DISCOVERY VENTURES INC.

(An exploration stage company)

Financial Statements

Years ended December 31, 2012 and 2011

As expressed in Canadian dollars

Management's Responsibility for Financial Reporting

The accompanying financial statements of Discovery Ventures Inc. ("the Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates, and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented by the audited financial statements.

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

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

April 29, 2013

(signed)

Kenneth C Phillippe
Director

(signed)

Akash Patel
Director

Independent Auditors' Report

To the Shareholders of Discovery Ventures Inc.:

We have audited the accompanying financial statements of Discovery Ventures Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2012 and 2011 and the statements of operations and comprehensive loss, changes in equity and cash flows for years ended December 31, 2012 and 2011, and notes comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 auditors' 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 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 Discovery Ventures Inc. as at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Vancouver, Canada
April 29, 2013

Chartered Accountants

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DISCOVERY VENTURES INC.
(An exploration stage company)

Statements of Financial Position
As expressed in Canadian dollars

	December 31 2012	December 31 2011
ASSETS		
Current assets		
Cash and cash equivalents	33,952	100,957
Short term investments (Note 2)	2,021,849	202,465
Sales tax receivables	97,723	20,461
Mining tax credit receivable	27,000	-
Prepaid expenses (Note 9)	49,500	50,300
Total current assets	2,230,024	374,183
Equipment, net (Note 3)	395,530	788
Exploration and evaluation assets (Note 4)	1,026,460	742,503
Total assets	3,652,014	1,117,474
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	39,582	34,212
Total current liabilities	39,582	34,212
SHAREHOLDERS' EQUITY		
Share capital	5,663,762	2,807,066
Contributed surplus	710,891	557,570
Deficit	(2,762,221)	(2,281,374)
Total shareholders' equity	3,612,432	1,083,262
Total liabilities and shareholders' equity	3,652,014	1,117,474

On behalf of the Board:

"Kenneth C Phillippe"
Director

"Akash Patel"
Director

The accompanying notes are an integral part of these financial statements

DISCOVERY VENTURES INC.
(An exploration stage company)

Statements of Operations and Comprehensive Loss
As expressed in Canadian dollars

	Year ended December 31 2012	Year ended December 31 2011
	$	$
General and Administrative Expenses		
Amortization	236	338
Bank charges	434	497
Consulting	187,717	49,033
Filing and transfer agent fees	37,162	39,188
Investor relations	-	10,780
Management and administration	22,350	18,000
Office and miscellaneous	3,363	3,707
Professional fees	88,971	46,328
Project investigation	35,893	9,328
Rent	5,000	-
Share based payments (Note 5)	50,148	384,690
Shareholder communications	38,597	-
Strategic planning	4,500	-
Travel and promotion	3,608	4,686
Website maintenance	5,540	3,375
	483,519	569,950
Other income		
Interest income	2,672	1,750
Write-off of exploration and evaluation assets	-	(1,019,587)
	2,672	(1,587,787)
Net loss and comprehensive loss for the year	(480,847)	(1,587,787)
Basic and diluted loss per share	(0.02)	(0.09)
Weighted average number of common shares - Basic and diluted	21,578,843	18,047,082

The accompanying notes are an integral part of these financial statements

DISCOVERY VENTURES INC.
(An exploration stage company)

Statements of Cash Flows
As expressed in Canadian dollars

	Year ended December 31 2012	Year ended December 31 2011
	$	$
Cash flows from (used in)		
Operating activities		
Loss for the year	(480,847)	(1,587,787)
Adjustments:		
Amortization	236	338
Share based payments	50,148	384,689
Write-off exploration and evaluation assets	-	1,019,587
Accrued interest income	(1,577)	-
	(432,040)	(183,173)
Changes in non-cash working capital:		
Sales tax receivables	(77,262)	3,755
Exploration advances	-	(17,333)
Prepaid expenses	800	(32,967)
Accounts payable and accrued liabilities	12,870	(18,343)
Due to a related party	-	(140)
	(495,632)	(248,201)
Investing activities		
Short term investments	(1,817,807)	(1,750)
Purchase of equipment	(394,978)	-
Exploration and evaluation assets expenditures	(226,457)	(672,121)
	(2,439,242)	(673,871)
Financing activities		
Issuance of common shares for cash (net)	2,867,869	398,257
Increase (decrease) in cash and cash equivalents	(67,005)	(523,815)
Cash and cash equivalents, beginning of year	100,957	624,772
Cash and cash equivalents, end of year	33,952	100,957
Supplemental Information		
Interest paid in cash	-	-
Income taxes paid in cash	-	-

