ENDURANCE GOLD
CORPORATION

2012 ANNUAL FINANCIAL REPORT
December 31, 2012 and 2011
(Expressed in Canadian dollars)

DeVISSER GRAY *LLP*
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Endurance Gold Corporation,

We have audited the accompanying consolidated financial statements of Endurance Gold Corporation and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2012, 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 as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 whether the consolidated financial statements are free of 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 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 Endurance Gold Corporation and its subsidiary as at December 31, 2012 and their financial performance and their cash flows for the year ended December 31, 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Notes 1 and 2(c) in the financial statements which indicate that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Notes 1 and 2(c), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter
The consolidated financial statements of Endurance Gold Corporation and its subsidiary as at December 31, 2011 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those statements in their report to the shareholders dated April 18, 2012.

De Visser Gray LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada
April 3, 2013

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

	December 31, 2012	December 31, 2011
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 553,433	$ 369,747
Marketable securities (Note 5)	19,200	19,200
Prepaid expenses and deposits (Note 6)	16,641	16,160
Receivables (Note 7)	10,872	63,941
Total current assets	600,146	469,048
Non-current		
Exploration and evaluation assets (Note 8)	2,445,446	2,334,140
Total assets	$ 3,045,592	$ 2,803,188
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	$ 115,823	$ 103,145
Advance from optionee (Note 10)	24,310	-
Total liabilities	140,133	103,145
EQUITY		
Share capital (Note 12)	6,869,365	6,627,989
Reserves (Note 12)	844,531	536,451
Deficit	(4,808,437)	(4,464,397)
	2,905,459	2,700,043
Total liabilities and equity	$ 3,045,592	$ 2,803,188

Nature and continuance of operations (Note 1)
Commitments (Note 19)
Events after reporting date (Note 20)

Approved and authorized on behalf of the Board of Directors on April 3, 2013:

/s/ Robert T. Boyd	/s/ J. Christopher Mitchell
______________________ Director	______________________ Director
Robert T. Boyd	J. Christopher Mitchell

The accompanying notes are an integral part of these consolidated financial statements.

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Year Ended December 31,
(*Expressed in Canadian dollars*)

	2012	2011
Expenses		
Business development and property investigation (Note 14)	$ 64,902	$ 58,181
Corporate communications (Note 14)	39,757	31,903
Listing and transfer agent fees	12,395	14,500
Management fees (Note 14)	69,675	122,460
Office and administrative (Note 14)	63,568	70,563
Professional fees (Note 14)	30,632	65,730
Share-based compensation (Note 12)	58,080	57,180
Loss before other items	(339,009)	(420,517)
Other items		
Interest income	5,551	4,379
Realized loss on sales of marketable securities	-	(214)
Unrealized loss on marketable securities (Note 5)	-	(94,386)
Write-off of exploration and evaluation assets (Note 8)	(10,582)	(567,610)
	(5,031)	(657,831)
Comprehensive loss for the year	$ (344,040)	$ (1,078,348)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)
Basic and diluted weighted average number of common shares outstanding	56,755,373	51,755,463

The accompanying notes are an integral part of these consolidated financial statements.

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 31,
(*Expressed in Canadian dollars*)

	Share Capital				Total
	No. of Shares	Amount	Reserves	Deficit	Equity
Balance at December 31, 2010	**47,472,586**	**$ 5,757,508**	**$ 479,271**	**$ (3,386,049)**	**$ 2,850,730**
Shares issued for cash:					
Private placement	6,250,000	890,000	-	-	890,000
Share issuance costs	-	(19,519)	-	-	(19,519)
Share-based compensation	-	-	57,180	-	57,180
Comprehensive loss for the year	-	-	-	(1,078,348)	(1,078,348)
Balance at December 31, 2011	**53,722,586**	**$ 6,627,989**	**$ 536,451**	**$ (4,464,397)**	**$ 2,700,043**

	Share Capital				Total
	No. of Shares	Amount	Reserves	Deficit	Equity
Balance at December 31, 2011	**53,722,586**	**$ 6,627,989**	**$ 536,451**	**$ (4,464,397)**	**$ 2,700,043**
Shares issued for cash:					
Private placement	5,000,000	250,000	250,000	-	500,000
Share issuance costs	-	(8,624)	-	-	(8,624)
Share-based compensation	-	-	58,080	-	58,080
Comprehensive loss for the year	-	-	-	(344,040)	(344,040)
Balance at December 31, 2012	**58,722,586**	**$ 6,869,365**	**$ 844,531**	**$ (4,808,437)**	**$ 2,905,459**

The accompanying notes are an integral part of these consolidated financial statements.

