DIOS EXPLORATION INC.

Annual financial statements

DECEMBER 31, 2012

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Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Dios Exploration Inc.

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dios Exploration Inc. as at December 31, 2012 and 2011 and its financial performance 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 2 in the financial statements which indicates that the Company has not yet generated any income or cash flows from operations and the Company's cumulated deficit amount to $9,872,772 as at December 31, 2012. 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 the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP [1]

Val-d'Or
April 16, 2013

[1] CPA auditor, CA public accountancy permit no. A112664

DIOS EXPLORATION INC.
Statement of Financial Position

(in Canadian dollars)

	Notes	**As at Decembre 31, 2012**	As at Decembre 31, 2011
		$	$
ASSETS			
Current			
Cash and cash equivalents	6	**119,547**	564,130
Receivables		**1,727**	55,390
Investments	7	**681,531**	614,949
Goods and services tax receivable		**30,298**	14,795
Tax credits receivable		**551,498**	802,400
Exploration and evaluation assets held for sale	8	**-**	107,487
		1,384,601	2,159,151
Non-current			
Investments	7	**-**	406,675
Exploration and evaluation assets	9	**9,044,031**	8,040,244
		9,044,031	8,446,919
Total assets		**10,428,632**	10,606,070
LIABILITIES			
Current			
Trade and other payables and total liabilities		**152,029**	94,735
EQUITY			
Share capital	10.1	**17,730,898**	17,724,148
Contributed surplus		**2,418,477**	2,211,290
Deficit		**(9,872,772)**	(9,424,103)
Total equity		**10,276,603**	10,511,335
Total liabilities and equity		**10,428,632**	10,606,070

The accompanying notes are an integral part of the financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on *, 2013.

signed	*signed*
Marie-José Girard	René Lacroix
Director	Director

DIOS EXPLORATION INC.
Statement of Comprehensive Income

(in Canadien dollars)

	Notes	Year ended December 31, 2012	2011
		$	$
EXPENSES			
Employee benefits expense	11.1	**272,469**	319,925
Professional fees		**43,100**	48,380
Trustees, registration fees and shareholders relations		**25,612**	38,684
Publicity, travel and promotion		**15,304**	37,643
Office expenses		**30,726**	27,256
Gain on sale of exploration and evaluation asset	8	**(112,513)**	-
Insurance, taxes and permits		**10,447**	9,865
Write-off of exploration and evaluation assets		**24,368**	2,272,722
Bank charges		**1,626**	637
OPERATING LOSS		**311,139**	2,755,112
OTHER REVENUES AND EXPENSES			
Finance income	13	**25,442**	44,754
Management income		**-**	27,680
Loss on disposal of investments		**-**	(13,448)
Change in fair value of listed shares		**(162,972)**	(12,060)
		(137,530)	46,926
NET LOSS AND COMPREHENSIVE INCOME		**(448,669)**	(2,708,186)
LOSS PER SHARE - basic and diluted	14	**(0.01)**	(0.07)

The accompanying notes are an integral part of the financial statements.

DIOS EXPLORATION INC.
Statement of Changes in Equity

(in Canadien dollars)

	Note	Share Capital		Contributed Surplus	Deficit	Total Equity
		Number of shares	$	$	$	$
Balance at January 1st, 2012		39,095,961	17,724,148	2,211,290	(9,424,103)	10,511,335
Net loss and comprehensive income		-	-	-	(448,669)	(448,669)
Shares issued for the acquisition of exploration and evaluation assets	10.1	75,000	6,750	-	-	6,750
Share-based payments	11.2	-	-	207,187	-	207,187
Balance at December 31, 2012		39,170,961	17,730,898	2,418,477	(9,872,772)	10,276,603
Balance at January 1st, 2011		34,633,839	16,231,701	2,033,223	(6,705,007)	11,559,917
Net loss and comprehensive income			-	-	(2,708,186)	(2,708,186)
Share-based payments	11.2	-	-	176,889	-	176,889
Shares issued by private placements	10.1	3,428,572	1,200,000	-	-	1,200,000
Shares issued by flow-through private placements	10.1	428,550	126,422	23,578		150,000
Shares issued for the acquisition of exploration and evaluation assets	10.1	325,000	101,625	-	-	101,625
Issuance cost		-	-	-	(10,910)	(10,910)
Exercice of stock options	11.2	280,000	42,000	-	-	42,000
Value of options exercised		-	22,400	(22,400)	-	-
Balance at December 31, 2011		39,095,961	17,724,148	2,211,290	(9,424,103)	10,511,335

The accompanying notes are an integral part of the financial statements.

DIOS EXPLORATION INC.
Statement of Cash Flows

(in Canadien dollars)

	Notes	Year ended December 31, 2012	2011
		$	$
OPERATING ACTIVITIES			
Net loss		**(448,669)**	(2,708,186)
Adjustments			
Shares-based payments		**207,187**	176,889
Change in fair value of listed shares		**162,972**	12,060
Gain on sale of exploration and evaluation asset		**(112,513)**	-
Write-off of exploration and evaluation assets		**24,368**	2,272,722
Changes in working capital items	16	**(24,323)**	56,504
Cash flows from operating activities		**(190,978)**	(190,011)
INVESTING ACTIVITIES			
Investments redeemed		**801,590**	1,316,066
Investments		**(404,469)**	(710,122)
Purchase of exploration and evaluation assets		**(1,528,126)**	(2,107,984)
Payment received on option		**75,000**	50,000
Tax credits received		**802,400**	792,808
Cash flows from investing activities		**(253,605)**	(659,232)
FINANCING ACTIVITIES			
Issuance of shares and units by private placements		**-**	1,350,000
Issuance cost		**-**	(10,910)
Issuance of shares upon exercise of stock options		**-**	42,000
Cash flows from financing activities		**-**	1,381,090
Net change in cash and cash equivalents		**(444,583)**	531,847
Cash and cash equivalents, beginning of year		**564,130**	32,283
Cash and cash equivalents, end of year		**119,547**	564,130
Additional informations			
Interest received (operating aactivities)		**23,030**	44,107

Additional informations - cash flows note 16

The accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS

Dios Exploration Inc. (the “Company”) is a mining exploration and evaluation company with activities in Canada.