The accompanying notes are an integral part of these financial statements

DISCOVERY VENTURES INC.
(An exploration stage company)

Statement of Changes in Equity
As expressed in Canadian dollars

	Common shares Number	Common shares Amount	Contributed Surplus	Deficit	Total
Balance, December 31, 2010	16,632,354	1,950,722	250,970	(693,587)	1,508,105
Shares issued for cash pursuant to the exercise of warrants share					
- at a price of $0.20 per share	1,499,061	299,812	-	-	299,812
Reallocated from contributed surplus on the exercise of Agent's warrants	-	42,445	(42,445)	-	-
Shares issued for cash pursuant to the exercise of Agent's warrants					
- at a price of $0.15 per share	370,862	55,629	-	-	55,629
Shares issued for mineral properties at $0.38 per share	1,000,000	380,000	-	-	380,000
Shares issued for cash pursuant to the exercise of stock options					
- at a price of $0.15 per share	125,000	18,750	-	-	18,750
- at a price of $0.14 per share	171,875	24,063	-	-	24,063
Reallocated from contributed surplus on the exercise of stock options	-	35,645	(35,645)	-	-
Share-based payments – for stock options granted	-	-	384,690	-	384,690
Net loss and comprehensive loss	-	-	-	(1,587,787)	(1,587,787)
Balance, December 31, 2011	19,799,152	2,807,066	557,570	(2,281,374)	1,083,262
Shares issued for cash pursuant to the exercise of warrants					
- at a price of $0.20 per share	3,442,597	688,519	-	-	688,519
Shares issued for cash pursuant to brokered private placements					
- at a price of $0.25 per unit	9,568,000	2,392,000	-	-	2,392,000
- cash commissions paid	-	(212,650)	-	-	(212,650)
- Agent's warrants issued as commission	-	(103,173)	103,173	-	-
Share-based payments – for stock options granted	-	-	50,148	-	50,148
Shares issued for mineral properties at $0.23 per share	400,000	92,000	-	-	92,000
Net loss and comprehensive loss	-	-	-	(480,847)	(480,847)
Balance, December 31, 2012	33,209,749	5,663,762	710,891	(2,762,221)	3,612,432

The accompanying notes are an integral part of these financial statements

As expressed in Canadian dollars

1. Nature and Continuance of Operations

The Company was incorporated on October 13, 1999 under the laws of British Columbia under the name 593960 British Columbia Ltd. and was inactive during the fiscal years 1999 to 2007. Commencing in the fiscal year 2008, the Company was reactivated with the purpose of assessing exploration opportunities in western Canada. On February 28, 2008 the Company changed its name to Discovery Ventures Inc. to better reflect a change in the focus of its principal business to the exploration of mineral interests.

The head office and principal address of the Company is located at 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

Although management has taken steps to verify title to mineral properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliant with regulatory requirements.

The Company emphasises that attention should be drawn to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The recoverability of capitalized costs is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	December 31 2012	**December 31 2011**
Deficit	$ (2,762,221)	$ (2,281,374)
Working capital	$ 2,190,442	$ 339,971

2. Significant Accounting Policies

Basis of presentation

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

As expressed in Canadian dollars

2. Significant Accounting Policies (cont'd…)

Basis of presentation (cont'd…)

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

Approval of financial statements

The financial statements were approved by the Board of Directors of the Company on April 29, 2013.

Cash and cash equivalents

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at December 31, 2012 and 2011.

Short term investments

Short term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value. As at December 31, 2012, the Company has short term investments of $2,021,849 (2011 - $202,465 due on October 28, 2012 with an annual yield of 0.75%) of which $1,501,529 is due on November 30, 2013 and $500,181 is due on December 20, 2013 with an annual yield of 1.2%, and $20,139 due on May 9, 2013 with an annual yield of 1.0%.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Equipment is depreciated to write off the cost of assets to operations using declining balance method over their estimated useful life at the following annual rates:

Computer Equipment	- 30%
Mining Equipment	- 30%

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets and crediting all revenues received against the cost of the related interests. Such costs, include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

2. Significant Accounting Policies (cont'd…)

Exploration and evaluation assets (cont'd…)

The recoverability of amounts shown for exploration and evaluation assets is dependent up on the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognized as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of exploration and evaluation costs into mine development, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines.

