CHIMATA GOLD CORP.
(FORMERLY MAXTECH RESOURCES INC.)

(Expressed in Canadian dollars)

Financial Statements
December 31, 2012

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

WWW.DMCL.CA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chimata Gold Corp.

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

Management's Responsibility for the Financial Statements

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

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 that 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 Chimata Gold 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Chimata Gold Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 15, 2013

CHIMATA GOLD CORP.

Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31, 2012	December 31, 2011
		$	$
Assets			
Current assets			
Cash		1,858	530,418
HST receivable		6,758	7,226
		8,616	537,644
Exploration and evaluation asset	6	376,033	359,624
		384,649	897,268
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	10,460	9,332
Note payable	7	–	586,422
		10,460	595,754
Shareholders' equity			
Share capital	5	559,039	359,039
Loan reserve		53,471	53,471
Deficit		(238,321)	(110,996)
		374,189	301,514
Shareholders' equity and liabilities		384,649	897,268

Nature and continuance of operations (Note 1)

Approved and authorized for issuance by the board of directors on April 15, 2013

"Gurdeep Johal"	*"Sonny Janda"*
Gurdeep Johal, Director	Sonny Janda, Director

The accompanying notes are an integral part of these financial statements

CHIMATA GOLD CORP.

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2012	2011
Expenses		$	$
Accretion and interest	7	49,833	39,893
Consulting	7	39,797	12,750
Office and administration		4,888	3,673
Occupancy fees	7	30,000	10,000
Professional fees		12,427	12,697
Listing and filing fees		14,536	30,983
Loss before the following:		(151,481)	(109,996)
Other income		2,169	–
Gain on note payable settlement	7	21,987	–
Loss and comprehensive loss		(127,325)	(109,996)
Loss per share, basic and diluted		(0.00)	(0.01)
Weighted average number of common shares outstanding		33,767,906	10,786,118

The accompanying notes are an integral part of these financial statements

CHIMATA GOLD CORP.

Statements of Changes in Equity

(Expressed in Canadian Dollars except for number of shares)

	Note	Number of outstanding shares	Share capital	Loan reserve	Deficit	
			$	$	$	$
December 31, 2010		–	–	–	(1,000)	(1,000)
Shares issued for the acquisition of exploration and evaluation asset	4,5	33,649,002	359,039	–	–	359,039
Discount on loan payable	7			53,471	–	53,471
Net loss for the year		–	–	–	(109,996)	(109,996)
December 31, 2011		33,649,002	359,039	53,471	(110,996)	301,514
Shares issued for cash	5	4,000,000	200,000	–	–	200,000
Net loss for the year		–	–	–	(127,325)	(127,325)
December 31, 2012		37,649,002	559,039	53,471	(238,321)	374,189

CHIMATA GOLD CORP.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2012	2011
		$	$
Operating activities			
Net loss		(127,325)	(109,996)
Items not involving cash:			
Accretion and interest	7	49,833	39,893
Gain from note payable settlement	7	(21,987)	–
Changes in non-cash operating working capital			
HST receivable		468	(7,226)
Accounts payable and accrued liabilities		1,129	8,332
Cash used in operating activities		(97,882)	(68,997)
Financing activities			
Proceeds received from (repayment of) note payable	7	(614,269)	600,000
Shares issued for cash	5	200,000	–
Cash provided by (used in) financing activities		(414,269)	600,000
Investing activities			
Exploration and evaluation asset	6	(16,409)	(585)
Cash used in investing activities		(16,409)	(585)
Increase (Decrease) in cash		(528,560)	530,418
Cash, beginning		530,418	-
Cash, ending		1,858	530,418

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Chimata Gold Crop. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on November 16, 2010 as Maxtech Resources Inc. The change of name occurred on February 10, 2011. Pursuant to an arrangement agreement between the Company and Maxtech Ventures Inc. ("Maxtech"), the Company's former parent, that became effective on August 17, 2011, the Company spun out from Maxtech and the common shares of the Company began trading on TSX Venture Exchange ("TSXV") on September 16, 2011 under the symbol "CAT". The Company's principal activity is the acquisition and exploration of mineral properties in Canada.

The head office, registered address and records office of the Company are located at 8338 - 120th Street, 2nd Floor Surrey, BC, V3W 3N4.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2012, the Company had not advanced its exploration and evaluation asset to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities on its exploration and evaluation asset and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from related parties and or private placement of common shares.

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments which are measured at fair value. The financial statements are presented in Canadian Dollars, the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment of assets

The carrying amount of the Company's assets (which includes the exploration and evaluation asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset retirement and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Share-based payments

The fair value of share options granted to employees is measured at the grant date and recognized over the vesting period with a corresponding increase in equity. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model which incorporates all market vesting copnditions. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period 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, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Significant estimates and assumptions
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation asset and the recoverability and measurement of deferred tax assets.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of expenditures as exploration and evaluation expenditures or operating expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting standards and amendments issued but not yet adopted

New standard IFRS 9 "Financial Instruments"
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". 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. 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.

New standard IFRS 10 "Consolidated Financial Statements"
This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

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

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

New standard IFRS 13 "Fair value measurement"
This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting standards and amendments issued but not yet adopted (continued)

Financial statement presentation
In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after July 1, 2012.