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

(*Expressed in Canadian dollars*)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (344,040)	$ (1,078,348)
Add adjustments:		
Share-based compensation	58,080	57,180
Realized loss on sales of marketable securities	-	214
Unrealized loss on marketable securities	-	94,386
Write-off of exploration and evaluation assets	10,582	567,610
Interest income	(5,551)	(4,379)
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(481)	(3,760)
Receivables	53,069	(44,835)
Accounts payable and accrued liabilities	(24,714)	(14,324)
Advance from Optionee	24,310	-
Net cash used in operating activities	(228,745)	(426,256)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(330,088)	(668,814)
Exploration and evaluation asset recoveries	245,592	50,000
Interest received	5,551	4,379
Marketable securities	-	1,575
Reclamation bonds	-	3,500
Net cash used in investing activities	(78,945)	(609,360)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	500,000	890,000
Share issuance costs	(8,624)	(19,519)
Net cash provided by financing activities	491,376	870,481
Net increase (decrease) in cash and cash equivalents during the year	183,686	(165,135)
Cash and cash equivalents, beginning of year	369,747	534,882
Cash and cash equivalents, end of year	$ 553,433	$ 369,747

Supplemental disclosures with respect to cash flows (Note 13)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Endurance Gold Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The head office and principal address of the Company is 1700-750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T8. The Company's registered address and records office is 1040-999 West Hastings Street, Vancouver, British Columbia, Canada, V6C 2W2.

The Company is engaged in the exploration and development of mineral properties in North America and has not yet determined whether its properties contain ore reserves that are economically recoverable. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. See note 2(c).

2. BASIS OF PREPARATION

(a) *Statement of Compliance*

These consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with IFRS issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 3, 2013.

(b) *Basis of Measurement*

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. Actual results could differ from these estimates.

2. BASIS OF PREPARATION (cont'd…)

(c) *Going Concern of Operations*

The Company has not generated revenue from operations. The Company incurred a net loss of $344,040 during the year ended December 31, 2012 and, as of that date the Company's deficit was $4,808,437. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company may not have sufficient funds to continue for the next 12 months, and will have to raise additional funds to continue operations and to meet with its 2013 exploration programs, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

(d) *Basis of consolidation*

The consolidated financial statements include the accounts of the parent company, Endurance Gold Corporation, and its subsidiary as listed below:

			Equity Interest	
	Jurisdiction	Nature of Operations	2012	2011
Endurance Resources Inc.	Virginia, USA	Exploration	100%	100%

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

Summarized below are those policies considered significant to the Company. All accounting policies have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) *Foreign currencies*

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(b) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

FVTPL - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

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

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

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

All financial assets except for those at FVTPL 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. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired, as follows:

FVTPL - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities: This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(b) ***Financial instruments*** *(cont'd…)*

The Company has classified its cash and cash equivalents and marketable securities as FVTPL. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and advance from optionee are classified as other financial liabilities.

(c) ***Cash and cash equivalents***

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents typically include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) ***Exploration and evaluation assets***

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation assets are recognized and capitalized in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors. Costs not directly attributable to exploration and evaluation assets activities, including general administrative costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of its mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation assets expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the farmee is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as proceeds received in excess of costs incurred and recorded as a gain on the statements of comprehensive loss.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation asset expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation asset expenditures in excess of estimated recoveries are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(e) ***Reclamation bonds***

Cash which is subject to contractual restrictions on use imposed by government agencies as a condition of granting permits in connection with exploration and evaluation assets is classified separately as reclamation bonds. Reclamation bonds are classified as loans and receivables.

(f) ***Equipment***

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Computer software	45%
Exploration equipment	20%
Furniture and fixtures	20%
Vehicles	30%

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, is regularly identified and written off.

