Consolidated Financial Statements of

AURION RESOURCES LTD.

December 31, 2012 and 2011

AURION RESOURCES LTD.

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INDEPENDENT AUDITOR’S REPORT

To the Shareholders of
Aurion Resources Ltd.

We have audited the accompanying consolidated financial statements of Aurion Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of operations, comprehensive loss and deficit, consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aurion Resources Ltd. as at December 31, 2012 and December 31, 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 qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that Aurion Resources Ltd. incurred a net loss of $3,014,680 during the year ended December 31, 2012 and has an accumulated deficit of $6,169,297. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about Aurion Resources Ltd.'s ability to continue as a going concern.

Deloitte LLP

Chartered Accountants

April 29, 2013
St. John's, Newfoundland and Labrador, Canada

AURION RESOURCES LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2012	As at December 31, 2011
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	**3,088,031**	1,953,282
Receivables (Note 7)	**61,093**	104,314
Prepaid expenses	**25,627**	45,158
Marketable securities	**14,688**	-
	3,189,439	2,102,754
EXPLORATION AND EVALUATION ASSETS (Note 8)	**1,462,250**	2,516,764
PROPERTY AND EQUIPMENT (Note 9)	**39,963**	72,363
	4,691,652	4,691,881
LIABILITIES		
CURRENT		
Trade payables and accrued liabilities	**119,461**	100,953
SHAREHOLDERS' EQUITY (Note 11)	**4,572,191**	4,590,928
	4,691,652	4,691,881

BASIS OF PREPARATION (Note 2)
COMMITMENTS (Note 14)
SUBSEQUENT EVENT (Note 16)

AUTHORIZED FOR ISSUE BY THE BOARD OF DIRECTORS ON APRIL 29, 2013:

"Richard Graham" Director *"Michael Basha"* Director

See accompanying notes to the consolidated financial statements

AURION RESOURCES LTD.

Consolidated Statements of Operations, Comprehensive Loss and Deficit

(Expressed in Canadian Dollars)

	For the year ended December 31, 2012	For the year ended December 31, 2011
INCOME		
Investment and other income	**42,810**	34,384
EXPENSES		
Write-down of exploration and evaluation assets (Note 8)	**2,214,457**	288,726
Wages and benefits (Note 13)	**273,396**	229,741
General and administrative (Note 13)	**272,732**	304,039
Professional fees	**71,462**	81,410
Share-based payments (Note 13)	**65,446**	639,134
Accounting	**54,942**	118,247
Consulting fees (Note 13)	**54,495**	64,236
Depreciation	**35,486**	27,134
Unrealized loss on investment	**6,563**	-
Interest and bank charges	**5,211**	4,021
Foreign exchange loss (gain)	**3,300**	(1,386)
	3,057,490	1,755,302
NET AND COMPREHENSIVE LOSS FOR THE YEAR	**(3,014,680)**	(1,720,918)
DEFICIT, BEGINNING OF YEAR	**(3,154,617)**	(1,433,699)
DEFICIT, END OF YEAR	**(6,169,297)**	(3,154,617)
LOSS PER SHARE - BASIC AND DILUTED	**0.08**	0.06
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	**36,149,089**	27,284,211

See accompanying notes to the consolidated financial statements

AURION RESOURCES LTD.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Warrants	Share-based Payment Reserve	Expired stock options and warrants	Deficit	Total Equity
		$	$	$	$	$	$
Balance, January 1, 2011	18,888,955	2,904,098	547,357	163,092	20,112	(1,433,699)	2,200,960
Total comprehensive loss for December 31, 2011						(1,720,918)	(1,720,918)
Shares issued for private placements	4,801,593	1,483,534	766,469	-	-	-	2,250,003
Shares issued for property acquisition	45,000	11,125	-	-		-	11,125
Exercise of warrants	5,026,167	1,563,920	(231,307)	-	-	-	1,332,613
Stock options exercised	120,000	25,557	-	(6,807)	-	-	18,750
Stock options expired				(22,801)	22,801		-
Share-based payment	-	-	-	639,134	-	-	639,134
Share issuance costs	-	(140,739)	-	-	-	-	(140,739)
Balance, December 31, 2011	28,881,715	5,847,495	1,082,519	772,618	42,913	(3,154,617)	4,590,928
Total comprehensive loss to December 31, 2012						(3,014,680)	(3,014,680)
Shares issued for private placements	8,881,426	1,777,264	1,394,646	-	-	-	3,171,910
Shares issued for property acquisition	277,500	70,238	-	-	-	-	70,238
Exercise of warrants	100,000	29,000	(4,000)	-	-	-	25,000
Expiry of warrants	-	-	(312,579)	-	312,579	-	-
Share-based payment	-	-	-	65,446	-	-	65,446
Share issuance costs	-	(336,651)	-	-	-	-	(336,651)
Balance, December 31, 2012	38,140,641	7,387,346	2,160,586	838,064	355,492	(6,169,297)	4,572,191