2. GOING CONCERN ASSUMPTION

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations. As at December 31, 2012, the Company has a negative cumulated retained deficit of $ 9,872,722 ($ 9,424,103 as at December 31, 2011). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of the Company have been prepared in accordance with IFRS.

The Company is incorporated under the C*anada Business Corporation Act.* The adress of the Company's registered office is 1000, St-Antoine West Street, office 711, Montreal, Quebec, Canada. The Company's shares are listed ont the TSX Venture Exchange, under the symbol DOS.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

4.2 Basis of evaluation

These financial statements are prepared using the historical cost method, except for financial assets at fair value through profit or loss and available-for-sale financial instruments which are measured at fair value.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

IFRS 9, *Financial instruments*

The International Accounting Standards Board ("IASB") aims to replace IAS 39, *Financial Instruments: Recognition and Measurements* in its entirety. The replacement standards (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management does not expect to implement IFRS 9 until all of its chapters have been published and it can comprehensively assess the impact to all changes.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IFRS 13, ***Evaluation of fair value***

IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. Management does not anticipate impact on the Company's financial statements for this standard except maybe for the disclosure.

IFRS 11 and 13 were issued by the IASB on May 12, 2011 and are effective for annual periods beginning on or after January 1, 2013.

4.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and reveivables;
- financial assets at fair value through profit or loss; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income, if applicable.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, guaranteed investment certificates and receivables are classified into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Company's listed shares are classified into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include investments in bank obligations.

Available-for-sale financial assets are measured at fair value. Net change in fair value is recognized in other comprehensive income and reported within the available-for-sale reserve within equity, if applicable. When the asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss in Finance income or Finance costs, if applicable, and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognized in profit or loss within Finance income.

4.4 Financial instruments (continued)

Reversals of impairment losses are recognized in other comprehensive income, if applicable.

Impairment of financial assets

All financial assets, except for 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 any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty;
– default or delinquency in interest or principal payments; or
– it becoming probable that the borrower will enter bankruptcy or financial reorganization.

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. Impairment of receivables are presented in profit or loss within Other operating expenses, if applicable.

Financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs, if applicable.

4.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares which include options and warrants. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants as explained in Note 14.

4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and demand deposits, together with other short-term, highly liquid investments with original maturities of three months or less, and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenses incurred. The refundable tax credit on duties for losses incurred under the *Mining Tax Act* . These tax credits are recognized as a reduction of the exploration and evaluation expenses incurred.

4.8 Exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search of mineral resources before the technical feasability and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits and credits on duties related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

4.8 Exploration and evaluation assets (continued)

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.9), the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (See Note 4.9) and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash consideration received directly from the acquirer is credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

4.9 Impairment of exploration and evaluation assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit.

Additionally, when technical feasibility and commercial viability of extracting a mineral resources are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.10 Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. As at December 31, 2012 and 2011 there was no provision recorded in the consolidated statement of financial position.

4.11 Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave and bonuses) is recognized in the period in which the services are rendered and is not discounted.

The cost of bonus payments is recognized in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance.

4.12 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Income taxes related to flow-through private placements

Under the provisions of tax legislation relating to flow-through shares, the Company is required to transfer its right to tax deduction related to exploration activities to the benefit of the investors. When the Company fulfilled its obligation to transfer this right, which arise when the company incurred eligible expenses, and the Company has renounced to tax deduction, a deferred tax liabilities is recognized for the temporal difference between eligible expenses recorded under asset in the statement of financial position and their tax base.

4.13 Equity

Share capital

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs or the fair value of warrants previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they were measured at their fair value according to the quoted price on the day immediately preceding the conclusion of the agreement.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

4.13 Equity (continued)

Flow-through placements

Issuance of flow-through units represents in substance an issue of ordinary shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as trade and other payables in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the residual proceeds are allocated to warrants and to the liability, allocating a first amount to warrant measured at fair value using the Black-Scholes model and any residual, if any, is allocated to other liability. The liability component recorded initially recorded in trade and other payables is reversed on renouncement (or intention of renouncement) of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Other elements of equity

Contributed surplus includes charges related to share options and warrants. When share options and warrants are exercized, the related compensation cost is transferred to share capital.

Deficit includes all current and prior period retained profits or losses and issuances costs of equity instruments.