Assets are measured at historical cost less accumulated amortization and impairment losses. Amortization is charged on the declining balance basis over the useful lives of these assets. Residual values, amortization methods and useful economic lives are reviewed and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance. As at December 31, 2012, the Company does not own any equipment.

(g) ***Impairment of assets (excluding goodwill)***

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(g) Impairment of assets (excluding goodwill) (cont'd…)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a deferred tax asset will be recovered, deferred tax assets are not accrued.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(j) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred and renounced to the shareholders, the Company derecognizes the liability with the premium being recognized as other income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(j) ***Flow-through shares*** (cont'd…)

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. See note 11.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with flow-through regulations pursuant to the *Income Tax Act (Canada)*. When applicable, this tax is accrued as a financial expense until paid.

(k) ***Share-based payment transactions***

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than $0.10 per share or the Discounted Market Price as defined in the policies of the TSX Venture Exchange (the "Exchange").

The fair value of stock options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned based on graded vesting. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

(l) ***Loss per share***

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributed to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(m) ***Provision for environmental rehabilitation***

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(m) ***Provision for environmental rehabilitation*** (cont'd…)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. At December 31, 2012, the Company does not have any provision for environmental rehabilitation.

(n) ***Related party transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) ***Provisions***

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as an accretion expense.

(p) ***Significant accounting judgments and estimates***

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(p) ***Significant accounting judgments and estimates*** (cont'd…)

i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geological and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility and interest rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

iii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

(q) ***Standards, Amendments and Interpretations Not Yet Effective***

The following are new pronouncements approved by the IASB. The following new standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards.

- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

- IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of "control" for identifying entities which are to be consolidated.

- IFRS 13, *Fair Value Measurements* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

- Amendments to IAS 1, *Presentation of Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be recycled through profit or loss be differentiated from those items that will not be recycled.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(q) ***Standards, Amendments and Interpretations Not Yet Effective*** (cont'd…)

- IAS 27, *Consolidated and Separate Financial Statements* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements and IAS 28, *Investments in Associates and Joint Ventures* were revised and reissued to align with the new consolidation guidance.

4. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
Cash on deposit	$ 28,433	$ 89,747
Liquid short term deposit	525,000	280,000
	$ 553,433	$ 369,747

5. MARKETABLE SECURITIES

Marketable securities consist of equity securities of an entity or entities over which the Company does not have control or significant influence. Marketable securities are designated as FVTPL. Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period. At December 31, 2012, the Company owned 320,000 (320,000 at December 31, 2011) common shares of a publicly traded entity.

	December 31, 2012	December 31, 2011
Marketable securities – fair value	$ 19,200	$ 19,200
Marketable securities - cost	$ 114,496	$ 114,496

6. PREPAID EXPENSES AND DEPOSITS

The prepaid expenses for the Company are broken down as follows:

	December 31, 2012	December 31, 2011
Prepaid rent	$ 4,706	$ 4,505
Insurance	10,593	11,655
Vendor prepayment	1,342	-
Total	$ 16,641	$ 16,160

7. RECEIVABLES

The Company's receivables arise mainly from recoverable sales taxes due from Canadian government taxation authorities.

8. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2012, the Company's exploration and evaluation assets are located in North America. Expenditures incurred on exploration and evaluation assets are as follows:

	Bandito, Yukon CANADA	Fuego, Yukon CANADA	Pardo, Ontario, CANADA	Other Properties, CANADA	Elephant Mountain, Alaska, USA	McCord, Alaska, USA	Rattlesnake-Natrona, Wyoming, USA	Vana, Alaska, USA	TOTAL
Acquisition 12/31/11	**$ 99,206**	**$ 6,420**	**$ (31,250)**	**$ -**	**$ 4,110**	**$ 5,664**	**$ 35,799**	**$ 8,688**	**$ 128,637**
Additions	56,650	-	-	-	12,718	-	-	-	69,368
Option payments	-	-	(50,000)	-	-	(34,730)	-	-	(84,730)
	56,650	-	(50,000)	-	12,718	(34,730)	-	-	(15,362)
Written-off	-	-	-	-	-	-	(4,527)	-	(4,527)
Acquisition 12/31/12	**155,856**	**6,420**	**(81,250)**	**-**	**16,828**	**(29,066)**	**31,272**	**8,688**	**108,748**
Deferred Exploration 12/31/11	**676,207**	**16,580**	**1,077,858**	**50,000**	**2,739**	**88,078**	**286,873**	**7,168**	**2,205,503**
Additions:									
Field expenses	11,069	-	-	1,500	-	43,911	-	-	56,480
Geochemistry	3,145	-	-	-	669	13,468	-	-	17,282
Geological and miscellaneous	80,109	643	9,089	900	16,622	65,624	2,850	450	176,287
Helicopters	7,460	-	-	-	-	16,465	-	-	23,925
Land and recording fees	2,500	1,050	-	-	-	6,770	8,923	4,895	24,138
Recovery of expenses	-	-	-	-	-	(160,862)	-	-	(160,862)
	104,283	1,693	9,089	2,400	17,291	(14,624)	11,773	5,345	137,250
Written-off	-	-	-	-	-	-	(6,055)	-	(6,055)
Deferred Exploration 12/31/12	**780,490**	**18,273**	**1,086,947**	**52,400**	**20,030**	**73,454**	**292,591**	**12,513**	**2,336,698**
Total Exploration and evaluation assets 12/31/12	**$ 936,346**	**$ 24,693**	**$ 1,005,697**	**$ 52,400**	**$ 36,858**	**$ 44,388**	**$ 323,863**	**$ 21,201**	**$ 2,445,446**

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

	Bandito, Yukon CANADA	Fuego, Yukon CANADA	Pardo, Ontario, CANADA	Nechako, B.C. CANADA	Other Properties, CANADA	Rattlesnake-Natrona, Wyoming, USA	McCord, Alaska, USA	Vana, Alaska, USA	Elephant Mountain, Alaska, USA	TOTAL
Acquisition 12/31/10	**$ 45,406**	**$ -**	**$ 18,750**	**$ 80,000**	**$ -**	**$ 35,799**	**$ 5,664**	**$ 8,688**	**$ -**	**$ 194,307**
Additions	53,800	6,420	-	-	-	-	-	-	4,110	64,330
Option payments	-	-	(50,000)	-	-	-	-	-	-	(50,000)
	53,800	6,420	(50,000)	-	-	-	-	-	4,110	14,330
Written-off	-	-	-	(80,000)	-	-	-	-	-	(80,000)
Acquisition 12/31/11	**99,206**	**6,420**	**(31,250)**	**-**	**-**	**35,799**	**5,664**	**8,688**	**4,110**	**128,637**
Deferred Exploration 12/31/10	**104,351**	**-**	**1,077,858**	**487,235**	**50,000**	**265,445**	**13,649**	**4,956**	**-**	**2,003,494**
Additions:										
Drilling	106,013	-	-	-	-	-	-	-	-	106,013
Field expenses	122,136	1,430	-	-	-	-	7,875	-	-	131,441
Geochemistry	56,990	1,200	-	-	-	650	10,575	-	-	69,415
Geological and miscellaneous	197,243	7,315	-	375	-	9,797	42,917	1,135	2,739	261,521
Helicopters	83,535	6,231	-	-	-	-	12,020	-	-	101,786
Land and recording fees	5,939	404	-	-	-	10,981	1,042	1,077	-	19,443
	571,856	16,580	-	375	-	21,428	74,429	2,212	2,739	689,619
Written-off	-	-	-	(487,610)	-	-	-	-	-	(487,610)
Deferred Exploration 12/31/11	**676,207**	**16,580**	**1,077,858**	**-**	**50,000**	**286,873**	**88,078**	**7,168**	**2,739**	**2,205,503**
Total Exploration and evaluation assets 12/31/11	**$ 775,413**	**$ 23,000**	**$ 1,046,608**	**$ -**	**$ 50,000**	**$ 322,672**	**$ 93,742**	**$ 15,856**	**$ 6,849**	**$ 2,334,140**

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Bandito Rare Earth Elements-Niobium-Nickel Property, Yukon, CANADA

In August 2010, the Company entered into an option agreement (the "Option Agreement") with True North Gems Inc. ("True North"), whereby the Company could earn up to a 75% interest in the Bandito Property located in the Watson Lake District, Yukon Territory. Under the terms of the agreement, the Company could earn an initial 51% joint venture interest in the Bandito Property by completing a total of $125,000 ($75,000 paid) in cash payments by December 31, 2012 and also completing $1,000,000 ($876,850 incurred) in exploration expenditures by December 31, 2013. Once the Company earns its 51% interest, it has a further option that would allow it to acquire an additional 24% interest (total of 75%) by issuing True North 200,000 shares and by completing an additional $1,000,000 in exploration expenditures prior to December 31, 2015.

