FINANCIAL STATEMENTS OF

SGX RESOURCES INC.

December 31, 2012 and 2011

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April 29, 2013

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SGX Resources Inc.:

We have audited the accompanying consolidated financial statements of SGX Resources Inc., which comprise the statements of financial position as at December 31, 2012 and 2011 and the statements of loss and comprehensive loss, changes in equity 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Emphasis of Matter
We draw attention to Note 1 in the financial statements which indicates that the Company incurred a net loss of $9,566,617 during the year ended December 31, 2012 (2011 - $6,939,357) and has a deficit of $21,067,892 as at December 31, 2012 (2011 - $11,520,027). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Scarrow & Donald LLP

Chartered Accountants
Winnipeg, Canada

SGX RESOURCES INC.

Statements of financial position

	December 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash	$ 1,243,185	$ 593,653
Share subscriptions	300,000	246,174
Short-term investments (note 4)	5,280,574	-
GST/HST recoverable	317,890	397,172
Prepaid expenses	84,553	21,808
	7,226,202	1,258,807
Mining claims (note 5)	5,847,910	1,386,325
	$ 13,074,112	$ 2,645,132
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 705,842	$ 874,393
Flow-through share premium	812,161	234,409
	1,518,003	1,108,802
Equity	11,556,109	1,536,330
	$ 13,074,112	$ 2,645,132

Approved by the Board:

"Hugh Wynne" Director

"Michael Power" Director

SGX RESOURCES INC.

Statements of loss and comprehensive loss

	Year ended December 31, 2012	2011
Exploration expenditures	$ 7,858,110	$ 4,745,664
General and administrative	1,570,142	943,055
Mining claims	82,000	286,000
Share based compensation	823,300	507,727
Flow through share indemnification	-	790,966
Net loss before interest income and income tax	(10,333,552)	(7,273,412)
Interest income	54,221	972
Net loss before income tax	(10,279,331)	(7,272,440)
Future income tax benefit (note 10)	712,714	333,083
Net loss and comprehensive loss	$ (9,566,617)	$ (6,939,357)
Net loss per share - basic and diluted (note 9)	$ 0.09	$ 0.11

SGX RESOURCES INC.

Statements of changes in equity

	Share capital	Contributed surplus	Deficit	Total
Balance December 31, 2010	$ 7,460,792	$ 1,751,764	$ (5,673,483)	$ 3,539,073
Private placement	2,675,000	-	-	2,675,000
Proceeds allocated to warrants issued	(92,683)	92,683	-	-
Issued for flow-through indemnification	727,689	-	-	727,689
Issued to San Gold Corporation	483,350	-	-	483,350
Issued for mining claims	134,980	-	-	134,980
Exercise of warrants	630,723	(78,724)	-	551,999
Share issue costs	(144,131)	-	-	(144,131)
Options granted	-	507,727	-	507,727
Options cancelled	-	(37,152)	37,152	-
Warrants expired	-	(1,055,661)	1,055,661	-
Net loss	-	-	(6,939,357)	(6,939,357)
Balance December 31, 2011	$ 11,875,720	$ 1,180,637	$ (11,520,027)	$ 1,536,330
Private placement	17,086,598	-	-	17,086,598
Proceeds allocated to warrants issued	(3,483,831)	3,483,831	-	-
Proceeds allocated to flow-through share premium	(1,290,466)		-	(1,290,466)
Issued for mining claims	4,162,985	-		4,162,985
Exercise of warrants	63,538	(7,105)	-	56,433
Exercise of options	437,758	(149,758)	-	288,000
Extension of warrant expiration	(196,041)	196,041	-	-
Share issue costs	(1,540,454)	-	-	(1,540,454)
Options granted	-	823,300	-	823,300
Options cancelled	-	(18,752)	18,752	-
Net loss	-	-	(9,566,617)	(9,566,617)
Balance December 31, 2012	$ 27,115,807	$ 5,508,194	$ (21,067,892)	$ 11,556,109

SGX RESOURCES INC.
Statements of cash flows

	Year ended December 31, 2012	2011
Cash flows from operating activities		
Interest received	$ 54,221	$ 972
Payments to suppliers	(9,655,866)	(5,240,113)
	(9,601,645)	(5,239,141)
Cash flows from financing activities		
Proceeds from share capital	17,320,772	2,643,826
Proceeds from warrants exercised	56,433	551,999
Share issue costs	(1,540,454)	(144,131)
	15,836,751	3,051,694
Cash flows from investing activities		
Change in short-term investments	(5,280,574)	97,444
Payments for mining claims	(305,000)	(125,000)
	(5,585,574)	(27,556)
Change in cash	649,532	(2,215,003)
Cash, beginning of period	593,653	2,808,656
Cash, end of period	$ 1,243,185	$ 593,653

1. Incorporation:

SGX Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act on December 5, 2008. The Company acquires, explores, and develops mineral properties in the Timmins region of Ontario, Canada.