4. CORPORATE RESTRUCTING

On January 15, 2011, the Company entered into an arrangement with Maxtech to proceed with a corporate restructuring by way of statutory plan to transfer Maxtech's interest in an exploration and evaluation asset located in Abitibi region of Quebec (the "Guercheville Property") to the Company (Note 6). The agreement was approved by the Supreme Court of British Columbia on March 25, 2011 and by Maxtech's shareholders on March 17, 2011. On August 17, 2011, the Company received a conditional approval from the TSXV to list its shares on the TSXV. As a result, the agreement became effective on August 17, 2011 and the Company spun out from Maxtech and became a reporting issuer on the same day. On September 16, 2011, the Company's common shares began trading on TSXV. The Company issued 33,649,002 common shares in exchange for the Guercheville Property (Notes 5 and 6) which were distributed to Maxtech shareholders on September 2, 2011.

5. CAPITAL STOCK

Common shares:

Authorized: Unlimited common shares and preferred shares without par value

Issued:

On April 20, 2012, the Company completed a private placement consisting of 4,000,000 units at $0.05 per unit to raise gross proceeds total of $200,000. Each unit consists of one common share and one common share purchase warrant, with each share purchase warrant exercisable into one common share of the Company at a price of $0.10 per share for a period of two years.

During the year ended December 31, 2012, the Company issued 33,649,002 common shares in exchange for the Guercheville Property (Notes 4 and 6) which were distributed to Maxtech shareholders on September 2, 2011.

5. CAPITAL STOCK (CONTINUED)

Warrants:

Proceeds from issuances of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

As at December 31, 2012, the Company had 4,000,000 warrants outstanding and exercisable with a weighted average price of $0.10 and a weighted average remaining life of 1.3 years.

Stock Options:

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may, in accordance with TSXV requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. The Company has not granted any options to date.

Loan Reserve:

Recorded in the loan reserve is the discount on the loan issued to Maxtech (Note 7).

6. EXPLORATION AND EVALUATION ASSET

The Company owns 100% of the Guercheville Property which consists of 38 claims in the Abitibi region of Quebec.

Continuity of the Guercheville Property is as follows:

	December 31, 2011	Additions	December 31, 2011	Additions	December 31, 2012
	$	$	$	$	$
Acquisition	-	359,039	359,039	-	359,039
Claim renewal fees	-	585	585	16,409	16,994
Total	-	359,624	359,624	16,409	376,033

7. RELATED PARTY TRANSACTIONS

On June 16, 2011, Maxtech issued a $600,000 note payable to the Company to meet its operational cash requirements. The amount was unsecured and had an effective interest rate of 15% with principle and interest of $674,000 due on December 31, 2012. The amount was discounted to $546,529 at June 16, 2011 and accreted up to $586,422 at December 31, 2011. The discount of $53,471 has been recorded in the loan reserve (Note 5).

On August 23, 2012, the Company made a payment of $614,269 as a full settlement of the note payable. As a result, the Company recorded a $21,987 gain on the settlement during the year ended December 31, 2012. During the year ended December 31, 2012, accretion expense of $49,833 (2011 - $39,893) was recognized.

During the year ended December 31, 2012, the Company incurred $9,797 (2011 - $2,750) in consulting fees to a company controlled by the Company's Chief Financial Officer ("CFO") and $30,000 (2011 - $10,000) in occupancy costs, $30,000 (2011 - $Nil) in consulting fees to a company controlled by a relative of a director and charged $2,169 (2011 - $Nil) to a company with a common director for consulting fees.

As at December 31, 2012, the Company's accrued liabilities included $2,100 to the Company's CFO (2011- $Nil). The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
	$	$
Accounts payables	360	209
Accrued liabilities (Note 7)	10,100	9,123
	10,460	9,332

9. CAPITAL MANAGEMENT

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the year.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management
The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its HST receivable and this risk is minimal.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

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 is not exposed to interest rate risk.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
	$	$
Loans and receivables:		
Cash	1,858	530,418

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
	$	$
Non-derivative financial liabilities:		
Trade payables	360	209

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2012 and 2011:

	As at December 31, 2012		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	1,858	-	-

	As at December 31, 2011		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	530,418	-	-

11. INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	December 31, 2012	**December 31, 2011**
	$	$
Net loss	(127,325)	(109,996)
Statutory tax rate	25%	27%
Expected income tax recovery	(31,831)	(29,699)
Permanent differences	18,958	3,751
Effect of changes in tax rates	-	1,922
Increase in valuation allowance	12,873	24,026
	-	-

11. INCOME TAXES (CONTINUED)

The Company's tax-effected future income tax assets and liabilities are estimated as follows:

	December 31, 2012 $	December 31, 2011 $
Deferred income tax assets		
Non-capital losses carried forward	37,149	24,276
Less: Valuation allowance	(37,149)	(24,276)
Net deferred income tax assets	-	-

As at December 31, 2012, the Company has income tax loss carry forwards of approximately $148,595 (2011 – $91,103) to reduce future federal and provincial taxable income. Of these losses, $1,000 will expire in 2030, $70,103 will expire in 2031, and $77,492 will expire in 2032.