Subsequent to December 31, 2012, the Company made the final cash option payment of $50,000 to True North under the terms of the Option Agreement and subsequently entered into a purchase and sale agreement (the "Acquisition Agreement") with True North, which replaced the Option Agreement. Under the terms of the Acquisition Agreement, the Company acquired a 100% interest in the Bandito Property by paying True North a $50,000 cash payment and issuing five million common shares of the Company. True North retained a 1% net smelter returns royalty ("**NSR**"), one-half of which may be purchased by the Company for $1,000,000. A further cash bonus payment of $500,000 will be payable to True North in two tranches, with the initial $150,000 payable upon completion and filing of a bankable feasibility study, and the balance of $350,000 to be paid after project financing has been obtained to place the Bandito Property into commercial production.

The President and CEO of the Company also serves on the board of directors of True North and abstained from voting on approval of the Option and Acquisition agreements.

Fuego Property, Yukon, CANADA

In March 2011, the Company acquired by staking a 100% interest in certain mineral claims located in the Watson Lake District, Yukon Territory.

Pardo Gold Property, Ontario, CANADA

The Company acquired a 100% interest in the Pardo Property located northeast of Sudbury, Ontario, from three vendors by making payments of $100,000 in cash and issuing 200,000 common shares valued at $18,750. The vendors have retained a 3% NSR, one-half of which may be purchased by the Company for $1,500,000.

In June 2009, the Company entered into an option agreement (the "Agreement") with Ginguro Exploration Inc. ("Ginguro"), a public company listed on the Exchange. Under the terms of the Agreement, Ginguro could earn an initial 55% interest in the Pardo Property by completing $1,000,000 (incurred) in exploration expenditures and making cash payments totaling $200,000 (paid) to the Company over a three year period. In March 2012, Ginguro notified the Company that it has fulfilled all of its obligations under the Agreement and earned its 55% interest in the Pardo Property. As a result, a joint venture as to 45% (the Company) and 55% (Ginguro) was formed.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Elephant Mountain Gold Property, Alaska, USA

In December 2011, the Company entered into a letter agreement (the "Letter Agreement") with a private vendor ("Vendor"), whereby the Company can earn a 100% interest in the Elephant Mountain Property located in the Manley Hot Springs placer gold mining district in Alaska. Under the terms of the Letter Agreement, the Company is required to complete exploration expenditures of US$200,000 by December 2013, issue to the vendor 400,000 common shares of the Company by December 2016, and make cash payments totaling US$200,000 (US$12,000 paid) in stages until December, 2017. The option is subject to a 2% NSR interest, one-half of which can be purchased by the Company at any time for US$750,000. The parties are currently finalizing a formal option agreement to replace the Letter Agreement.

McCord Gold Property, Alaska, USA

In 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District of Alaska, USA.

In May 2012, the Company entered into an option agreement (the "Agreement") with Liberty Gold Corp. ("Liberty"). Under the terms of the Agreement, Liberty can earn a 60% interest in the McCord Gold Property by incurring US$600,000 in exploration expenditures and making US$85,000 (US$35,000 received) in cash payments to the Company over three years.

Refer to note 10.

Rattlesnake - Natrona Gold Property, Wyoming, USA

In 2009, the Company acquired by staking a 100% interest in certain claims and in 2010, the Company was also granted leases on lands owned by the State of Wyoming. During 2012, the Company abandoned the non-core State leases, which expired without renewal.

Vana Gold Property, Alaska, USA

In 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District of Alaska, USA.

Other Properties, CANADA

Flint Lake (Dogpaw) JV Gold Property, Ontario
The Company entered into an option agreement dated April 16, 2007 with Metals Creek Resources Corp. ("MEK"), whereby MEK earned a 75% interest in a majority of the claims comprising the Dogpaw Property by incurring exploration expenses of $450,000 and issuing 450,000 common shares of MEK with a value of $161,000. As a result, a joint venture as to 25% (the Company) and 75% (MEK) was formed in January 2010.