Mining Tax Credit

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

Impairment of non-financial assets

The Company reviews and evaluates its property, including exploration and evaluation assets, and property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

2. Significant Accounting Policies (cont'd…)

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Government grants
Revenue from government grants related to the acquisition and development of exploration and evaluation assets is credited against the cost of the related asset when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received

Interest income
Revenue is recognized as interest accrues using the effective interest rate, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial Instruments

<u>Financial assets</u>
The Company's financial instruments consist of cash and cash equivalents, short term investments, receivables and accounts payable and accrued liabilities. Cash and cash equivalents and short term investments are classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, short term investments and accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity.

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss.

2. Significant Accounting Policies (cont'd…)

Financial Instruments (cont'd…)

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and comprehensive loss.

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

Financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

*Other financial liabilitie*s – This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Foreign currencies

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the relevant transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Translation gains and losses are included in income or expense of the period in which they occur. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Share based payments

The Company's Stock Option Plan allows directors, officers and consultants to acquire shares of the Company in exchange for the options exercised. The fair value of share options granted to employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

2. Significant Accounting Policies (cont'd…)

Share based payments (cont'd…)

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. 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 based on estimate of forfeiture rate.

The compensation cost of stock options granted to consultant is initially measured at fair value of the awards at the grant date and periodically remeasured to fair value until the consultant's performance is complete, and recognized over the periods during which the consultant become unconditionally entitled to the options. The compensation cost is charged to income with a corresponding increase to share-based payment reserve.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Deferred taxes are the taxes expected to be payable or recoverable between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Segment information

The Company currently conducts substantially all of its operations in Canada in one business segment.

2. Significant Accounting Policies (cont'd…)

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

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:

- the recoverability of receivables and prepaid expenses which are included in the statements of financial position;
- the estimated useful lives of equipment which are included in the statements of financial position and the related depreciation included in the statements of operation and comprehensive loss;
- the estimated value of the exploration and development costs which is recorded in the statements of financial position
- the inputs used in accounting for share based payments expense in the statements of operations and comprehensive loss;
- the inputs used in determining the various commitments accrued in the statements of financial position;
- the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable;
- the provision for income taxes which is included in the statements of operations and comprehensive loss and composition and quantification of deferred tax assets and liabilities included in the statements of financial position.

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, includes management's determination that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

New accounting standards and interpretations

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

2. Significant Accounting Policies (cont'd…)

New accounting standards and interpretations (cont'd…)

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 'Disclosure of Interests in Other Entities' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 27 'Separate Financial Statements'– as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 'Investments in Associates and Joint Ventures' – as a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IAS 1 'Presentation of Financial Statements' – the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 'Employee Benefits' – a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.

As expressed in Canadian dollars

3. Equipment

	December 31, 2012			December 31, 2011		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Computer equipment	$ 1,606	$ 1,054	$ 552	$1,606	$818	$788
Mining equipment	394,978	-	394,978*	-	-	-
	$396,584	$ 1,054	$ 395,530	$1,606	$818	$788

*Mining equipment was not available for use as at December 31, 2012 and no amortization has been provided.

4. Exploration and Evaluation Assets

	December 31 2012	December 31 2011
	$	$
Acquisition costs		
Rabbitt Mine Property	198,042	153,042
Bralorne Mineral Property	265,000	265,000
Big Creek Property	92,000	-
Willa Deposit	102,607	
Balance, end of year	657,649	418,042
Exploration costs		
Rabbitt Mine Property	254,827	272,526
Bralorne Mineral Property	51,935	51,935
Big Creek Property	62,049	-
Balance, end of year	368,811	324,461
Total Acquisition and Exploration	1,026,460	742,503

Rabbitt Mine Property, Similkameen Mining Division, British Columbia

As at April 28, 2008, the Company signed an option agreement, whereby it may acquire a 100% undivided interest in 4 mineral claims situated in the Similkameen Mining Division, British Columbia in exchange for an immediate cash payment of $15,000 (paid) and the following future consideration.

a. $20,000 (paid) and 200,000 of the Company's common shares (issued) no later than 15 days after the date the Company's shares are listed, posted and called for trading on the TSX Venture Exchange (TSX initial trading date – October 30, 2009).
b. $25,000 (paid) no later than October 30, 2010.
c. $25,000 (paid) no later than October 30, 2011.
d. $30,000 (paid) no later than October 30, 2012.