The Company's corporate head office is located at 646 Erin Street, Winnipeg, Manitoba, R3G 2V9. The registered office of the Company is Aikins, MacAulay & Thorvaldson LLP, 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1. The Company is listed on the TSX Venture Exchange. The Company's common shares trade under the symbol "SXR".

For the year ended December 31, 2012, the Company had a loss of \$9,566,617 (2011 - \$6,939,357) and a deficit of \$21,067,892 (2011 - \$11,520,027). In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs. Although management may have been successful in the past in undertaking financings, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

These 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 operations for the foreseeable future. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and statement of financial position classifications that may be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Summary of significant accounting policies:

a) Basis of presentation –

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of financial statements.

The policies applied in these financial statements are based on IFRS issued and outstanding as of April 29, 2013, the date the Board of Directors approved the statements.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency as it is the currency of the primary economic environment in which the transactions are undertaken. All reference to dollars (\$) are to Canadian dollars unless otherwise noted. The financial statements have been prepared on a historical cost basis, except for short-term investments.

b) Cash –

Cash consists of funds on deposit.

c) Financial instruments –

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as at fair value through profit or loss, available for sale, held to maturity, loans and receivables, or financial liabilities measured at amortized cost. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of financial instruments at initial recognition. Transactions to purchase or sell financial assets are recorded on the settlement date.

2. Summary of significant accounting policies (continued):

c) Financial instruments (continued)–

Financial assets and financial liabilities classified at fair value through profit or loss are subsequently measured at fair value with gains and losses recognized in net loss. Loans and receivables and financial liabilities measured at amortized cost are subsequently measured at their amortized cost, using the effective interest method.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net loss, except for derivatives that are designated as cash flow hedges. The Company presently does not have any derivative financial instruments.

The Company has designated its accounts payable as a financial liability measured at amortized cost, which is reflected on the statement of financial position as amortized cost using the effective interest method of measurement. Short-term investments have been designated at fair value through profit or loss, and are reflected on the statement of financial position at fair value. The Company has designated cash, other accounts receivable and share subscriptions as loans and receivables, which are reflected on the statement of financial position at amortized cost using the effective interest method of measurement.

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current net loss.

d) Fair Value –

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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 2); and
- Inputs for the asset or liability that are not based on observable market data (unobserved inputs) (Level 3).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

2. Summary of significant accounting policies (continued):

e) Income taxes –

Current tax for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax is recognized using the statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets 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 assets 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 an acquisition that is not a business combination and, at the time of the acquisition, 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 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.

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 the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, 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.

The carrying amount of deferred income tax assets is reviewed at each 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. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

Current and deferred taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

Mining taxes
Income tax expense includes the mining taxes payable to governments that are calculated based on a percentage of taxable profit whereby taxable profit represents net income adjusted for certain items defined in the applicable legislation.

2. Summary of significant accounting policies (continued):

e) Income taxes (continued) –

Flow-through shares

Expenditures related to exploration and development activities funded by flow-through shares are renounced to investors in accordance with income tax regulations. The proceeds on the issuance of flow-through shares are allocated to share capital and flow-through share premium liability. The flow-through share premium liability represents the difference between the proceeds received and the market price of the Company's shares on the date of the transaction. The flow-through share premium liability is recognized as income when the eligible expenditures are incurred and there is an intention to renounce.

f) Revenue recognition –

Interest income is recognized using the effective interest method.

g) Exploration expenditures and mining claims –

Exploration expenditures relate to activities that are directed towards less than proven and probable ore reserves and are expensed as incurred. The costs to acquire mining claims are capitalized.

h) Impairment of non-financial assets –

Mining claims are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

i) Provisions –

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

2. Summary of significant accounting policies (continued):

j) Share-based compensation plan and warrants –

The fair value based method of accounting is applied to all share-based compensation. The fair value of the share options granted is estimated on the date of grant using the Black-Scholes option-pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Any consideration paid by the directors on exercise of the share option is credited to share capital. Awards of options and warrants related to private placements or public offerings of shares are treated as share issue costs.

k) Net loss per share –

Basic net loss per share is calculated using the daily weighted average number of shares outstanding.