In addition, the Company retains a 2.5% NSR interest on several other claims near the Flint Lake (Dogpaw) JV Property.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Other Properties, CANADA (cont'd…)

Nechako Gold Property Joint Venture, British Columbia, CANADA
The Nechako Gold Property is comprised of several mineral claims located within the Cariboo Mining Division, west of Quesnel in British Columbia.

In 2004, the Company entered into an option and joint venture agreement with Amarc Resources Inc. ("Amarc"), whereby the Company earned a 60% interest in the Nechako Gold Property by completing $250,000 in exploration expenditures and issuing 250,000 shares to Amarc and 70,000 shares to an underlying property vendor. As a result, a joint venture as to 60% (Endurance) and 40% (Amarc) was formed in December 2005. Amarc has elected not to participate in its pro-rata share of costs on the Nechako Gold Property since 2006, and thus the property is now held 76% by Endurance and 24% by Amarc. The Company wrote off the carrying value of $567,610 in acquisition and exploration costs incurred on the property in 2011, as it has no further plans to conduct exploration on this property.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	December 31, 2012	December 31, 2011
Trade payables	$ 36,773	$ 75,070
Accrued liabilities	79,050	28,075
Total	$ 115,823	$ 103,145

All payables and accrued liabilities for the Company fall due within the next 12 months.

10. ADVANCE FROM OPTIONEE

The Company is managing an exploration program on behalf of an optionee, Liberty Gold Corp. ("Liberty"). According to the terms of an option agreement dated as of April 20, 2012 between the Company and Liberty, the Company recovered US$8,000 in exploration expenditures incurred before the 2012 exploration program occurred, and also received additional cash advances of US$195,800 (including a US$20,000 option payment) from Liberty.

Since the commencement of the 2012 exploration program, the Company has incurred a further amount of US$151,366 from Liberty, leaving an unexpended balance of US$24,434 (C$24,310) in the advance account at December 31, 2012.

11. FLOW-THROUGH LIABILITIES

On March 16, 2011, the Company raised $540,000 from the issuance of 4,500,000 flow-through shares and completed its commitment to incur that amount in qualified exploration expenditures in 2012. The Company renounced $540,000 of exploration expenditures in January 2012, resulting in a deferred tax liability of $135,000. The Company subsequently reduced the deferred tax liability by recognizing previously unrecorded deferred tax assets equal to the amount of deferred tax liability.

12. SHARE CAPITAL

(a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

Share issuances

During the fiscal year ended December 31, 2012, the Company completed a non-brokered private placement of 5,000,000 units (each, a “Unit”) at a price of $0.10 per Unit for gross proceeds of $500,000. Each Unit consists of one common share and one non-transferable common share purchase warrant. Each warrant is exercisable into one common share at a price of $0.10 per share for a period of 5 years from the date of closing. The Company adopted the residual value approach to bifurcate the fair value of the warrants from the common shares pursuant to the unit offering, and determined the fair value of the common share and the warrant at $0.05 each. Accordingly, the Company allocated half of the proceeds to Share Capital and attributed the balance of $250,000 to Reserves. A total of 3,200,000 Units were subscribed by directors or companies controlled by directors of the Company.

During the year ended December 31, 2011, the Company:

i) completed a non-brokered private placement financing of 4,500,000 flow-through shares at a price of $0.12 per flow-through share for gross proceeds of $540,000. A total of 220,000 flow-through shares were subscribed by two directors of the Company.

ii) completed a non-brokered private placement financing of 1,750,000 Units (each, a “Unit”) at a price of $0.20 per Unit for gross proceeds of $350,000 in August 2011. Each Unit consists of one common share and one-half non-transferable common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $0.30 per share for a period of 12 months from the date of closing. The financing was fully subscribed by the Company’s insiders.

(c) Stock Options and Warrants Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange (the “Exchange”). Under the Company’s Stock Option Plan, the Company may grant stock options for the purchase of up to 10% of its issued common shares. The board of directors may grant such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the Discounted Market Price per share, subject to a minimum exercise price of $0.10 per share in any event.