The Agreement is subject to 2% Net Smelter Return Royalty payable by the Company to the Optionor. The Company has the option to purchase the 2% Net Smelter Return Royalty at a purchase price of

As expressed in Canadian dollars

4. Exploration and Evaluation Assets (cont'd…)

Rabbitt Mine Property, Similkameen Mining Division, British Columbia (cont'd…)

$1,000,000 per percentage point during the five year period commencing from that date upon which the Property is put into commercial production.

As at May 27, 2008, the Company signed an option agreement, whereby it may acquire a 100% undivided interest in 15 mineral claims situated in the Similkameen Mining Division, British Columbia in exchange for an immediate cash payment of $5,000 (paid) and the following future consideration.

a. $10,000 (paid) no later than 15 days after the date the Company's shares are listed, posted and called for trading on the TSX Venture Exchange (TSX initial trading date – October 30, 2009).
b. $10,000 (paid) no later than October 30, 2010.
c. $10,000 (paid) no later than October 30, 2011.
d. $15,000 (paid) no later than October 30, 2012.

The Agreement is subject to 2% Net Smelter Return Royalty payable by the Company to the Optionor. The Company has the option to purchase the 2% Net Smelter Return Royalty at a purchase price of $1,000,000 per percentage point during the five year period commencing from that date upon which the Property is put into commercial production.

Acquisition costs	**December 31, 2012**	**December 31, 2011**
	$	$
Balance, beginning of year	153,042	118,042
Additions during the year		
Property option payments	45,000	35,000
Balance, end of year	198,042	153,042

Exploration costs	**December 31, 2012**	**December 31, 2011**
	$	**$**
Balance, beginning of year	272,526	270,748
Additions during the year		
Assessments and reports	-	1,778
Mining tax credit	(17,699)	-
Balance, end of year	254,827	272,526

Bralorne Mineral Property, Lillooet Mining Division, British Columbia

The Company acquired 30 claims located in the Lillooet Mining Division, British Columbia in consideration for $15,000 (paid) and 1,000,000 shares (issued), subject to a 2% Net Smelter Return Royalty. The Company has a further option to purchase one-half of the Net Smelter Return Royalty for $1.5 million.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Bralorne Mineral Property, Lillooet Mining Division, British Columbia (cont'd…)

Acquisition costs	**December 31, 2012**	**December 31, 2011**
	$	**$**
Balance, beginning and end of year	265,000	265,000

Exploration costs	**December 31, 2012**	**December 31, 2011**
	$	**$**
Balance, beginning of year	51,935	-
Additions during the year		
Assessment work	-	51,935
Balance, end of year	51,935	51,935

Big Creek Property, British Columbia

Pursuant to an agreement dated March 30, 2012 the Company has been granted an exclusive right and option to earn a 50% interest in the Big Creek property. The Company will make payments totaling $250,000 in expenditures and 1,200,000 common shares of the Company on or before July 1, 2014 as follows:

(i) Issue shares:
   (a) 400,000 common shares in the capital of the Company on or before five days from the date of the TSX Venture Exchange ("TSXV") approval (the "Approval Date") (issued);
   (b) 400,000 common shares in the capital of the Company on the date that is six months from the Approval Date (issued subsequent to December 31, 2012); and
   (c) 400,000 common shares in the capital of the Company on the first anniversary of the Approval Date;

(ii) Expend $250,000 in exploration expenditures on the Property as follows:
   (a) $75,000 (expended) on or before July 1, 2012;
   (b) $87,500 on or before July 1, 2013; and
   (c) $87,500 on or before July 1, 2014;

The Company entered into a Service Agreement dated May 10, 2012, with a Contractor to conduct an exploration program on the Big Creek Property, pursuant to which it paid an initial sum of $37,500 upon signing, representing 50% of the work program, with a further $30,000 (paid) to be paid on completion of seven days of field work, and a final payment of $7,500 (paid) on presentation of the final Project Report.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Big Creek Property, British Columbia (cont'd…)