4.14 Equity-settled share-based payments

The Company operates equity-settled share-based payment plans for its eligible directors, employees and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

The expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non -market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.15 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

4.16 Functional and presentation currency

Financial statements are presented in Canadian currency, which is also the functional currency of the Company.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Estimation uncertainty

Impairment of exploration and evaluation assets

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible ot estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

The total write-off of exploration and evaluation asset recognized in profit or loss amounts to $24,368 for the year ended December 31, 2012 ($2,272,722 for the year ended Decembre 31, 2011). No reversal of impairment losses has been recognized for the reporting periods.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Significant management judgement

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the other properties, Pontax and AU33 ouest, no testing for impairment was conducted despite the fact that the carrying value of the company's net asset is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on certain properties during the year. Management judged that there was no testing for impairment required this year on those properties because despite an unfavourable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in the share price, the company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep these properties until the economic context improves and the company can this pursue exploration activities on thus properties after raising additional capital.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likehood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exit in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

(in Canadian dollars)

6. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
	$	$
Cash in bank (bank overdraft)	(14,251)	66,253
Money market funds	133,798	497,877
	119,547	564,130

As at December 31, 2011, cash and cash equivalents included an amount of $150,000 that represents the balance on flow-through financing not spent according to the restrictions imposed by these financing arrangements. The Company has to dedicate these funds to expenses on exploration and evaluation assets.

As at December 31, 2012, cash and cash equivalents include money market funds bearing interest at 0,5% (0,5 % as at December 31, 2011) who are cashable anytime without any penalities.

7. INVESTMENTS

	Rates		December 31, 2010	December 31, 2011
	from	to		
			$	$
Current				
Guaranteed investment certificates, maturing between January and February 2013	1,86% (1,32% in 2011)	2,6% (4,80% in 2011)	316,771	605,904
Investments in bank obligations, maturing between March and June 2013	3,05% (1,25% in 2011)	4,67% (1,25% in 2011)	298,687	-
Listed shares	-	-	66,073	9,045
			681,531	614,949
Non-current				
Guaranteed investment certificates	2.35%	2.60%	-	305,741
Investments bank obligations, maturing in June, 2013	3.05%	3.05%	-	100,934
			-	406,675

8. EXPLORATION AND EVALUATION ASSETS HELD FOR SALE

	December 31, 2012	December 31, 2011
	$	$
Pontax-Lithium	-	107,487

On Octobre 12, 2011, the Compagny signed an agreement with Khalkos Exploration inc. ("Khalkos") under which the Company has agreed to sell to Khalkos, conditionnally to the registration of Khalkos's shares at the TSX Venture Exchange, its interest in the property Pontax-Lithium in consideration of an amount equal to i) $200,000 or ii) 1,000,000 x issue price of Khalkos's shares, whichever the higher. This contribution shall be payable to the Company by issuing shares at Khalkos's issue price 5 days after listing at the TSX Venture Exchange. On January 23, 2012, Khalkos issued to the Company 1,000,000 shares for a consideration amount of $ 220,000. A gain on sale of exploration and evaluation asset of $112,513 was recorded during the year.

As at Decembre 31, 2011, exploration and evaluation assets held for sale are valued at the lower of their carryning amount and fair value, less costs to sell. Assets have been recorded at their carrying amount which is the lowest cost.

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS

MINING RIGHTS

QUEBEC	January 1st, 2012	Additions	Write-off	December 31, 2012
	$	$	$	$
33 Carats (a)	595,456	60,013	-	**655,469**
Hotish (b)	326,681	2,915	-	**329,596**
Pontax (c)	-	11,411	-	**11,411**
Shadow (e)	20,318	64,083	-	**84,401**
LeCaron (f)	154,920	56,844	-	**211,764**
AU33 ouest (g)	60,926	-	-	**60,926**
Shipshaw (j)	216,286	12,761	-	**229,047**
Hotish nord (m)	11,574	-	(11,574)	-
14 Carats (n)	54,060	4,305	-	**58,365**
Carbon 14 (o)	23,382	3,444	-	**26,826**
Carbon Goéland (p)	3,564	-	(3,564)	-
Carbo (q)	3,100	-	(3,100)	-
Solo (r)	-	8,118	-	**8,118**
	1,470,267	223,894	(18,238)	**1,675,923**

EXPLORATION AND EVALUATION EXPENSES

QUEBEC	January 1st, 2012	Additions	Tax credits	Payment received on option	Write-off	December 31, 2012
	$	$	$	$	$	$
33 Carats (a)	1,569,005	419,335	(161,636)	-	-	**1,826,704**
Hotish (b)	3,470,094	21,336	(8,224)	-	-	**3,483,206**
Pontax (c)	-	4,552	(1,755)	-	-	**2,797**
Shadow (e)	116,180	285,976	(110,232)	-	-	**291,924**
LeCaron (f)	420,994	80,201	(30,914)	-	-	**470,281**
AU33 ouest (g)	164,259	-	-	(75,000)	-	**89,259**
Shipshaw (j)	714,753	289,583	(111,622)	-	-	**892,714**
Hotish nord (m)	3,017	1,593	(614)	-	(3,996)	-
14 Carats (n)	81,932	271,172	(104,526)	-	-	**248,578**
Carbon 14 (o)	27,609	31,674	(12,209)	-	-	**47,074**
Carbon Goéland (p)	540	-	-	-	(540)	-
Carbo (q)	1,594	-	-	-	(1,594)	-
Solo (r)	-	25,337	(9,766)	-	-	**15,571**
	6,569,977	1,430,759	(551,498)	(75,000)	(6,130)	**7,368,108**
TOTAL 2012	**8,040,244**	**1,654,653**	**(551,498)**	**(75,000)**	**(24,368)**	**9,044,031**

