision to cancel the agreement was taken on February 26, 2013.

**(Unaudited - Expressed in Canadian dollars)**

## 6. EXPLORATION AND EVALUATION ASSETS (continued)

**Currie-Bowman:**

On August 8, 2011, the Company staked 369 unpatented mining claims in northern Ontario. The Company holds a 100% interest in the staked mining claims, which are valid for two years from the date of recording, and can be held for additional years by completing a minimum of $400 of work per 16 hectare unit per year. During the year ended December 31, 2012, the Company decided to write off expenditures of $47,209 incurred on the property as the Company does not intend to renew the claims when they expire in July 2013.

## 7. SHARE CAPITAL AND OTHER EQUITY

*(a) Authorized, issued and outstanding shares*

Authorized:
- unlimited number of common shares without par value
- unlimited number of preferred shares issuable in series

Issued:
12,772,000 common shares as at March 31, 2013 and December 31, 2012, respectively.

Transactions during the first three months of 2013 and for the year ended December 31, 2012 are as follows:

| | Number of Shares | Amount |
|---|---|---|
| Balance, December 31, 2011 | 12,205,000 | $1,487,051 |
| Corongo option agreement *(i)* | 400,000 | 32,000 |
| Grindstone option agreement *(i)* | 167,000 | 10,020 |
| Balance, December 31, 2012 and March 31, 2013 | 12,772,000 | $1,529,071 |

*(i) Shares issued for mineral exploration properties*

On January 24, 2012, the Company issued 400,000 common shares valued at $0.08 per share (being the market value on the date of issue) to Duran pursuant to the Option Agreement (see Note 6).

On September 21, 2012, the Company issued 167,000 common shares valued at $0.06 per share (being the market value on the date of issue) pursuant to the option agreement on the Grindstone Creek Property (see Note 6).

**(Unaudited - Expressed in Canadian dollars)**

## 7. SHARE CAPITAL AND OTHER EQUITY (continued)

*(b) Warrants*

No common share purchase warrants remain outstanding at March 31, 2013.

Common share purchase warrant transactions during the three months ended March 31, 2013 and for the year ended December 31, 2012 are as follows:

| | March 31, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Number of Warrants | Weighted average exercise price | Fair Value | Number of Warrants | Weighted average exercise price | Fair Value |
| Outstanding – beginning of the year | - | $ - | $ - | 6,905,000 | $ 0.33 | $ 396,738 |
| Issued | - | - | - | - | - | - |
| Expired | - | - | - | (6,905,000) | 0.33 | (396,738) |
| Outstanding – end of the period | - | $ - | $ - | - | $ - | $ - |

(Unaudited - Expressed in Canadian dollars)

## 8. SHARE - BASED PAYMENTS – SHARE OPTION PLAN

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of common stock options shall not exceed 10% of the issued and outstanding common shares of the Company, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of options granted under the plan shall not be lower than the exercise price permitted by the TSX Venture Exchange, and all options granted under the plan will have a term not to exceed five years.

A summary of the status of the Plan as at March 31, 2013 and December 31, 2012, and changes during periods ended on those dates are presented below:

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Number of stock options | Weighted average exercise price | Number of stock options | Weighted average exercise price |
| Outstanding – beginning of the year | 906,000 | $0.30 | 1,006,000 | $0.30 |
| Granted | - | - | - | - |
| Expired | - | - | (100,000) | $0.26 |
| Outstanding – end of the period | 906,000 | $0.30 | 906,000 | $0.30 |

As at March 31, 2013, the Company had stock options issued to directors, officers, employees and consultants of the Company outstanding as follows:

| Date of grant | Number of options | Exercisable | Exercise price | Expiry date | Weighted average remaining contractual life |
|---|---|---|---|---|---|
| July 10, 2008 | 250,000 | 250,000 | $0.20 | July 10, 2013 | 0.29 years |
| August 17, 2010 | 200,000 | 200,000 | $0.20 | August 17, 2015 | 2.38 years |
| January 26, 2011 | 456,000 | 456,000 | $0.40 | January 26, 2016 | 2.83 years |
| | 906,000 | 906,000 | | | 2.03 years |

No options were granted during the three month period ended March 31, 2013 and for the year ended December 31, 2012.

**(Unaudited - Expressed in Canadian dollars)**

## 9. LOSS PER SHARE

*(a) Basic*

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares issued and outstanding during the period.

| | For the three months ended March 31, 2013 | For the three months ended March 31, 2012 |
|---|---|---|
| Net loss attributable to common shareholders | $ (27,719) | $ (31,457) |
| Weighted average number of ordinary shares in issue | 12,772,000 | 12,605,000 |
| Basic loss per share | $ (0.00) | $ (0.00) |

*(b) Diluted*

Diluted loss per share is the same as basic loss per share as issued and outstanding warrants and options are considered to be anti-dilutive.