Diluted net loss per share is calculated using the daily weighted average number of shares that would have been outstanding during the year had all dilutive potential common shares been issued at the beginning of the year, or when the underlying options or convertible securities were granted or issued, if later. The treasury share method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options to acquire shares.

l) Recent accounting pronouncements –

The following standards are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The new standards are not expected to have an impact on shareholders' equity, net income or comprehensive income, but may have a presentation impact on the financial statements.

- IFRS 10 – Consolidated Financial Statements – replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities, provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.
- IFRS 11 – Joint Arrangements - supersedes IAS 31 Interests in Joint Ventures and SIC-13—Jointly Controlled Entities–Non-monetary Contributions by Venturers, established principles for the financial reporting by parties to a joint arrangement.
- IFRS 12 – Disclosure of Interests in Other Entities - combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangement, associates and unconsolidated structured entities.
- In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures.
- IFRS 13 – Fair Value Measurement - defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

IFRS 9 - replaces IAS 39 – Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2015 with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

3. Critical accounting estimates and judgments:

The preparation of the Company's financial statement requires management to use estimates and judgments that affect the reported amounts of assets and liabilities, as well as revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net loss in the period in which they become known.

The recoverability of deferred expenditures is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the ability to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and attaining profitable production.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax provision. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

4. Short-term investments:

Short-term investments consist of guaranteed investment certificates held with a chartered bank and a term deposit held with a credit union bearing interest at 1.1% to 1.2% maturing on April 4, 2013 and December 7, 2013.

5. Mining claims:

Optionors	Location	Agreement entered	December 31, 2012 Carrying Value	Commitment for option
Bristol-Carscallen Claims	Timmins, Ontario 15 claims	May 2008	$845,300 (2011 - $619,700) 2% net smelter return with the right to buy back 1% for $1,000,000	As at December 31, 2012 commitments were met.
Croxall, Kangas, Miller, Salo, Bryant Claims	Timmins Ontario 36 claims	May 2010	$111,895 (2011 - $55,185) 2% net smelter return with the right to buy back 1% for $1,000,000 multiplied by the percentage increase in the CPI from the month the property is transferred to the Company to the month the net smelter return is purchased	$50,000 and 262,000 shares of the Company on or before May 11, 2013. There is no required work commitment from the Company pursuant to the agreement.
Shoreacres Claim	Timmins, Ontario 1 claim	May 2010	$161,000 (2011 - $105,000) 2% net smelter return with the right to buy back 1% for $1,500,000	$37,500 and 150,000 shares of the Company on or before May 17, 2013 and $62,500 and 250,000 shares of the Company on or before May 17, 2014. There is no required work commitment from the Company pursuant to the agreement.