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

MINING RIGHTS

QUEBEC	January 1st, 2011	Additions	Write-off	December 31, 2011
	$	$	$	$
33 Carats (a)	561,141	34,315	-	**595,456**
Hotish (b)	282,738	43,943	-	**326,681**
Pontax (c)	66,371	2,977	(69,348)	-
Chibouki (d)	48,438	262	(48,700)	-
Shadow (e)	18,061	2,257	-	**20,318**
LeCaron (f)	119,345	35,575	-	**154,920**
AU33 ouest (g)	60,311	615	-	**60,926**
Upinor (h)	66,695	7,257	(73,952)	-
Upinor 2 (i)	13,560	-	(13,560)	-
Shipshaw (j)	131,414	84,872	-	**216,286**
U2 (k)	76,320	-	(76,320)	-
Pam (l)	92,940	1,107	(94,047)	-
Hotish nord (m)	-	11,574	-	**11,574**
14 Carats (n)	-	54,060	-	**54,060**
Carbon 14 (o)	-	23,382	-	**23,382**
Carbon Goéland (p)	-	3,564	-	**3,564**
Carbo (q)	-	3,100	-	**3,100**
	1,537,334	308,860	(375,927)	**1,470,267**

EXPLORATION AND EVALUATION EXPENSES

QUEBEC	January 1st, 2011	Additions	Tax credits	Payment received on option	Write-off	Reclassified as exploration and evaluation asset held for sale	December 31, 2011
	$	$	$	$	$		$
33 Carats (a)	1,477,571	157,207	(65,773)	-	-	-	**1,569,005**
Hotish (b)	3,270,520	343,137	(143,563)	-	-	-	**3,470,094**
Pontax (c)	968,798	1,373	(574)	-	(969,597)	-	-
Chibouki (d)	107,139	597	(249)	-	-	**(107,487)**	-
Shadow (e)	428,085	-	-	-	(428,085)	-	-
LeCaron (f)	60,811	95,198	(39,829)	-	-	-	**116,180**
AU33 ouest (g)	344,596	131,354	(54,956)	-	-	-	**420,994**
Upinor (h)	199,679	25,069	(10,489)	(50,000)	-	-	**164,259**
Upinor 2 (i)	442,487	-	-	-	(442,487)	-	-
Shipshaw (j)	290,519	729,405	(305,171)	-	-	-	**714,753**
U2 (k)	17,443	-	-	-	(17,443)	-	-
Pam (l)	37,794	2,388	(999)	-	(39,183)	-	-
Hotish nord (m)	-	5,187	(2,170)	-	-	-	**3,017**
14 Carats (n)	-	140,869	(58,937)	-	-	-	**81,932**
Carbon 14 (o)	-	47,469	(19,860)	-	-	-	**27,609**
Carbon Goéland (p)	-	929	(389)	-	-	-	**540**
Carbo (q)	-	2,741	(1,147)	-	-	-	**1,594**
	7,645,442	1,682,923	(704,106)	(50,000)	(1,896,795)	**(107,487)**	**6,569,977**
TOTAL 2011	**9,182,776**	**1,991,783**	**(704,106)**	**(50,000)**	**(2,272,722)**	**(107,487)**	**8,040,244**

In 2011, the Company has divided the property AU33 into three new properties, Shadow, LeCaron and AU33 ouest.

All write-off charges are included within *Write-off exploration and evaluation* assets in profit or loss. During the year and the prior year, management wrote-off properties and deferred exploration expenses for the properties Carbon Goeland, Carbo and Hotish Nord (Chibouki, Upinor, Upinor2, U2 and Pam, in 2011) for the following reasons: Abandonment of mining claims, negative results obtained after exploration work and / or lack of exploration work over the last three years.

9. EXPLORATION AND EVALUATION ASSETS (continued)

(a) 33 Carats

The 33 Carats property is located along the Eastmain River in the Otish Mountains area, Quebec and consists of five blocks of 732 mineral claims covering 370 square km. The southern block consists of 389 mineral claims covering 206 square km.

One part of the property (51 mineral claims) is subject to a 1% gross overriding royalty, half of which can be repurchased for $1 million.

(b) Hotish

The Hotish property is located near the lakes Magyar, Pepeshquasati et Mantouchiche in the Otish Mountains area, Quebec, and consists of two blocks of 849 mineral claims covering 450 square km.

(c) Pontax

In 2005, the Company acquired, in a partnership with Sirios Resources Inc. ("Sirios"), the Pontax property. This property is located in the James Bay area, 350 km north of Matagami along the road to Radisson.

In August 2012, the Company and Sirios cancelled their initial agreement in order to create two distinct properties with each company wholly-owning one property. The Pontax property, wholly-owned by the Company, now consists of 147 claims covering 76 square km. Morever, Sirios will keep exclusive rights on all substances other than diamonds on one claim held by the Company and the Company will keep exclusive rights on diamonds on six claims held by Sirios.

After written-off this property in 2011, the Company decided to reactivate exploration works on this property in 2012.

(d) Chibouki

The Chibouki project is composed of 40 mineral claims and covers 20 square km and is located approximately 50 km northeast of Chibougamau,

Following a review of the mineral property, the Company decided during the fourth quarter of 2011 to write-off the property ($ 48,700 for the property and $ 428,085 for deferred exploration expenses totaling $ 476,785 recorded in expenses of the year).

(e) Shadow

This property is located near the Eastmain river, at 10-25 km north of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 590 mineral claims covering 313 square km.