## 10. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous year.

**(a) Credit risk management**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivables. Cash is held with a reputable Canadian financial institution, from which management believes the risk of loss is remote. Financial instruments included in amounts receivable consist of harmonized sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

**(b) Liquidity risk**

As at March 31, 2013, the Company had a working capital deficiency of $71,356 (December 31, 2012 – deficiency of $43,892). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2013, the Company does not have sufficient cash to settle current liabilities.

**(c) Market risk**

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to productions costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control.

## 10. FINANCIAL RISK MANAGEMENT (continued)

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at March 31, 2013, the Company had cash balances of $539 (December 31, 2012 - $584) in U.S. dollars.

Sensitivity to a plus or minus 5% change in the foreign exchange rate would not have had a material effect to the net loss for the three month period ended March 31, 2013.

The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

### (e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and currently does not carry interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. It is management's opinion that the Company is not exposed to significant interest rate risk.

### (f) Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

### (g) Fair value of financial assets and liabilities

The book values of the cash, amounts receivable, and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

The fair values together with the carrying amounts shown in the statements of financial position are as follows:

| | As at March 31, 2013 | | As at December 31, 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash | $ 17,465 | $ 17,465 | $ 12,274 | $ 12,274 |
| Amounts receivable | 1,897 | 1,897 | 15,281 | 15,281 |
| Accounts payable and accrued liabilities | 92,471 | 92,471 | 73,200 | 73,200 |

## 11. CAPITAL RISK MANAGEMENT

The Company defines capital as Shareholders' Equity which at March 31, 2013 was $1,086,384 (December 31, 2012 - $1,114,103). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at March 31, 2013 and December 31, 2012, the Company had no bank debt. As discussed in Note 2, the Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the three month period ended March 31, 2012 and for the year ended December 31, 2012. The Company is not subject to externally imposed capital requirements.

## 12. COMMITMENTS AND CONTINGENCIES

### (a) Consulting agreements

The Company has entered into a consulting agreement with Paul C. Davis, the Company's President and Chief Executive Officer, to provide management services to the Company. The Company will pay Mr. Davis a per diem rate of $650 to a maximum of $4,000 monthly, along with a vehicle allowance of $55 per day to a maximum of $330 per month. The agreement is for a one year term, expiring December 31, 2013.

The Company has entered into a consulting agreement with Joseph Del Campo, the Company's Interim Chief Financial Officer, to provide management services to the Company. The Company will pay Mr. Del Campo a monthly fee of $1,000. The agreement is for a one year term, expiring December 31, 2013.

### (b) Office lease commitment

On February 14, 2011, the Company entered into a lease agreement for office space commencing May 1, 2011. The term of the lease is for a period of two years, expiring on April 30, 2013. As part of the agreement, the Company paid a rental deposit of $1,233 to be applied to the first rental payment due and an additional $1,253 to be held as a security deposit. The lease will not be renewed on its expiry date. There are no future rental payments under this lease.

**(Unaudited - Expressed in Canadian dollars)**

## 12. COMMITMENTS AND CONTINGENCIES (continued)

### (c) Environmental matters

The Company currently has an interest in exploration properties in Peru and Canada. The enforcement of environmental regulation in Peru is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations.

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

## 13. COMPENSATION OF KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS

The remuneration of directors and members of key management personnel during the three month period ended March 31, 2013 and 2012 was as follows:

| | 2013 | 2012 |
|---|---|---|
| Compensation | $ 6,575 | $ 14,700 |
| Share-based payments | - | - |
| | $ 6,575 | $ 14,700 |

No options were granted during the three month period ended March 31, 2013 and for the year ended December 31, 2012.

During the three month period ended March 31, 2013, the Company incurred legal fees in the amount of $5,989 (2012 - $2,487) from a law firm of which a director of the Company is a partner, of which $5,989 was included in accounts payable. As at March 31, 2013, the Company owes the law firm $6,788. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the three month period ended March 31, 2013, directors and officers of the Company charged the Company a total of $6,575 (2012 - $14,700) for services rendered as disclosed in the compensation table above, of which $6,575 is included in accounts payable. As at March 31, 2012, the Company owes the directors and officers of the Company $40,875. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See also Note 12 (a).

## 14. SEGMENTED INFORMATION

The Company's only activity is mineral exploration and development. The Company's exploration property interests are located in Peru and Canada (see note 6). Substantially all of the Company's operating expenditures are incurred in Canada.