See accompanying notes to the consolidated financial statements

AURION RESOURCES LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended December 31, 2012	For the year ended December 31, 2011
OPERATING ACTIVITIES		
Net loss	**(3,014,680)**	(1,720,918)
Items not affecting cash:		
Depreciation	**35,486**	27,134
Unrealized loss on investment	**6,563**	-
Write-down of exploration and evaluation assets	**2,214,457**	288,726
Share-based payments	**65,446**	639,134
Changes in non-cash operating working capital	**81,261**	(59,663)
	(611,467)	(825,587)
INVESTING ACTIVITIES		
Exploration and evaluation expenditures, net	**(1,110,955)**	(1,435,667)
Purchase of property and equipment	**(3,086)**	(73,304)
	(1,114,041)	(1,508,971)
FINANCING ACTIVITIES		
Proceeds from issuance of warrants	**1,394,646**	766,469
Proceeds from issuance of share capital - net	**1,465,611**	2,694,158
	2,860,257	3,460,627
INCREASE IN CASH AND CASH EQUIVALENTS	**1,134,749**	1,126,069
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**1,953,282**	827,213
CASH AND CASH EQUIVALENTS, END OF YEAR	**3,088,031**	1,953,282

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 12)

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Aurion Resources Ltd. was incorporated under the *Business Corporations Act (Alberta)* on April 6, 2006 and listed on the TSX Venture Exchange ("Exchange") on October 3, 2008. The Company has its registered head office in Alberta, Canada, but its principal office is in Newfoundland and Labrador Canada. Aurion and its wholly-owned subsidiaries, Minera Aurion de Mexico S.A. de C.V. and Aurion Resources (US) LLC, (together the "Company") are engaged in the evaluation, acquisition and exploration of mineral properties in Canada, Mexico and the United States, of which substantially all of the exploration activities of the Company are carried out with joint parties. The Company plans to ultimately develop the properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain ore reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These financial statements for the year ended December 31, 2012 were authorized for issuance by the Board of Directors of the Company on April 29, 2013.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of consolidation and presentation

The consolidated financial statements (the "financial statements") reflect the financial position, results of operations and cash flows of the Company and its wholly owned subsidiaries Aurion Resources Ltd., Minera Aurion de Mexico S.A. de C.V. and Aurion Resources (US) LLC. All inter-company transactions and balances have been eliminated upon consolidation.

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company does not have any proven economically recoverable reserves, has continuous losses, and at December 31, 2012, the Company had an accumulated deficit of $6,169,297 (2011 - $3,154,617). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The success of the Company and the recoverability of exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to fund and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The amounts shown as deferred exploration costs represent net costs to date less write-offs and do not necessarily represent present or future values.

2. BASIS OF PREPARATION (Continued)

Although the Company has taken steps to verify title to mineral properties in which it 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 or transfers and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for derivative assets and liabilities, and other financial assets classified as at fair value through profit or loss, or available-for-sale which are measured at fair value. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Currency of presentation

All amounts are expressed in Canadian dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements reflect the financial position, results of operations and cash flows of Aurion Resources Ltd. and its wholly owned subsidiaries. All inter-company transactions have been eliminated upon consolidation.

Reclamation deposits

From time to time, the Company may be required to post a reclamation deposit (bond) on certain of its exploration projects. Upon completion of the required work program and the environmental reclamation, a review is completed by the appropriate government authority, and the Company can make application to have the deposit refunded.

Exploration and evaluation assets

The Company is in the exploration stage and defers all expenditures related to its exploration and evaluation assets until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as exploration and evaluation assets represent costs incurred to date less amounts amortized, received from exploration partners and/or written off, and do not necessarily represent present or future values. Costs are only capitalized subsequent to gaining the legal rights to the property. If the properties are put into commercial production, the expenditures will be depleted following the unit of production method. If the properties are sold or abandoned, or considered to be impaired in value, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. These events may include the following:

-the period for which the Company has exploration rights has expired or will shortly
-there is no further exploration planned for a property
-continued unfavourable exploration results

If a property's recoverable amount is less than the assets carrying amount, an impairment loss is recognized. The ultimate recoverability of the amounts capitalized for the exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimates of recoverability of the Company's investment in its various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

Property and equipment

Property and equipment are recorded at cost. Amortization is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets, except for leasehold improvements, which are amortized over the period of the lease. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the carrying amount, an impairment loss is recognized.

The rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Depreciation rate
Equipment	20%
Computers	45%
Leaseholds	5 Years (Term of lease)

Joint projects

The Company has agreements with other companies whereby the Company either owns a project jointly with a partner and shares in the costs and ownership of the project, or allows the other company to earn a right to a certain percentage ownership in one of the Company's projects, by spending an agreed upon amount in exploration costs over an agreed upon period of time. In both cases the property is jointly controlled by the Company and its partners, and each accounts for its own expenditures.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant.

Income taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax expense comprises the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle current tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted-average number of shares outstanding during the period. Diluted loss per share is equivalent to basic loss per share as the inclusion of outstanding options and warrants is anti-dilutive.

Foreign currency translation

The functional currency of the Company and its subsidiaries is the Canadian dollar. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period except for amortization, which is translated at historical exchange rates. Gains and losses on translation are included in the determination of net loss for the period.

Decommissioning and restoration provision

The Company recognizes the fair value of the liability for asset decommissioning and restoration in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Company's risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of loss and deficit. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties. In Management's estimation, there is no liability at this time.

Financial instruments

Cash and cash equivalents are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Marketable securities are classified as "fair value through profit or loss" ("FVTPL"). These assets are marked-to-market through net earnings (loss) at each period end.

Receivables and refundable staking deposits are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost, due to the short term nature of financial assets.

Trade payables and accrued liabilities are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost, due to the short-term nature of financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transaction costs are included in the initial carrying amount of financial instruments, except for "fair value through profit or loss" items which are expensed as incurred.

The Company has determined that it does not have derivatives or embedded derivatives.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Exploration and evaluation assets
The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicates that the carrying value may be impaired, at which time an impairment loss is recorded.

Receivables
The Company reviews its receivables on a regular basis and makes estimates of any amounts which are not expected to be collected. If such doubt exists, an allowance for doubtful accounts will be recorded.

Property and equipment
The Company reviews the estimated useful lives of property and equipment at the end of each reporting period to ensure assumptions are still valid.

Share-based payments
The Company makes certain estimates and assumptions when calculating the fair values of stock options and warrants granted. The significant assumptions used include estimate of expected volatility, expected life and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

Functional currency
The Company has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

4. FUTURE ACCOUNTING CHANGES

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the consolidated financial statements.

IFRS 9, Financial Instruments**:** IFRS 9 was issued in 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measure 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. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements*, and *SIC-12, Consolidation – Special Purpose Entities*.

IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities - Non - Monetary Contributions by Venturers.*

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

IAS 27, Separate Financial Statements: IAS 12 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures.

4. FUTURE ACCOUNTING CHANGES (Continued)

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted. The Company does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.

IAS 32, Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32): On December 16, 2011 the IASB published amendments to IAS 32, Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

Disclosures, Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7): On December 16, 2011 the IASB published new disclosure requirements jointly with the Financial Accounting Standards Board “(FASB”) that enables users of financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles. The new requirements are effective for annual periods beginning on or after January 1, 2013.

5. CAPITAL MANAGEMENT

The capital structure of the Company consists of capital and equity comprising share capital, warrants, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The properties in which the Company has an interest are in the exploration stage; as such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis. The Company is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

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

> Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities

6. FINANCIAL INSTRUMENTS (Continued)

Level 2 – valuation techniques based on inputs that are quoted prices or similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – valuation techniques with significant unobservable market inputs

The Company does not have any level 2 or 3 fair value measurements, and hence there have been no transfers between levels.

As at December 31, 2012	Level 1	Level 2	Level 3	Total financial assets/financial liabilities at fair value
Financial assets	$	$	$	$
Marketable securities	14,688	-	-	14,688
Financial liabilities	-	-	-	-

As at December 31, 2011	Level 1	Level 2	Level 3	Total financial assets/financial liabilities at fair value
Financial assets	$	$	$	$
Marketable securities	-	-	-	-
Financial liabilities	-	-	-	-

Financial Risk Factors

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, which are summarized below:

6. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables, which is mainly government tax refunds. Management believes that the credit risk concentration with respect to financial instruments included in the receivables is immaterial. The Company holds cash and cash equivalents and invests it in interest bearing deposit accounts at its financial institution. Management believes that the associated credit risk for its invested cash is low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at December 31, 2012, the Company had cash of $3,088,031 to settle current liabilities of $119,461. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity, debt or partnering transactions. All of the Company's financial liabilities are short-term in nature and are subject to normal trade terms. The Company has no source of operating cash flow to fund its exploration and development projects. Any further significant work would likely require additional equity or debt financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing or future exploration projects. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Company's income or the value of its financial instruments.