(f) LeCaron

This property is located near the Eastmain river, at 10-25 km north of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 493 mineral claims covering 261 square km.

On October 1, 2010, the Company signed an agreement that allow the Company to acquire a 100% interest in the Lac Caron property, which consists of 35 mineral claims, property integrated in the AU33 property. The agreement consists of an initial payment of $3,000 at the signing agreement (paid), the issuance of 50,000 common shares of the Company (deemed value per share of $0.28) the fifth business day following regulatory approval (issued), payment of $3,000 in cash (paid) and the issuance of 75,000 common shares of the Company on the date which is 12 months following regulatory approval (issued for a deemed value of $19,125 on November 2011) and payment of $4,000 in cash (paid) and the issuance of 75,000 common shares of the Company on the date which is 24 months following regulatory approval (issued for a deemed value of $6,750 on November 2012). As the conditions have been met, ownership of the 35 mineral claims were transferred to the Company. The property will be subject to a 2% royalty on production and a royalty of one dollar per ton of diamond. Half of each of these royalties can be redeemed for a million dollars each.

The Clarkie area, located at 25 km north-east of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec, consists of 220 mineral claims covering 116 square km.

(g) AU33 ouest

This property is located near the Eastmain river, west of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 519 mineral claims covering 270 square km.

On July 5, 2011, the Company signed an option agreement and joint venture on the AU33 ouest's property with Osisko Mining Corporation ("Osisko") enabling Osisko to acquire 51 % of this property in consideration of $5,000,000 in exploration expenses on the property and a cash payment of $ 700,000, all over a period of five years. In addition, Osisko has the option to acquire an additional 9% in consideration of an investment of $9,000,000 on the property during a period of five years. Finally, Osisko has the right thereafter to acquire an additional 10% by fully funding a feasibility study on the property. $50,000 in cash were collected in June and July 2011 and $75,000 in 2012.

9. EXPLORATION AND EVALUATION ASSETS (continued)

(h) Upinor

The Company jointly acquired with Sirios, the Upinor property consisting of 31 mining claims covering close to 15 square km, located 50 km south of the Trans-Taïga road. Under the agreement with Sirios, each company holds a 50% interest and the acquisition and exploration expenses are to be equally shared. The Company manages this project.

Following a review of the mineral property, the Company decided during the fourth quarter of 2011 to write-off the property ($73,952 for the property and $442,487 for deferred exploration expenses totaling $516,439 recorded in expenses).

(i) Upinor 2

This property covers 50 square km and is located south of the Trans-Taiga.

Following a review of the mineral property, the Company decided during the fourth quarter of 2011 to write-off the property ($13,560 for the property recorded in expenses).

(j) Shipshaw

This property consists of 161 mineral claims covering 90 square km located in Saguenay.

On November 25, 2009, the Company signed an agreement with Diagold Exploration Inc. which granted the Company the right to acquire up to 75% interest in this property. The Company may acquire its 60% interest in the property by investing $30,000 in exploration before December 31, 2010 and increasing it to 75% by carrying $300,000 in exploration work over a period of three years . These conditions were met in 2011.

On October 21, 2010, the Company signed an agreement that would allow the Company to acquire the remaining 25% interest in the Shipshaw property. The agreement consist of an initial payment of $50,000 at the signing agreement (paid), the issuance of 250,000 common shares of the Company (deemed value per share of $0.285) the fifth business day following regulatory approval (issued) and 250,000 common shares of the Company on the date which is 24 months following regulatory approval (issued on January 6, 2011, for a value of $82,500). Assuming completion of the agreement, those claims will be subject to a 1% royalty on production, half of which is redeemable for $500,000. The Company acquired 100% interest in the property as at December 31, 2011.

On February 3, 2011, through a private placement, the Company issued to Iamgold Corporation («IAMGOLD») 3,428,572 ordinary shares at the price of $0,35 per share for a total amount of $1,200,000 (before issuance cost). In addition, IAMGOLD have an exclusive option to acquire 60% in the project Shipshaw, provided that certain conditions within two years following the private placement. The Company must commit 80% of the proceeds of the property before that IAMGOLD decided to exercice its option.

(k) U2

This property of 78 mineral claims covers close to 41 square km in the James Bay area (Qc), 30 km south of the Trans-Taïga road and of the La Grande-3 hydro-electrical reservoir.

Following a review of the mineral property, the Company decided during the fourth quarter of 2011 to write-off the property ($76,320 for the property and $17,443 for deferred exploration expenses totaling $93,763 recorded in the expenses).

(l) Pam

The property of 79 minerals claims, covers close to 41 km in James Bay (Qc) at about 50-60 km south-east of the property Upinor.

Following a review of the mineral property, the Company decided during the fourth quarter of 2011 to write-off this property ($94,047 for the property and $39,183 for deferred exploration expenses totaling $133,230 recorded in the expenses).

(m) Hotish nord

The property Hotish north of 84 minerals claims, covers close 44 km in James Bay (Qc) at about 20-50 km south-west of the property 33 carats.

Following a review of the mineral property, the Company decided during the fourth quarter of 2012 to write-off the property ($ 11,574 for the property and $ 3,996 for deferred exploration expenses totaling $ 15,570 recorded in expenses of the year).

(n) 14 Carats

This property of 552 minerals claims (in 3 blocs) covers close 273 square km at 50-75 km north-east of the Eastmain Gold mine or at 30-50 km east of the Stornoway diamond project (Qc).