5. Mining claims (continued):

Optionors	Location	Agreement entered	December 31, 2012 Carrying Value	Commitment for option
Canada Lithium	Timmins, Ontario 50% interest in 18 claims	September 2010	$404,000 (2011 - $404,000)	The properties have a 5% net profits interest with Talisman Energy Inc., and a net profits interest acquisition agreement with Falconbridge Limited where Falconbridge Limited is entitled to a one-time cash payment of 0.1% of the gold price set forth in a feasibility study leading to production on the claims multiplied by the number of recoverable ounces of gold identified in the feasibility study due at the commencement of commercial production as defined by the agreement. Falconbridge Limited is also entitled to a 0.5% net smelter royalty on all ounces produced over and above those identified in the feasibility study.
2205730 Ontario Inc.	Timmins, Ontario 3 claims	September 2010	$23,040 (2011 - $23,040) 1% net smelter return with the right to buy back 0.5% for $1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Rousseau, Rochon Claims	Timmins, Ontario 3 claims	November 2010	$nil (2011 - $82,000) 2% net smelter return with the right to buy back 1% for $1,000,000	As at December 31, 2012 commitments were not met.
Creighton Claims	Timmins, Ontario 1 claim	September 2011	$98,500 (2011 - $23,800) 2.2% net smelter return with the right to buy back 1% for $1,000,000	$100,000 and 150,000 shares of the Company on or before September 8, 2013. Additionally, an exploration commitment of $250,000 before September 8, 2012, an additional $400,000 before September 8, 2013 and an additional $500,000 before September 8, 2014.
Salo Claims	Cochrane, Ontario 5 claims	December 2011	$38,000 (2011 - $38,000) 2% net smelter return with the right to buy back 1% for $1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Bremner Claims	Cochrane, Ontario 4 claims	December 2011	$35,600 (2011 - $35,600) 2% net smelter return with the right to buy back 1% for $1,000,000	There is no required work commitment from the Company pursuant to the agreement.
Verroneau Claims	Timmins, Ontario 3 claims	April 2012	$7,645 (2011 - $nil)	There is no required work commitment from the Company pursuant to the agreement.
Laurion Claims	Timmins, Ontario 25 claims	April 2012	$4,030,000 (2011 - $nil) 2% net smelter return	There is no required work commitment from the Company pursuant to the agreement.
Croxal Claims	Timmins, Ontario 7 claims	June 2012	$20,200 (2011 - $nil) 2% net smelter return with the right to buy back 1% for $1,000,000 indexed to the CPI from the month in which the property is transferred to SGX	$15,000 and 30,000 shares of the Company on or before June 1, 2013, $25,000 and 40,000 shares of the Company on or before June 1, 2014 and $50,000 and 150,000 shares of the Company on or before June 1, 2015. Additionally, an exploration commitment of $200,000 by June 1, 2015.
Salo, Tremblay, Robert Claims	Timmins, Ontario 8 claims	July 2012	$23,230 (2011 - $nil) 2% net smelter return with the right to buy back 1% for $1,000,000	$10,000 and 42,000 shares of the Company on or before July 9, 2013, $24,000 and 60,000 shares of the Company on or before July 9, 2014 and $48,000 and 150,000 shares of the Company on or before July 9, 2015. Additionally, an exploration commitment $27,200 on or before April 7, 2013.

5. Mining claims (continued):

Optionors	Location	Agreement entered	December 31, 2012 Carrying Value	Commitment for option
Shoreacres, 2090720 Ontario Inc., 2229667 Ontario Inc. Claims	Timmins, Ontario 8 claims	August 2012	$49,500 (2011 - $nil) 1% net smelter return, with a further 2% net smelter return with the right to buy back 1% for $1,000,000. Should a technical report prepared in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* demonstrate an aggregate minimum of 1,000,000 ounces of gold, or polymetallics of equivalent market value in the measured and indicated mineral resources, the Company is subject to make a pre-royalty lump sum payment of $1,000,000 representing an advance against future royalties	$25,000 and 100,000 shares of the Company on or before August 21, 2013, $25,000 and 100,000 shares of the Company on or before August 21, 2014 and $37,500,150,000 shares of the Company on or before August 21, 2015 and $62,500 and 250,000 shares of the Company on or before August 21, 2016.
Total			$5,847,910 (2011 - $1,386,325).	

The Company agreed to enter into a right of first refusal agreement with San Gold Corporation. Pursuant to the agreement, the Company granted to San Gold a right of first refusal with respect to the sale by the Company of any of the Company's interest in the option agreements, the properties or any mineral property or any interest in any mineral property held by the Company. The agreement requires that until December 4, 2014, the Company must first offer to San Gold Corporation the Company's interest in the option agreements, the properties or any mineral property or interest in any mineral property held by the Company that the Company desires to sell before selling to a third party, on terms and conditions that are the same as those contained in the offer to San Gold Corporation.

6. Share capital:

Authorized:

Unlimited number of common shares

Issued:

126,459,169 common shares (2011 - 79,439,736)

	Year ended December 31,			
	2012		2011	
	Number of shares	Amount	Number of shares	Amount
Share capital, beginning of period	79,439,736	$ 11,875,720	60,797,621	$ 7,460,792
Private placement	37,294,250	17,086,598	11,500,000	2,675,000
Proceeds allocated to warrants issued	-	(3,483,831)	-	(92,683)
Proceeds allocated to flow through premium	-	(1,290,466)	-	-
Issued for flow-through indemnification	-	-	3,163,864	727,689
Issued to San Gold Corporation	-	-	1,636,256	483,350
Issued for mining claims	8,499,778	4,162,985	502,000	134,980
Exercise of warrants	125,405	63,538	1,839,995	630,723
Exercise of options	1,100,000	437,758	-	-
Extension of warrant expiration	-	(196,041)	-	-
Share issue costs	-	(1,540,454)	-	(144,131)
Share capital, end of period	126,459,169	$ 27,115,807	79,439,736	$ 11,875,720

7. Share options:

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

During the year ended December 31, 2012, the fair value of each share option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions used for the grant: dividend yield of 0% (2011 – 0%), expected volatility of 129% (2011 – 89% to 108%), risk free interest rate of 1.39% (2011 – 1.26% to 2.14%) and expected life of 1,825 days (2011 – 1,825 days).