(a) Interest rate risk – The Company has cash balances subject to interest rate risk. The Company's current policy is to invest excess cash in either interest bearing deposit accounts or short-term deposit certificates issued by its financial institutions. As of December 31, 2012, the Company's excess cash was deposited in short-term savings accounts at variable interest rates. A 1/2% increase in interest rates would reduce the Company's net loss by approximately $15,440. Management believes an interest rate decrease is unlikely.

(b) Foreign exchange risk - The Company transacts certain business in U.S. Dollars and Mexican Pesos, and therefore is subject to foreign exchange risk on U.S. dollar and Mexican Peso receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its foreign exchange inflows and outflows. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk, and the risk is minimal. The following table shows the net exposures in US dollars.

6. FINANCIAL INSTRUMENTS (Continued)

	December 31, 2012 $US	December 31, 2011 $US
Cash	**259,460**	80,883
Trade payables	**(62,834)**	(24,032)
Net US dollar exposure	**196,626**	56,851

The Company's Mexican Peso exposure is not material as there are minimal amounts of Peso cash, receivables or trade payables. Based upon the above net exposures to the US dollar, as at December 31, 2012, a 2% change in the value of the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately $3,933.

Sensitivity analysis

The Company has a share investment in Asher Resources Corporation ("Asher"). Share investments are classified by the Company as "F.V.T.P.L." and are measured at fair value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" during 2012:

The Company's investment in Asher is denominated in Canadian dollars. The Company acquired this investment on February 29, 2012 pursuant to the terms of an option agreement and Asher began trading on the Toronto Venture Stock Exchange on March 3, 2012. As the investment has only traded publicly for a short period of time, management estimates that a 20% change in the December 31, 2012 value of this investment would result in an increase or decrease in net loss and the carrying value of the investment of $2,938.

The carrying amount of cash, receivables, refundable staking deposits, trade payables and accrued liabilities approximate fair value due to their short-term nature.

7. RECEIVABLES

	December 31, 2012 $	December 31, 2011 $
Harmonized sales tax receivable	**37,842**	61,307
Other	**23,251**	43,007
	61,093	104,314

(Expressed in Canadian Dollars)

8. EXLORATION AND EVALUATION ASSETS

As at December 31, 2012

Geographical Area	Number of Claims	Balance, Beginning of Period	Additions	Joint Venture Payments	Properties written down	Balance, End of Period
		$	$	$	$	$
Canada and Other	**4**	**126,416**	**11,316**	**(36,250)**	**(11,316)**	**90,166**
United States	**997**	**1,356,206**	**729,887**	**-**	**(714,009)**	**1,372,084**
Mexico	**11**	**1,034,142**	**454,990**	**-**	**(1,489,132)**	**-**
	1,012	**2,516,764**	**1,196,193**	**(36,250)**	**(2,214,457)**	**1,462,250**

As at December 31, 2011

Geographical Area	Number of Claims	Balance, Beginning of Year	Additions	Joint Venture Payments	Properties written down	Balance, End of Year
		$	$	$	$	$
Canada	4	250,725	43,742	(25,000)	(143,050)	126,417
United States	1,116	177,890	1,283,398	-	(105,082)	1,356,206
Mexico	18	930,085	144,650	-	(40,594)	1,034,141
	1,138	1,358,700	1,471,790	(25,000)	(288,726)	2,516,764

On October 12, 2009, the Company entered into an option agreement to acquire 100% of the mineral claims of the Lavington project located in the province of British Columbia, Canada. Under the terms of the option agreement the Company has made cash payments totalling $25,000, and has issued 45,000 shares to December 31, 2012. The following are still owing under the terms of the agreement:

October 12, 2013	$50,000 and 31,000 common shares

In addition the Company must incur exploration expenditures of $100,000. The Company will also pay 2.0% of Net Smelter Returns (“Royalty”) on mineral concessions currently owned by the optionor and within the mutual area of interest. The Company can purchase ½ of the Royalty for US$1,000,000 at any time within 240 days of achieving production. The Company will also pay a pre-production advanced royalty of $40,000 beginning on the 5th anniversary date of the agreement. As at December 31, 2012, the Company was in compliance with the terms of the option agreement. On October 24, 2011, the Company signed a Definitive Option Agreement with Asher Resources Corp ("Asher") giving Asher the option to earn up to a 100% interest, subject to certain royalties, in the Lavington property. Pursuant to the Option Agreement, Asher can earn up to a 100% interest by paying $165,000

8. EXLORATION AND EVALUATION ASSETS (Continued)

cash and issuing 262,500 shares (including paying $25,000 on signing and $15,000 and issuing 62,500 shares upon exchange approval) over 3 years and incurring a minimum of $200,000 in exploration expenditures on the Property by the second anniversary of Exchange Approval. The Company and the underlying owner of the Property (an arm's-length party) have each retained two percent (2%) net smelter return royalties, half of which may be purchased by Asher paying $1,000,000 to each of the Company and the underlying owner ($2,000,000 in total) within the time allowed. Asher is also required to maintain the property in good standing and assume the payment obligations to the underlying property owner during the currency of the agreement. On February 29, 2012 Asher received final TSX exchange approval and closed its Qualifying Transaction, subsequent to which it paid the company $40,000 and issued 62,500 shares from treasury as per the option/earn-in agreement. At December 31, 2012, the Company was in compliance with the agreement.