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

(o) Carbon 14

This property of 192 minerals claims covers close 100 square km at 110 km north-east of the Eastmain Gold mine or at 80 km east of the Stornoway diamond project (Qc).

The property is centered on lakes Antigny and Ango, near the big lake Naoccoane, at more than 400 km at north-east of Chibougamau.

(p) Carbon Goéland

This property of 80 minerals claims covers close 42 square km at 150 km north of lac St-Jean (Qc), in the Goéland lake area near the Péribonca river.

Following a review of the mineral property, the Company decided during the fourth quarter to write-off the property ($ 3,564 for the property and $ 540 for deferred exploration expenses totaling $ 4,104 recorded in expenses of the year).

(q) Carbo

This property of 42 minerals claims covers close 22 square km at 150 km north Chibougamau (Qc), in the Cosnier lake area near the forest camp of Tournemine.

Following a review of the mineral property, the Company decided during the fourth quarter of 2012 to write-off the property ($ 3,100 for the property and $ 1,594 for deferred exploration expenses totaling $ 4,694 recorded in expenses of the year).

(r) Solo

This property of 57 minerals claims covers close to 30 square km and is located between the Opinaca and Eastmain rivers, south of Elmer Lake in James Bay.

10. EQUITY

10.1 Share capital

The share capital of the Company consists only of fully paid ordinary shares and unlimited number of shares without value. All shares are equally admissible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of the Company.

On February 3, 2011, through a private placement, the Company issued to IAMGOLD 3,428,572 common shares at a price of $0,35 per share for a total amount of $1,200,000 ($1,192,914 after issuance costs of $7,086). The Company must commit 80% of the proceeds of the investment on the property Shipshaw.

On september 7, 2011, the Company completed a private placement without a broker. An amount of $150,000 was subscribed including 150 units at the price of $1,000 per unit. Each unit consists of 2,857 flow-through shares recorded at a price of $0.35 per share and 2,857 warrants. An amount of $126,422 related to share capital and $23,578 related to warrants were recorded.

In connexion with the agreement of Octobre 21, 2010, the Company issued on January 6, 2011, 250,000 common shares (market value of shares of $82,500) to Diagold Exploration Inc., allowing the Company to respect the final condition to obtain the remaining 25% interest on the Shipshaw

In connexion with the agreement of October 1st, 2010 related to the LeCaron property, the Company issued on November 28, 2011, 75,000 common shares (market value of shares of $19,125).

In connexion with the agreement of October 1st, 2010 related to the LeCaron property, the Company issued on November 15, 2012, 75,000 common shares (market value of shares of $6,750).

10.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows :

	2012		2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance, at beginning	428,550	0.49	-	-
Granted	-	-	428,550	0.49
Balance, at the end	428,550	0.63	428,550	0.49

In connexion with the flow-through private placement of September 2011, the Company issued 428 550 warrants. Each warrant entitles the holder to subscribe to an equivalent number of flow-through shares of the Company at a price of $ 0.49 on or before September 6, 2012 and at a price of $0.63 on or before september 6, 2013.

(in Canadian dollars)

10.2 Warrants (continued)

The average fair value of the broker's warrants granted in 2011 of $0.06 was estimated using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Average share price at date of grant	$0.30
Expected dividends yield	0%
Expected wheighted volatility	87%
Risk-free interest average rate	1.75%
Expected average life	2 years
Average exercise price at date of grant	$0.49 / $0.63

The underlying expected volatility was determined by reference to historical data of the Company's shares for a period of 2 years.

The number of outstanding warrants which could be exercised for an equivalent number of ordinary shares is as follows :

Expiration date	Number	Exercise price
September 6, 2013	428,550	$0.63

11. EMPLOYEE REMUNERATION

11.1 Employee benefits expense

	Exercise ended on December 31, 2012	2011
	$	$
Salaries and benefits	333,547	315,256
Fees paid to employee	50,750	62,983
Share-based payments	207,187	176,889
	591,484	555,128
Less: salaries capitalized in Exploration and evaluation assets	(319,015)	(235,203)
Employee benefits expense	272,469	319,925

11.2 Share-based payments

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for ordinary shares to directors, staff members and consultants. The maximum number of shares issuable under the plans is 6,600,000. The maximum number of common shares which may be reserved for issuance to any one option may not exceed 5% of the common shares outstanding at the date of grant.

The exercise price of each option is determined by the Board of Directors and cannot be less than the market value of the ordinary shares on the day prior the award, and the term of the options cannot exceed five years. The options vesting period is 18 month, at a rate of 15% per quarter, at the exception of 10%, which may be exercised from the date of the grant. For the options granted to a consultant, it vests in stages over a period of 12 months after the grant, at the rate of 25 % per quarter.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash. The Company's share options are as follows for the reporting periods presented:

	2012		2011	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding at January 1st	3,985,000	0.38	4,710,000	0.40
Issued	1,990,000	0.19	950,000	0.30
Exercised	-	-	(280,000)	0.15
Expired	(1,020,000)	0.67	(240,000)	0.33
Forfeited	(165,000)	0.28	(1,053,000)	0.41
Renounced	-	-	(102,000)	0.34
Outstanding at December 31	4,790,000	0.24	3,985,000	0.38
Exercisable at December 31	3,460,250	0.27	3,415,000	0.39

The weighted average share price at the date of exercise of options was $0.39 in 2011.