A summary of the status of the Company's outstanding options as of December 31, 2012 and 2011 and changes during the periods then ended are as follows:

	Year ended December 31, 2012	Average Price	2011	Average Price
Options, beginning of the period	6,350,000	$ 0.26	3,900,000	$ 0.25
Options issued	3,500,000	0.28	2,700,000	0.27
Options exercised	(1,100,000)	0.26	-	-
Options cancelled	(150,000)	0.26	(250,000)	0.27
Options outstanding and vested, end of period	8,600,000	$ 0.27	6,350,000	$ 0.26
Weighted average remaining life (years)	3.62		4.09	

The share options outstanding as at December 31, 2012 are:

Exercise price	Number outstanding and vested	Remaining outstanding contractual life (years)
$ 0.25	2,700,000	2.42
0.30	100,000	2.65
0.27	2,100,000	2.76
0.24	200,000	3.55
0.28	3,500,000	3.86
$ 0.27	8,600,000	3.62

8. Warrants:

During the year ended December 31, 2012, the fair value of each warrant grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: dividend yield of 0% (2011 – 0%), expected volatility of 105% to 124% (2011 - 62%), risk free interest rate of 1.08% to 1.19% (2011 – 2.24%), and expected life of 730 days (2011 - 730 days).

During the year ended December 31, 2012, the Company received approval to extend the expiry date of 3,817,845 warrants with an exercise price of $0.45 to July 20, 2013.

A summary of the status of the Company's outstanding warrants as of December 31, 2012 and 2011 and changes during the periods then ended are as follows:

	Year ended December 31,			
	2012	Average Price	2011	Average Price
Warrants, beginning of the period	5,443,250	$ 0.42	30,457,077	$ 0.32
Warrants issued	18,647,125	0.56	1,500,000	0.35
Warrants exercised	(125,405)	0.45	(1,839,995)	0.30
Warrants expired	-	-	(24,673,832)	0.30
Warrants outstanding and vested, end of period	23,964,970	$ 0.53	5,443,250	$ 0.42
Weighted average remaining life (years)	1.29		0.77	

The warrants outstanding as at December 31, 2012 are:

Exercise price	Number outstanding and vested	outstanding contractual life (years)
$ 0.45	3,817,845	0.55
0.35	1,500,000	0.57
0.60	5,480,000	1.50
0.65	5,974,025	1.50
0.45	4,502,350	1.93
0.45	1,709,750	1.97
0.45	981,000	1.99
$ 0.53	23,964,970	1.29

9. Net loss per share:

The weighted average basic and diluted common shares outstanding for the year ended December 31, 2012 is 104,459,169 (2011 – 64,064,570) respectively. Net loss available to common shareholders for the year ended December 31, 2012 is $9,566,617 (2011 – net loss $6,939,357). There are no dilutive instruments.

10. Income taxes:

The provision for income taxes reflects an effective rate that differs from the combined federal and provincial tax rates for the following reasons:

	Year ended December 31, 2012	2011
Net loss before income tax	$ (10,279,331)	$ (7,272,440)
Combined statutory rate	26.50%	28.25%
Income tax recovery based on statutory rate	(2,724,000)	(2,054,500)
Tax benefit on flow-through renounced	712,714	333,083
Canadian exploration and development	3,099,600	1,421,400
Deduction for share issue costs	(127,600)	(49,000)
Share based compensation	218,200	143,400
Other	(347,700)	(137,800)
Valuation Allowance	(118,500)	676,500
Future tax recovery	$ 712,714	$ 333,083

Significant components of the Company's deferred income tax asset (liability) are as follows:

	December 31, 2012	December 31, 2011
Non-capital loss carryforward	$ 1,078,200	$ 537,400
Canadian exploration and development expense pools	1,078,500	921,600
Share issue costs	402,100	114,600
Mining claims	(1,549,700)	(346,000)
Deferred income tax asset	1,009,100	1,227,600
Valuation allowance	(1,009,100)	(1,227,600)
Deferred income tax asset, end of period	$ -	$ -

The Company has non-capital loss carry forward amounts available for income tax purposes of $4,068,000 that expire $9,000 in 2028, $116,000 in 2029, $162,000 in 2030, $1,862,000 in 2031 and $1,919,000 in 2032. The Company has $4,537,000 (2011 - $3,658,000) of unused cumulative Canadian exploration and development costs available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

The Company has issued flow-through shares to finance certain of its exploration activities. The Company intends to renounce expenditures totaling the amount of the purchase price of the flow-through shares issued to the purchasing shareholders and as a result, tax deductibility of these costs will not be available to the Company. As at December 31, 2012, the Company had an obligation to spend $6,684,800 (2011 - $2,930,113) of flow-through capital that was already renounced to shareholders.