On November 9, 2010, the Company acquired a new gold property, called Logan Pass, in Lincoln County, Nevada. The Company signed an agreement with a private company, Genesis Gold Corp. ("Genesis"), whereby the Company has a 15 year lease with an option to purchase a 100% interest in 8 unpatented claims, subject to a 2% NSR. The Company also acquired 1 additional claim from a private individual and staked an additional 341 claims covering prospective geology surrounding these claims. Pursuant to the agreement, the consideration payable by the Company for the lease to purchase option are by making annual cash payments starting at US$25,000 increasing to a maximum US$125,000 beginning in year 6. The option to purchase can be executed at any time by making a one-time US$3 million cash payment less any payments already made. Genesis shall retain a 2% NSR on the Logan Pass Property. At December 31, 2012 the Company was in compliance with the terms of the agreement. On February 13, 2012 the Company signed a definitive agreement with Terra Rossa Gold Ltd. ("Terra Rossa"), a private exploration company, on the southern portion (174 of 517 claims) of the Logon Pass property. Terra Rossa can earn an initial 60% interest by spending $3.75 million over 5 years in staged work commitments, with a firm commitment to spend a minimum $450,000 before July 1, 2013, and by issuing 500,000 Terra Rossa shares to Aurion. Share issuances start on the anniversary date of the agreement following the first full drill season completed by Terra Rossa. On April 4, 2013, Terra Rossa terminated the agreement. The Company will attempt to find a new partner for this project.

On Janurary 6, 2011, the company signed an agreement with Genesis, whereby it has an option to purchase a 100% interest in the Bull property in east-central Nevada, subject to a 2% NSR, by making annual cash payments starting at US$10,000 (paid) increasing to a maximum US$125,000 beginning in year 6. The option to purchase can be executed at any time by making a one-time US$3 million cash payment less any payments already made. The Company also staked an additional 283 claims covering prospective geology surrounding these claims. As at December 31, 2012, the Company was in compliance with the terms of this agreement. On November 15, 2012, the Company signed a definitive "Exploration, Development and Mine Operating" agreement with Midway Gold US Inc.(“Midway”), on the Bull project. Under the terms of the agreement Midway can earn an initial 50% interest by completing $2 million in expenditures over 5 years, upon which it can elect to either declare a 50-50 joint venture or spend a further $2 million over 2 years to earn an additional 20% for a total 70% interest. Midway can also earn an additional 5% (75% total) by arranging mine financing. Midway will also maintain the underlying agreement and make all claims maintenance fees through

8. EXLORATION AND EVALUATION ASSETS (Continued)

the agreement. Midway also reimbursed the Company for claims maintenance fees paid in Sept 2012, of approximately $53,000.

On January 17, 2011, the company signed an agreement with Genesis, whereby it has an option to purchase a 100% interest in the Quinn property located in Nye County, southeastern Nevada, subject to a 2% NSR, by making annual cash payments starting at US$10,000 (paid) increasing to a maximum US$125,000 beginning in year 6. During the third quarter of 2012, however, the Company decided to drop the Quinn property as further exploration work was considered unfeasible. The property has been written off.

On November 22, 2011, the Company signed a binding LOI with Golden Minerals Company (“GM”) to option the El Teyra and Rubi Esmeralda gold projects in Mexico. As per the LOI Aurion has the right to earn an undivided 100% interest in the El Teyra project subject to a 1.0-2.5% sliding scale net smelter royalty (“NSR”) by issuing 600,000 shares in equal tranches over 4 years and maintaining the claims in good standing. As per the LOI Aurion has the right to earn an undivided 100% interest in the Rubi-Esmeralda project subject to a 1.0-2.5% sliding scale NSR by issuing 450,000 shares in equal tranches over 4 years and maintaining the claims in good standing. During the third quarter of 2012, the Company decided to drop El Teyra and Rubi-Esmeralda as future exploration work was considered unfeasible. The properties have been written off.

On May 4, 2012, AuRico Gold notified the Company that it was terminating the option and joint venture agreement on the La Bandera project in Mexico. As the Company has no immediate plans to further explore this property it has been written off.