12. SHARE CAPITAL (cont'd…)

(c) Stock Options and Warrants Outstanding (cont'd…)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2011	**3,200,000**	**$ 0.10**
Options granted	300,000	0.21
Outstanding at December 31, 2011	**3,500,000**	**0.11**
Options granted	1,100,000	0.10
Options expired	(250,000)	0.15
Outstanding at December 31, 2012	**4,350,000**	**$ 0.11**
Number of options currently exercisable	4,350,000	$ 0.11

The following stock options were outstanding and exercisable at December 31, 2012:

Number Outstanding	Exercise Price $	Expiry Date
1,700,000	0.10	February 14, 2014
750,000	0.10	March 31, 2015
500,000	0.10	April 9, 2015
300,000	0.21	April 28, 2016
1,100,000	0.10	August 22, 2017
4,350,000		

At December 31, 2012, the weighted average remaining life of the outstanding options was 2.94 years (2011 – 2.11 years).

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2010	1,500,000	0.30
Warrants granted	875,000	0.30
Warrants expired	(1,500,000)	0.30
Outstanding at December 31, 2011	875,000	0.30
Warrants granted	5,000,000	0.10
Warrants expired	(875,000)	0.30
Outstanding at December 31, 2012	5,000,000	$ 0.10

12. SHARE CAPITAL (cont'd…)

(c) Stock Options, Warrants and Agent's Compensation Options Outstanding (cont'd…)

The following warrants to acquire common shares were outstanding at December 31, 2012:

Number Outstanding	Exercise Price $	Expiry Date
5,000,000	0.10	May 24, 2017

(d) Share-based compensation

The fair value of stock options reported as compensation expense during the year has been estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2012	2011
Description		
Expected dividend yield	0.0%	0.0%
Risk free interest rate	1.39%	2.61%
Expected stock price volatility	148.52%	147.72%
Expected life of options	5 years	5 years
Weighted average fair value	$0.0528	$0.1906

Based on the foregoing, share-based compensation expense of $58,080 (2011 - $57,180) was recorded for options that vested during the year ended December 31, 2012. The off-setting credit was recorded in Reserves.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

(e) Reserves

The following is a summary of changes in Reserves at December 31:

	2012	2011
Warrants / Agent's compensation Options	$ 270,064	$ 20,064
Stock options	574,467	516,387
Total Reserves	$ 844,531	$ 536,451

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	December 31, 2012	December 31, 2011
Cash paid during the year for income taxes	$ -	$ -
Cash paid during the year for interest	$ -	$ -

Supplementary disclosure of non-cash investing and financing activities during the year ended December 31:

	2012	2011
Stock-based compensation (note 12)	$ 58,080	$ 57,180
Exploration and evaluation assets expenditures in accounts payable and accrued liabilities	$ 68,403	$ 87,135

14. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is $28,257 (December 31, 2011 - $17,113) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

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

a) Paid to Cooper Jack Investments Limited, a private company controlled by the President, CEO and director, Robert Boyd, an aggregate amount of $125,775 (2011 - $184,410), of which $73,575 (2011- $72,675) was capitalized as geological project management fees, $9,675 (2011 – $62,460) was expensed as administration management fees, $30,150 (2011 - $42,075) was expensed as business development and property investigation, and $12,375 (2011 - $7,200) was expensed as corporate communication expenses.

b) Paid to T.P. Cheng & Company Ltd., a private company controlled by an officer, Teresa Cheng, $60,000 (2011 - $60,000) for administration management fees.

c) Paid or accrued to Adera Company Management Inc., a private company controlled by a director, J. Christopher Mitchell, an aggregate amount of $6,825 (2011 - $5,550) for professional fees, of which $3,950 (2011 - $nil) was capitalized as project consulting fees, $2,375 (2011 - $3,600) was expensed as administration consulting fees, $nil (2011 - $1,950) was included in business development and property investigation, and $500 (2011 - $nil) was expensed as corporate communication expenses.

d) Paid to First Point Minerals Corp., a company listed on the Toronto Stock Exchange, with a common director, J. Christopher Mitchell, $nil (2011 - $4,698) for rent included in office and administrative.

e) Paid share-based compensation relating to directors and officers of $42,240 (2011 - $57,180).