(in Canadian dollars)

11.2 Share-based payments (continued)

The table below summarizes the information related to outstanding share options as at December 31, 2012 and 2011 :

Range of exercise price	2012 Outstanding options		2011 Outstanding options	
$	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
0.10 to 0.29	2,630,000	3.75	700,000	2.37
0.30 to 0.50	2,160,000	2.12	2,590,000	2.74
0.51 to 0.75	-	-	695,000	0.17
	4,790,000		3,985,000	

On December 13, 2012, the Company granted 995,000 options exercisable at $0.15 to officers, directors and employees of the Company under its incentive stock option plan. The options have a term of five years and can be exercised gradually over a period of eighteen months.

On February 28, 2012, the Company granted 995,000 options exercisable at $0.235 to officers, directors and employees of the Company under its incentive stock option plan. The options have a term of five years and can be exercised gradually over a period of eighteen months.

On April 25, 2011, the Company granted 950,000 options for officers, employees and directors of the Company under its incentive stock option plan at an exercise price of $ 0.30 per share. The options have a term of five years and can be vested gradually over a period of eighteen months.

The weighted fair value of the granted options in 2012 of $0.13 per option granted ($0.21 per option granted in 2011) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2012	2011
Average share price at date of grant	$0.19	$0.30
Expected dividends yield	0%	0%
Expected wheighted volatility	101%	98%
Risk-free interest average rate	1.1%	2%
Expected average life	5 years	5 years
Average exercise price at date of grant	$0.19	$0.30

The underlying expected volatility was determined by reference to historical data of the Company’s shares over a period of five years. No special features inherent to the options granted were incorporated into measurement of fair value.

An amount of $207,187 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the reporting period ended December 31, 2012 ($176,889 for the reporting period ended December 31, 2011) and credited to Contributed surplus.

12. FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Cash and cash equivalents	119,547	119,547	564,130	564,130
Guaranteed investment certificates	316,771	316,771	911,645	911,645
Receivables	1,727	1,727	55,390	55,390
Financial assets at fair value through profit or loss				
Listed shares	66,073	66,073	9,045	9,045
Available-for-sale financial assets				
Investments in banking obligations	298,687	298,687	100,934	100,934
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	152,029	152,029	94,735	94,735

The carrying value of financial instruments classified as Loans and receivables and as Financial liabilities measured at amortized cost presented in the table above, are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

(in Canadian dollars)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

See Note 4.4 for a description of the accounting policies for each category of financial instruments. The Company's financial instruments risks are detailed in Note 19.

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;

– Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Listed shares and investments in bank obligations were mesured at fair value in the statement of financial position as at December 31, 2012, are classified in Level 1 and 2.

The fair value of listed shares in Level 1 was determined according to the quoted price at the reporting date. The fair value of investments in bank obligations in Level 2 was determined from the calculation of discounted cash flows using the effective interest rate that could get the Company to the closing date for similar instruments.

There have been no significant transfers between Levels in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

13. FINANCE INCOME

	Exercise ended on December 31, 2012	2011
	$	$
Interest income from cash and cash equivalents	3,505	5,362
Interest income from guaranteed investment certificates	10,816	29,825
Interest income from investments in banking obligations	11,121	9,567
Finance income	25,442	44,754

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 10.2 and 11.2.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2012 and 2011.

	Exercise ended on December 31, 2012	2011
Net loss	$(448,669)	$(2,708,186)
Weighted average number of shares in ciculation	39,105,592	38,386,811
Basic and diluted loss per share	$(0.01)	$(0.07)

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these financial statements.

(in Canadian dollars)

15. INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2012	2011
	$	$
Deferred tax expense (income)		
Origination and reversal of temporary differences	(63,363)	(735,109)
Tax rate variance	-	38,838
temporary difference unrecognized	63,363	696,271
Total deferred tax expense (income)	-	-

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense (income) based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	2012	2011
	$	$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26,9 % (28,4 % in 2011)	(120,692)	(769,125)
Adjustments for the following items:		
Share-based payments	55,733	50,236
Tax rate variance	-	38,838
Other non-deductible expenses	1,596	(16,220)
temporary difference unrecognized	63,363	696,271
Total deferred tax expense (income)	-	-

The effective tax rate in 2012 was lower than the effective tax rate in 2011 because of a change in the federal tax rate.

Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax credits give rise to the following recognized and unrecognized deferred taxes:

	Balance as at January 1st, 2012	Recognized in profit or loss	Balance as at December 31, 2012
	$	$	$
Recognized amount			
Exploration and evaluation assets	74,345	(16,263)	58,082
Tax credits for ressources	(74,345)	16,263	(58,082)
Recognized deferred tax assets and liabilities	-	-	-

	Balance as at January 1st, 2011	Recognized in profit or loss	Balance as at December 31, 2011
	$	$	$
Recognized amount			
Exploration and evaluation assets	84,562	(10,217)	74,345
Tax credits for ressources	(84,562)	10,217	(74,345)
Recognized deferred tax assets and liabilities	-	-	-

	December 31, 2012	
	Federal	Provincial
	$	$
Deductible temporary differences and unused tax losses not recognized		
Investments in shares	129,172	129,172
Exploration and evaluation assets	2,363,832	3,121,832
Non-capital losses	2,365,799	2,301,481
Capital losses	6,426	6,426
Issuance costs of equity instruments	6,526	6,846
	4,871,755	5,565,757

(in Canadian dollars)