On October 30, 2012, the Company signed a definitive agreement with two private individuals for the right to acquire 100% of the Kawich Gold project in Nevada. The agreement calls for a total payment of $150,000 in staged payments over four years starting at $5,000 (paid in 2012) and subject to a 2% NSR that can be purchased for $2,000,000.

On October 30, 2012, the Company signed a definitive lease with option to purchase 100% of the Goldlands Gold project in Nevada. The agreement calls for a total payment of $180,000 in staged payments starting at $5,000 on signing (paid) and increasing to $40,000 annually on the 7th anniversary. The property is subject to a 2% NSR that can be purchased for $2,000,000.

(Expressed in Canadian Dollars)

9. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Computers	Furniture and Equipment	Total
	$	$	$	$
Cost:				
At December 31, 2011	13,641	49,165	40,567	103,373
Additions	-	3,086	-	3,086
Disposals	-	-	-	-
At December 31, 2012	13,641	52,251	40,567	106,459
Depreciation:				
At December 31, 2011	5,430	22,682	2,898	31,010
Additions	1,699	23,197	10,590	35,486
Disposals	-	-	-	-
At December 31, 2012	7,129	45,879	13,488	66,496
Carrying value:				
At December 31, 2011	8,211	26,483	37,669	72,363
At December 31, 2012	**6,512**	**6,372**	**27,079**	**39,963**

	Leasehold Improvements	Computers	Furniture and Equipment	Total
	$	$	$	$
Cost:				
At January 1, 2011	5,185	20,496	4,388	30,069
Additions	8,456	28,669	36,179	73,304
Disposals	-	-	-	-
At December 31, 2011	13,641	49,165	40,567	103,373
Depreciation:				
At January 1, 2011	-	3,475	401	3,876
Additions	5,430	19,207	2,497	27,134
Disposals	-	-	-	-
At December 31, 2011	5,430	22,682	2,898	31,010
Carrying value:				
At January 1, 2011	5,185	17,021	3,987	26,193
At December 31, 2011	**8,211**	**26,483**	**37,669**	**72,363**

(Expressed in Canadian Dollars)

10. INCOME TAXES

(a) Deferred income taxes

Tax-effected deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2012	2011
	$	$
Deferred income tax assets		
Canadian tax loss carryforwards	**677,000**	445,000
Financing costs and other	**118,000**	68,000
Mineral properties	**56,000**	77,000
Capital assets	**4,000**	2,000
	855,000	592,000

The realization of benefits related to these future potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no net deferred income tax asset has been recognized for accounting purposes.

(b) Income tax rate

The Company's effective tax rate differs from the statutory rate of 29% (2011 – 30.5%) as follows:

	2012	2011
	$	$
Expected income tax recovery	**(874,257)**	(524,881)
Share-based compensation	**18,979**	194,936
Gain on expiration of warrants	**45,324**	-
Non-recognition of deferred tax assets due to the unused tax losses and deductible temporary differences	**809,954**	329,945
Recovery of deferred income taxes	-	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (Continued)

(c) Non-capital losses

The Company has Canadian non-capital losses amounting to $2,178,546 which are available to reduce future taxable income. These non-capital losses expire as follows:

	$
2026	**124**
2028	**122,727**
2029	**296,244**
2030	**331,698**
2031	**782,164**
2032	**645,589**
	2,178,546

The Company also has available Canadian exploration and development expenses of $244,533 and $40,000 respectively, which may be deducted in determining Canadian taxable income of future years. The Company also has available exploration and development expenses incurred in foreign jurisdictions which can be deducted from taxable income of future years in those jurisdictions. The Company has not recognized the potential future income tax benefits related to all of its deductible temporary differences including its non-capital losses and exploration and development expenses.

11. SHAREHOLDERS' EQUITY

Share Capital

Authorized

An unlimited number of common shares with no par value
An unlimited number of preferred shares issuable in series

Issued and outstanding

	December 31, 2012		December 31, 2011	
	Number of Shares	**$**	Number of Shares	$
Common shares	**38,140,641**	**7,387,346**	28,881,715	5,847,495

11. SHAREHOLDERS' EQUITY (Continued)

On March 3, 2011, the Company closed a non-brokered private placement of 4,444,450 units at a price of $0.45 per unit to raise aggregate gross proceeds of $2,000,003. Each unit consists of one common share and one full share purchase warrant of the Company. Each whole share purchase warrant entitles the holder thereof to acquire one additional common share at an exercise price of $0.70 per share in the first year following the close of the financing and at an exercise price of $0.85 per share in the second year following the close of the financing. All securities issued under the offering were subject to a four-month hold period from the date of issue until July 4, 2011. A finders' fee of US$122,045 and 271,212 finders' options were paid in connection with the financing. The proceeds of the financing were used for advancing the Logan Pass gold project, project generation and for general working capital. The warrants were valued at $0.16 each using the Black-Scholes option pricing model.