Acquisition costs	**December 31, 2012**	**December 31, 2011**
	$	**$**
Balance, beginning of year	-	-
Additions during the year		
Property option payments – for shares	92,000	-
Balance, end of year	92,000	-

Exploration costs	**December 31, 2012**	**December 31, 2011**
	$	**$**
Balance, beginning of year	-	-
Additions during the year		
Assays	397	-
Geophysical survey	54,637	-
Equipment rental	1,321	-
Food and lodging	5,341	-
Project management	3,708	-
Prospecting/Sampling	10,500	-
Transportation	1,964	-
Mining tax credit	(15,819)	-
Balance, end of year	62,049	-

Willa Deposit, British Columbia

Pursuant to an option agreement dated November 13, 2012, the Company has agreed to acquire up to an 80% interest in the Willa property, consisting of 5,328 hectares located in the Slocan Mining Division, British Columbia, subject to a 2.5% NSR. The Company will make payments consisting of $3,000,000 and 18,000,000 common shares of the Company and incur expenditures totaling $1,500,000 on or before February 20, 2016 as follows:

(i) Issue shares and cash payments:
- (a) $50,000 upon execution of the Option Agreement (paid);
- (b) $150,000 and 1,000,000 common shares in the capital of the Company on or before five days from the date of the TSX Venture Exchange ("TSXV") approval (the "Approval Date") (paid and issued subsequent to December 31, 2012);
- (c) $350,000 and 4,000,000 common shares in the capital of the Company on the first anniversary of the Approval Date;
- (d) $1,000,000 and 6,000,000 common shares in the capital of the Company on the second anniversary of the Approval Date; and
- (e) $1,450,000 and 7,000,000 common shares in the capital of the Company on the third anniversary of the Approval Date.

As expressed in Canadian dollars

4. Exploration and evaluation assets (cont'd…)

Willa Deposit, British Columbia (cont'd...)

(ii) Expend $1,500,000 in exploration expenditures on the Property as follows:
   (a) $500,000 on or before the first anniversary of the Approval Date;
   (b) $500,000 on or before the second anniversary of the Approval Date; and
   (c) $500,000 on or before the third anniversary of the Approval Date.

Acquisition costs		**December 31, 2012**	**December 31, 2011**
		$	**$**
Balance, beginning of year		-	-
Additions during the year			
Property option payments	– for cash	50,000	-
Additional acquisition costs		60,107*	-
Balance, end of year		110,107	-

* Relates to geological consulting cost incurred as part of mineral property acquisition cost.

5. Share Capital

Authorized: Unlimited number of common shares with no par value.

a. Issued and outstanding:

As at December 31, 2012 the total issued and outstanding share capital is 33,209,749 common shares (2011 - 19,799,152).

Transactions for the during the year ended December 31, 2012

- The Company issued 3,442,597 common shares upon the exercise of warrants at $0.20 per share.
- The Company issued 400,000 common shares at fair value of $0.23 per share pursuant to the acquisition of mineral property.
- On November 30, 2012 the Company issued 7,108,000 units and 622,600 Agent warrants, and on December 7, 2012 issued 2,460,000 units and 188,000 Agent warrants, pursuant to brokered private placements consisting of 9,568,000 units at $0.25 per unit. Each unit consists of one common share and one share purchase warrant exercisable over 5 years, at a price of $0.35 per common share in the first year, $0.40 in the second year and $0.45 per common share from the third to the fifth year. As the unit was issued at a price lower than the market trading price on November 30, 2012 and December 7, 2012, $nil was allocated to contributed surplus as fair value for the warrants under the residual value method.

Transactions for the during the year ended December 31, 2011

- The Company issued 370,862 common shares upon the exercise of Agent's warrants at $0.15 per share. $42,445 was reallocated from contributed surplus to share capital accordingly.
- The Company issued 1,499,061 common shares upon the exercise of warrants at $0.20 per share.