10. Income taxes (continued):

During the year ended December 31, 2011, the Company amended the expenditures renounced to the purchasers of flow-through shares for the year ended December 31, 2010 from $6,041,400 to $4,452,819. The Company allocated the reduction of $1,588,581 to the previously renounced expenditures among certain purchasers of flow-through shares. In accordance with the terms of certain financing and subscription arrangements with purchasers of flow-through shares, flow-through shares were issued to indemnify shareholders for an amount equal to the amount of tax payable by the shareholder as a result of the reduction of previously renounced expenditures.

11. Related party transactions:

Included in accounts payable is $217,550 (2011 - $90,158) payable to San Gold Corporation for the issue of share capital by San Gold Corporation to meet certain mining claim commitments net of costs incurred by the Company on behalf of San Gold Corporation.

During the year ended December 31, 2012 the Company issued nil common shares (2011 - 1,636,256) for payment of $nil (2011 - $483,350) owed to San Gold Corporation. During the year ended December 31, 2012 the Company purchased mining claims from San Gold Corporation for consideration of 8,060,000 common shares (2011 - nil) at $0.50 per common share. During the year ended December 31, 2012 San Gold Corporation subscribed for 2,000,000 common shares (2011 - nil) for consideration of $1,000,000. San Gold Corporation owns approximately 29% (2011 - 34%) of the common shares of the Company and exerts significant influence over the Company.

Included in share subscriptions receivable is $300,000 (2011 - $nil) owed from a director of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive or otherwise) of the Company. Total salaries and other short-term compensation expense for the year ended December 31, 2012 is $765,536 (2011 - $612,878). During the year ended December 31, 2012 2,150,000 (2011 - 2,075,000) options representing $505,740 (2011 - $389,940) of share based compensation were granted to directors and management of the Company.

The Company paid $34,267 to a spouse of a member of key management for services during the year ended December 31, 2012 (2011 - $nil).

The Company purchased $10,505 of promotional merchandise from IceTime Sports Inc. during the year ended December 31, 2012 (2011 - $nil). IceTime Sports Inc. is a related party as a director of the Company exerts significant influence over IceTime Sports Inc.

12. Commitments:

The Company has entered into lease commitments for equipment and premises with minimum lease payments as follows:

2013	$ 47,359
2014	21,764
2015	11,200

13. Capital management:

The Company's total capital of $11,556,109 (2011 - $1,536,330) consists of $27,115,807 (2011 - $11,875,720) of share capital, $5,508,194 (2011 - $1,180,637) of contributed surplus and an offsetting deficit of $21,067,892 (2011 - $11,520,027).

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

14. Risk management and fair values:

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Company's financial obligations associates with financial liabilities.

Accounts payable are due within one year.

Credit Risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

14. Risk management and fair values (continued):

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company only enters into transactions in Canadian dollars and is not exposed to currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. In general, the risk of investing cash equivalents into fixed interest rate investments is mitigated by the short terms in which the investments mature.

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Mineral prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

Fair values

The fair values of the Company's financial assets and liabilities consisting of cash and share subscriptions, other accounts receivable and accounts payable approximate their recorded values as at December 31, 2012 and 2011 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

The fair value hierarchy of financial instruments measured at fair value on the statement of financial position is level 2 for short-term investments at December 31, 2012 (2011 - level 2).

15. Subsequent events:

Subsequent to December 31, 2012 the Company issued 100,000 shares pursuant to a mining claim commitment.

Subsequent to December 31, 2012 the Company received approval from the TSX Venture Exchange to extend the maturity date of certain outstanding common share purchase warrants. The TSX Venture Exchange has approved the extension of the maturity date of 1,500,000 warrants exercisable at $0.35 from April 27, 2013 to April 27, 2014. No other terms of the warrants have changed.