On March 15, 2011, the Company closed a non-brokered private placement, with AuRico Gold Inc. ("AuRico"), formerly Gammon Gold Inc., for the issuance of 357,143 units at a price of $0.70 per unit to raise aggregate gross proceeds of $250,000. Each unit consisted of one common share and one half share purchase warrant of the Company. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.81 per share. The financing was completed as a term of an option and joint venture agreement entered into on March 1, 2011, by AuRico and the Company on the Company's La Bandera gold project in Mexico. The warrants were valued at $0.31 each using the Black-Scholes option pricing model.

On October 12, 2011, the Company issued 20,000 shares valued at $0.25 per share for a total of $5,000, as an option payment for the Lavington property in Canada.

On October 20, 2011, the Company issued 25,000 shares valued at $0.245 per share for a total of $6,125, as an option payment for La Bandera property in Mexico.

On January 27, 2012, the Company issued 262,500 shares valued at $0.255 per share for a total of $66,938, as an option payment for the El Teyra and Rubi Esmeralda properties in Mexico.

On March 22, 2012, the Company closed a non-brokered private placement of 8,571,426 units at a price of $0.35 per unit to raise aggregate gross proceeds of $3,000,000. Each unit consists of one common share and one full share purchase warrant of the Company. Each whole share purchase warrant entitles the holder thereof to acquire one additional common share at an exercise price of $0.45 per share for three years following the close of the financing. Finders' fees of $99,612, 424,718 warrants valued at $63,708, 310,000 units valued at $108,500 plus legal and other related fees of $64,831, were paid in connection with the financing. The proceeds of the financing will be used for advancing properties held by the Company in Mexico and Nevada, project generation and for general working capital. The warrants were valued at $0.15 each using the Black-Scholes pricing model.

On October 4, 2012, the Company issued 15,000 shares valued at $0.22 per share for a total of $3,300, as an annual option payment for the La Bandera property in Mexico.

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY (Continued)

Preferred shares

The preferred shares which have been authorized may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued.

Stock options

The Company has a stock option plan under which options to purchase common shares in the Company may be granted to directors, officers, key employees and consultants of the Company. The maximum number of options which may be granted to directors, officers, key employees and consultants of the Company, under the stock option plan is equivalent to 10% of the issued and outstanding common shares of the Company. The exercise price for options is set by the Company at an amount equal to the TSX Venture Exchange trading price on the day preceding the date the options are granted, less any applicable discount as permitted by TSX Venture Exchange policies as decided by the Company. The exercise period for options is set by the Company at the time the options are granted and shall not exceed ten years. Details of the Company's stock option plan are as follows:

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	Number	**Weighted-Average Exercise Price**	Number	Weighted-Average Exercise Price
		$		$
Balance, beginning of year	**2,775,000**	**0.44**	985,000	0.32
Issued during the year:				
To officers and directors	**550,000**	**0.25**	1,965,000	0.48
Expired during the year	**-**	**-**	(100,000)	0.25
Exercised during the year	-	-	(75,000)	0.25
Balance, end of year	**3,325,000**	**0.41**	2,775,000	0.44
Exercisable, end of the year	**3,325,000**	**0.41**	2,691,664	0.43

The following table summarizes information about stock options outstanding and exercisable.

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY (Continued)

	Total Options Outstanding			Total Exercisable Options		
Exercise Price Range $	**Number of Outstanding Options**	**Remaining Contractual Life**	**Weighted-Average Strike Price $**	**Number of Exercisable Options**	**Remaining Contractual Life**	**Weighted-Average Strike Price $**
0.10 - 0.30	1,215,000	3.89	0.25	1,215,000	3.89	0.25
0.30 - 0.40	610,000	2.72	0.37	610,000	2.72	0.37
0.40 - 0.55	1,500,000	3.23	0.55	1,500,000	3.23	0.55
	3,325,000	3.38	0.41	3,325,000	3.38	0.41

The fair value of the options that were issued to Company consultants, employees, officers and directors has been expensed as share-based payments. The weighted average fair value of the stock options granted was estimated on the dates of the grants to be $0.11 (2011 - $0.31) using the Black-Scholes option pricing model and the following assumptions:

	2012	2011
Risk-free interest rate	**1.27%**	2.11%
Weighted average expected life	**3.5 years**	3.5 years
Estimated volatility in the market price of common shares	**112.7%**	101.4%
Dividend yield	**Nil**	Nil

Warrants

Warrants have been issued by the Company in the course of issuing shares.