15. INCOME TAXES (continued)

	December 31, 2011	
	Federal	Provincial
	$	$
Deductible temporary differences and unused tax losses not recognized		
Investments in shares	47,686	47,686
Exploration and evaluation assets	2,388,561	3,146,561
Non-capital losses	2,184,647	2,120,724
Capital losses	6,426	6,426
Issuance costs of equity instruments	8,728	8,728
	4,636,048	5,330,125

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position, that can be carried over the following years:

	Federal	Provincial
	$	$
2014	120,354	110,898
2015	168,013	155,113
2026	154,704	134,285
2027	223,465	216,912
2028	360,430	355,498
2029	310,138	307,026
2030	451,164	446,565
2031	409,826	408,612
2032	167,705	166,572
	2,365,799	2,301,481

Accumulated capital losses of $12,852 ($12,852 in 2011) are available to be applied against future taxable capital gains. These losses may be carried forward indefinitely.

16. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	Exercise ended on December 31,	
	2012	2011
	$	$
Taxes on goods and services tax receivable	(15,503)	71,984
Receivables	53,663	-
Prepaid expenses and deposits	-	3,899
Trade and other payables	(62,483)	(15,419)
Account payable to a related mining company	-	(3,960)
	(24,323)	56,504

Non-cash balance sheet transactions are detailled as follows :

	2012	2011
	$	$
Issuance of shares for acquisition of exploration and evaluation assets	6,750	101,625
Tax credits receivables applied against exploration and evaluation assets	551,498	704,110
Trade and other payables included in exploration and evaluation assets	140,570	20,793
Disposal of an exploration and evaluation asset in counterpary of listed shares	220,000	0

(in Canadian dollars)

17. RELATED PARTY TRANSACTIONS

The Company's related parties include a related company and joint key management as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

17.1 Transactions with key management personnel

Key management personnel of the Company are the president, chief financial officier, vice president exploration and members of the Board of Directors. Key management personnel remuneration includes the following expenses:

	Exercise ended on December 31, 2012	2011
	$	$
Short-term employee benefits		
Salaries and benefits	247,500	292,292
Professional fees	50,750	62,983
Social security costs	14,389	16,226
Total short-term employee benefits	312,639	371,501
Share-based payments	173,640	155,235
	486,279	526,736
Less: salaries capitalized in Exploration and evaluation assets	(247,768)	(234,606)
Total remuneration	238,511	292,130

17.2 Transactions with a related company

During the year ended December 31, 2012, a company in which a director is an owner, charged geological fees amounting of $47,566 recorded in Exploration and evaluation assets ($0 for the year ended December 31, 2011).

The Company was related to another company until April 1st, 2011, as they had some directors in common. During the year ended on December 31, 2011, in the ordinary course of business, a company with a common director has charged an amount of $12,234 for professional fees.

18. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are :

1. To ensure the Company’s ability to continue as a going concern;
2. To increase the value of the assets of the business; and
3. To provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company’s own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 11 and in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work. See all the details in Notes 10.1 and 20.

The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

19. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The Company’s financial assets and liabilities by category are summarized in Note 12. The main types of risks the Company is exposed to are market risk, credit risk and liquidity risk. The financial instruments of the Company are exposed to the following two types of market risk : interest rate risk and other price risk.

The Company manages risks by working closely with the Board of Directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial instruments for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

(in Canadian dollars)

19. FINANCIAL INSTRUMENT RISKS (continued)

19.1 Interest rate sensitivity

Interest rate sensitivity is the risk that the fair value of the future cash flows of an financial instrument fluctuate because of the changes in interest rates.

At December 31, 2012, the following financial assets were at fixed interest rates:

- Banker's acceptance
- Guaranteed investment certificates
- Investments in bank obligations

Interest rate movements may affect the fair value of the fixed interest financial assets. Because banker's acceptance and guaranteed investment certificates are recognized at amortized cost the fair value variation has no impact on profit or loss. For the investments in bank obligations presented at fair value, the fair value variation has a none significant impact on profit or loss.

19.2 Price risk sensitivity

The Company is exposed to fluctuations in the market prices of listed shares. The fair value of the listed shares represents the maximum exposure to price risk.

If the quoted stock price for these listed shares had changed by ± 20% as at December 31, 2012 and 2011, other comprehensive income and equity would have anged by $13,215 ($1,809 in 2011).

19.3 Credit risk

The Company’s maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	As at December 31, 2012	As at December 31, 2011
	$	$
Cash and cash equivalents	119,547	564,130
Guaranteed investment certificates	316,771	911,645
Receivables	1,727	55,390
Investments in bank obligations	298,687	100,934
Carrying amounts	736,732	1,632,099

The Company has no account receivables. Receivables consist of advances to suppliers or exploration partner and, therefore, the Compagny's exposure to credit risk is considered limited. The Company continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented.

19.3 Credit risk (continued)

The Company’s management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company’s financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalents, guaranteed investment certificates and investments in bank obligations is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

19.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

During the year, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through last years private and flow-through financings.

The Company expects to respect its obligations with its cash flows related to financing and proceeds from the maturit of its financial assets.

Trade for an amount of $152,029, have contractual maturities of less than 3 months on December 31, 2012 ($94,735 on December 31, 2011). The company's cash and investments exceed its current cash expenditure needs.

20. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work. However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

In 2011, the Company received $150,000 following flow-through placements for which the Company renounced tax deductions on December 31, 2011. As at December 31, 2012, the Company had committed the entire outstanding exploration work related to this financing.