As expressed in Canadian dollars

5. Share Capital (cont'd…)

- The Company issued 125,000 and 171,875 common shares upon the exercise of stock options at $0.15 and $0.14 per share, respectively. $35,645 was reallocated from contributed surplus to share capital accordingly.
- The Company issued 1,000,000 common shares for mineral acquisition costs at a fair value of $0.38 per share.

c. Escrow Shares

As at December 31, 2012, the Company has nil (2011 - 930,030) common shares held in escrow.

d. Stock Options

A summary of stock option activity for the years is as follows:

	Number of options	Weighted-average exercise price
Balance, December 31, 2010	1,296,875	$ 0.14
- Options granted, expiring January 26, 2013	1,530,018	0.28
- Options granted, expiring November 3, 2014	250,000	0.235
- Options forfeited	(250,000)	0.28
- Options exercised	(171,875)	0.14
- Options exercised	(125,000)	0.15
Balance, December 31, 2011	2,530,018	0.22
Options forfeited / cancelled	(450,000)	0.18
Balance, December 31, 2012	2,080,018	$ 0.25

The Company has the following options outstanding and exercisable:

Number of Options Outstanding and Exercisable	Weighted Average Exercise Price	Years to expiry	Expiry Date
1,280,018	$ 0.28	0.07	January 26, 2013
50,000	0.235	1.84	November 3, 2014
750,000	0.135	2.70	September 14, 2015
2,080,018	$ 0.25	1.06	

*1,280,018 stock options expired subsequent to December 31, 2012. Also see Note 12.

The Company has a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company.

5. Share Capital (cont'd…)

d. Stock Options (cont'd…)

The Company granted 1,000,000 incentive stock options to consultants on September 14, 2010, exercisable on or before September 14, 2015 at a price of $0.135 per share where the exercise price is lower than the market price at the date of grant. 12.5% of the options vested upon TSX approval, and 12.5% every three months thereafter. During the year ended December 31, 2012 $7,221 of stock based compensation was recorded and cumulatively $224,767 has been recorded. 250,000 options were forfeited during the year ended December 31, 2012. As at December 31, 2012, 750,000 options remain outstanding.

The Company granted 900,000 additional incentive stock options to directors and 630,018 additional incentive stock options to consultants on January 26, 2011, exercisable on or before January 26, 2013 at a price of $0.28 per share where the exercise price is lower than the market price at the date of grant. 25% of the options vested upon TSX approval, and 25% every six months thereafter. 250,000 options granted to a former director were forfeited during the fiscal year ended December 31, 2011. During the year ended December 31, 2012 a total of $42,927 of stock based compensation costs was recorded and cumulatively $207,680 has been recorded. As at December 31, 2012, 650,000 options granted to directors and 630,018 options granted to consultants remain outstanding and they all expired unexercised subsequent to the year end. Also see Note 12.

On November 3, 2011 the Company granted 200,000 and 50,000 incentive stock options to directors and consultants, respectively, exercisable at a price of $0.235 per share on or before November 3, 2014. The estimated fair value of the options in the amount of $39,728 was recognized as 100% of the options vested upon TSX approval. 200,000 options were cancelled as a result of director resignation during the year ended December 31, 2012. As at December 31, 2012, 50,000 of these options remain outstanding.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the far value of the Company's stock options.

e. Warrants

On October 15, 2010 the Company issued 4,999,991 units, comprising one common share and one non-transferable share purchase warrant, at a price of $0.12 per unit. Each warrant is exercisable into one common share at a price of $0.20 per share on or before October 15, 2012. As at December 31, 2011, 3,500,930 were outstanding. During the year ended December 31, 2012, 3,442,597 of these warrants were exercised and 58,333 expired. Also see Note 5b.

The Company has the following warrants outstanding and exercisable:

As expressed in Canadian dollars

6. **Share Capital** (cont'd…)

e. Warrants (cont'd…)

	Number of Warrants Exercisable	Weighted Average Exercise Price	Years to expiry	Expiry Date
Balance, December 31, 2010	5,370,853	$ 0.20	1.72	
Agent's Warrants exercised	(370,862)	$ 0.15		
Warrants exercised	(1,499,061)	$ 0.20		
Balance, December 31, 2011	3,500,930	$ 0.20	1.58	
Warrants exercised	(3,442,597)	$ 0.20		
Warrants expired	(58,333)	$ 0.20		
Warrants issued	9,568,000	$ 0.35	4.92	November 30,2017
Agent's warrants issued	810,600	$ 0.35	4.92	December 7, 2017
Balance, December 31, 2012	10,378,600	$ 0.35	4.92	

6. Related Party Transactions

During the year ended December 31, 2012 the Company entered into the following transactions with related parties:

a) Paid or accrued management fee of $7,600 (2011 - $18,000) to former directors and officers.

b) Paid or accrued management fee of $5,000 (2011 - $Nil) to a director and officer.

c) Included in professional fees is $22,000 (2011 - $16,495) paid to an officer and director for accounting services.

d) Paid professional fees of $Nil (2011 - $9,653) to a law firm of which a former director of the Company is a partner.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related party.

7. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments and accounts payable and accrued liabilities. The Company has designated its cash and cash equivalents and short term investments fair value through profit or loss, which is measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, short term investments and accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

7. Financial Instruments (Cont'd...)

Credit risk

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 accounts receivable. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012, the Company had a cash and cash equivalents and short term investments balance of $2,055,801 (2011 - $303,422) to settle current liabilities of $39,582 (2011 - $34,212). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk
The Company has cash and cash equivalents balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

(b) Foreign currency risk
As at December 31, 2012, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

On December 31, 2012, short term investments consisted of fixed guaranteed investment certificates redeemable before maturity, which bear interest at annual variable rates of between 1.0%-1.2% and mature between May 9, 2013 and December 20, 2013. During the year ended December 31, 2012, cash and cash equivalents were not subject to any interest on bank balances. Sensitivity to a plus or minus 1% change in rates is not material to the statements of operation and comprehensive loss.

The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

Fair value hierarchy

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

7. Financial Instruments (Cont'd...)

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For the years ended December 31, 2012 and 2011, cash and cash equivalents and short term investments are assessed to be Level 1 instruments.

8. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at December 31, 2012, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

9. Commitments

See Note 4.

The Company entered into a one year contract for consulting services, commencing December 8, 2012 with a third party to provide strategic planning service at a rate of $4,500 per month. Included in prepaid expenses is $49,500 as at December 31, 2012.

The Company entered into a six-month contract for consulting services, commencing November 15, 2012 with a third party to provide website maintenance and communication services at a rate of $5,000 per month.

The Company entered into a one year contract for consulting services, commencing January 1, 2013 with a third party to provide communication services at a rate of $500 per month.

10. Supplemental Disclosure With Respect To Cash Flows

The significant non-cash transactions during the fiscal year ended December 31, 2012 were as follows:
a) 400,000 common shares issued for mineral properties at a fair value of $92,000.

The significant non-cash transactions during the fiscal year ended December 31, 2011 were as follow:
a) 1,000,000 common shares issued for mineral properties at a fair value of $380,000.
b) Included in accounts payable and accrued liabilities is $23,998 of unpaid exploration and evaluation asset expenditures.

As expressed in Canadian dollars

11. Income Taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended December 31, 2012 and 2011:

	2012 **$**	**2011** **$**
Loss before income taxes	480,847	1,587,787
Statutory tax rate	25%	26.5%
Expected income tax (recovery)	120,212	420,763
Non-deductible items	(12,572)	(372,249)
Change in estimates	5,563	-
Others	72,206	8,613
Change in Deferred tax asset not recognized	(185,409)	(57,127)
Total income taxes (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at December 31, 2012 and 2011 are comprised of the following:

Deferred tax liability	**2012** **$**	**2011** **$**
Non-capital loss carry forwards	255,712	128,309
Exploration and evaluation assets	210,647	211,289
Share issuance costs	76,957	18,295
Equipment	(138)	-
Cumulative eligible capital	124	-
Deferred tax asset not recognized	(543,302)	(357,892)
Net deferred tax asset (liability)	-	-

The Company has non capital loss carryforwards of approximately $1,022,846 (2011 - $513,000) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2014	45
2015	45
2026	91
2027	45
2028	29,895
2029	109,681
2030	157,822
2031	184,765
2032	540,457
Total	1,022,846

11. Income Taxes (Cont'd...)

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

12. Subsequent Events

The Company issued 50,000 shares upon the exercise of incentive stock options at $0.235 per share for proceeds in the amount of $11,750.

On January 26, 2013, 1,280,018 incentive stock options, exercisable at $0.28 per share, expired unexercised.

The Company issued 400,000 common shares pursuant to the acquisition of mineral property.

The Company paid $150,000 and issued 1,000,000 common shares pursuant to the acquisition of mineral property. Also see Note 4.