	For the year ended December 31, 2012		
	Number	**$**	**Weighted-Average Exercise Price $**
Balance, beginning of year	**10,139,497**	**1,082,519**	**0.48**
Granted in connection with private placements	**9,306,144**	**1,394,646**	**0.45**
Exercised during the year	**(100,000)**	**(4,000)**	**0.25**
Expired during the year	**(5,416,476)**	**(312,579)**	**0.29**
Balance, end of year	**13,929,165**	**2,160,586**	**0.54**

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY (Continued)

	For the year ended December 31, 2011		
	Number	$	Weighted-Average Exercise Price $
Balance, beginning of year	10,542,643	547,357	0.28
Granted in connection with private placements	4,623,021	766,469	0.70
Exercised during the year	(5,026,167)	(231,307)	0.27
Balance, end of year	10,139,497	1,082,519	0.48

Share-based payment reserve
The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Expired stock options and warrants
The expired stock options and warrants records the value of any stock options or warrants that have expired.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION

	For the year ended December 31, 2012	For the year ended December 31, 2011
	$	$
Non-cash investing activities		
Receipt of marketable securities as consideration for option payments	**21,250**	-
Acquisition of mineral properties for share consideration	**70,238**	11,125
	91,488	11,125
Non-cash financing activities		
Fair value of warrants exercised	**4,000**	**6,807**
Fair value of options exercised	**-**	**231,307**
	4,000	**238,114**

Cash and cash equivalents comprised of:		
Cash	**588,031**	**198,059**
Guaranteed investment certificates (1.25% - 1.50%)	**2,500,000**	**1,755,223**
	3,088,031	**1,953,282**

13. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with parties under common influence and shareholders:

The Company paid $280,640 for the year ended December 31, 2012 (2011 - $283,564) to a geological consulting company, controlled by the Vice President Exploration of the Company. These payments were made for the following services:

Management consulting services $159,853 (2011 - $152,254)
Exploration and related expenditures $120,787 (2011 - $131,310)

Of the total paid for the year ended December 31, 2012, $19,938 was expensed as general and administrative (2011 - $9,328), and $260,702 was capitalized in exploration and evaluation assets (2011 – 274,236).

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (Continued)

The Company has a consulting agreement with D.R. Loveys & Associates Inc., controlled by the CFO. The CFO provides accounting and management consulting services, and was paid a fee of $47,600 for the year ended December 31, 2012 (2011 – $39,600). These payments are expensed as consulting fees.

The amounts of these related party services have been determined by negotiation between the parties. The transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Compensation for the year ended December 31, 2012 for key management personnel, not included above, is $235,446 (December 31, 2011 - $801,842), which includes salary and other short-term benefits of $170,000 (2011 - $162,708), and share-based payments of $65,446 (2011 – $639,134).

14. COMMITMENTS

Property commitments

The Company has acquired various properties from third party licence holders. The terms of these agreements provide for initial cash payments by the Company and the initial issuance of shares in the Company. To retain the interest in these properties the Company is obligated to make additional cash payments and to issue additional shares. The agreements also provide for the payment of a net smelter return to the third parties in the event that a property reaches the commercial production stage. A summary of the additional cash payments and additional shares to be issued by the Company, assuming that an interest in all of the properties is to be maintained, is as follows:

	USD	CAD	Shares
	$	$	
2013	145,000	50,000	30,000
2014	200,000	-	-
2015	275,000	-	-
2016	185,000	-	-
2017	80,000	-	-
2018	35,000	-	-
2019	40,000	-	-
	-	-	-
	960,000	50,000	30,000

(Expressed in Canadian Dollars)

14. COMMITMENTS (Continued)

Lease commitments

Minimum annual lease payments on leased premises over the next four years are as follows:

	$
2013	41,592
2014	43,092
2015	43,092
2016	35,910
	163,686

15. COMPARATIVE INFORMATION

The Consolidated Statement of Changes in Shareholders' Equity has been changed to include an expired stock options and warrants reserve in 2012. The comparative information has been adjusted to conform to this new presentation.

The comparative general and administration expense and professional fees expense have been restated to conform to the current year presentation. 2011 legal fees of $52,749 were reclassified from general and administrative expense to professional fees.

The comparative related party transactions (Note 13), has been changed to conform to the current year presentation.

16. SUBSEQUENT EVENT

On February 22, 2013, the terms of 4,444,450 warrants issued on March 3, 2011 in conjunction with a $2 million private placement, have been amended. The expiry date of the warrants has been extended from March 3, 2013 to March 3, 2015 and the exercise price has been reduced from $0.85 per warrant to $0.65.