The amounts charged to the Company for the transactions provided have been determined by negotiations amongst the parties. These transactions were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

15. FINANCIAL INSTRUMENTS AND RISK

Fair value

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2012, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables, and accounts payable and accrued liabilities. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as follows:

December 31, 2012

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 553,433	$ -	$ -	$ 553,433
Marketable securities	19,200	-	-	19,200
Total	$ 572,633	$ -	-	$ 572,633

December 31, 2011

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 369,747	$ -	$ -	$ 369,747
Marketable securities	19,200	-	-	19,200
Total	$ 388,947	$ -	-	$ 388,947

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and cash equivalents, marketable securities, and receivables.

The Company's cash and cash equivalents are held through a Canadian chartered bank, which is a high-credit quality financial institution. The Company's receivables primarily consist of recoverable sales tax due from the Government of Canada.

15. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012, the Company had a cash balance of $553,433 to settle current liabilities of $140,133. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

(b) Foreign currency rate risk

While the Company is domiciled in Canada and its capital is raised in Canadian dollars, a portion of its business is conducted in the United States of America. As such, it is subject to risk due to fluctuations in the exchange rate between the Canadian and US dollars. At December 31, 2012, the Company has cash, accounts payable and an advance from an optionee denominated in US dollars of US$85,712, $6,950 and $24,434 respectively. Each 1% change in the Canadian dollar versus the U.S. dollar will result in a gain/loss of approximately $540.

Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

The carrying value of cash and cash equivalents, marketable securities, receivables, reclamation bond, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

16. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, and common shares as capital. The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the on-going business objectives including, but not limited to pursuing the exploration of its exploration and evaluation assets, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

16. CAPITAL MANAGEMENT (cont'd…)

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of commodity prices, forecast capital and operating expenditures, and other investing and financing activities. The forecast is regularly updated based on new commodity prices and other changes, which the Company views as critical in the current environment.

The Company's working capital as at December 31, 2012 was $460,013 (December 31, 2011 - $365,903). The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

17. DEFERRED TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2012	2011
Net loss before income taxes	$ (344,040)	$ (1,078,348)
Expected income tax recovery	(86,000)	(286,000)
Non-deductible expenses for tax purposes	15,000	28,000
Adjustment to prior years provision versus statutory returns and other	(3,000)	33,000
Impact of flow-through shares	-	135,000
Change in unrecognized deductible temporary differences	74,000	90,000
Deferred tax expense (recovery)	$ -	$ -

The significant components of the Company's deductible and taxable temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	As of December 31,			
	2012	Expiry Dates	2011	Expiry Dates
Share issue costs	$ 30,000	2032 to 2036	$ 38,000	2032 to 2035
Allowable capital losses	19,000	Not applicable	19,000	Not applicable
Non-capital losses	2,554,000	2014 to 2032	2,262,000	2014 to 2031
Capital assets	16,000	Not applicable	16,000	Not applicable
Exploration and evaluation assets	212,000	Not applicable	11,000	Not applicable
Investment tax credits	70,000	2027 to 2032	58,000	2027 to 2031
Marketable securities	95,000	Not applicable	95,000	Not applicable

17. DEFERRED TAXES (cont'd…)

Subject to certain restrictions, the Company's resource exploration expenditures are available to reduce taxable income of future years. Deferred tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements. Tax attributes are subject to review, and potential adjustment, by tax authorities.

During the year ended December 31, 2011, the Company issued 4,500,000 common shares on a flow-through basis for gross proceeds of $540,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. The Company booked a flow through share liability of $Nil based on the determination that there was no premium on the flow-through shares issued.

18. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets in Canada and the United States.

Geographic information is as follows:

	December 31, 2012	December 31, 2011
Exploration and evaluation assets in:		
- Canada	$ 2,019,136	$ 1,895,021
- United States	426,310	439,119
TOTAL	$ 2,445,446	$ 2,334,140

19. COMMITMENTS

The Company entered into a new office lease agreement commencing March 1, 2011 and ending February 28, 2015. Future minimum lease payments as at December 31, 2012 are as follows:

2013	43,858
2014	44,996
2015	7,657
	$ 96,511

20. EVENTS AFTER THE REPORTING DATE

Other than as disclosed elsewhere, there are no subsequent events to be reported during the period from January 1 to April 3, 2013.