# INLET RESOURCES LTD.

## INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED MARCH 31, 2013
**(Expressed in Canadian Dollars)**

***(Unaudited)***

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by
the Canadian Securities Administrators, the Company discloses
that its auditors have not reviewed the unaudited financial statements
for the period ended March 31, 2013

# NOTICE TO READER

The interim statement of financial position as at March 31, 2013 and the interim statements of comprehensive loss and the interim statements of cash flows for the three-month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Morgan & Company.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

***/s/ David Baker***
David Baker, Director
Vancouver, BC Canada
May 30, 2013

***/s/ Earl Terris***
Earl Terris, Director
Vancouver, BC Canada
May 30, 2013

# INLET RESOURCES LTD.

## INTERIM STATEMENT OF FINANCIAL POSITION

**(Expressed in Canadian dollars)**

| | **March 31, 2013** | December 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **$ 1,905,035** | $ 2,027,153 |
| Amounts receivable | **8,905** | 8,433 |
| Prepaid expenses | **5,226** | 4,426 |
| **Total Current Assets** | **1,919,166** | 2,040,012 |
| **Exploration and Evaluation Assets** (Note 6) | **237,026** | 237,026 |
| **Total Assets** | **$ 2,156,192** | $ 2,277,038 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 20,228** | $ 30,933 |
| **SHAREHOLDERS' EQUITY** | | |
| **Share Capital** (Note 7) | **16,172,798** | 16,172,798 |
| **Reserves** | **368,792** | 368,792 |
| **Deficit** | **(14,405,626)** | (14,295,485) |
| | **2,135,964** | 2,246,105 |
| **Total Liabilities And Equity** | **$ 2,156,192** | $ 2,277,038 |

Approved on Behalf of the Board of Directors:

"David Baker"
Director

"Earl Terris"
Director

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

# INLET RESOURCES LTD.

## INTERM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

**(Expressed in Canadian dollars)**

| | THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | **2013** | 2012 |
| **Expenses** | | |
| Consulting and administration fees | **21,000** | 16,500 |
| Management fees | **15,000** | 15,000 |
| Professional fees | **7,333** | 5,804 |
| Rent, telephone, office expenses | **45,413** | 10,416 |
| Shareholders' communication | **10,723** | 997 |
| Transfer agent and filing fees | **10,672** | 12,161 |
| **Loss Before Other Items And Income Taxes** | **(110,141)** | (60,878) |
| **Other Items** | | |
| Interest income | **-** | 34 |
| Gain from sale of marketable securities (Note 5) | **-** | 1,038,049 |
| **Income (Loss) Before Income Taxes** | **(110,141)** | 977,205 |
| **Deferred Income Tax Expenses** | **-** | (69,620) |
| **Net Income (Loss) For The Period** | **(110,141)** | 907,585 |
| **Other Comprehensive Income (Loss)** (Note 4) | | |
| Reclassification of realized gain on sale of marketable securities | **-** | (462,829) |
| **Comprehensive Income (Loss) For The Period** | **(110,141)** | 444,756 |
| **Income (Loss) Per Share, Basic and Diluted** | **($ 0.01)** | $ 0.05 |
| **Weighted Average Common Shares Outstanding, Basic and Diluted** | **17,467,317** | 17,467,317 |

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

# INLET RESOURCES LTD.

## INTERIM STATEMENTS OF CASH FLOWS
**(Expressed in Canadian dollars)**

| | THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | **2013** | **2012** |
| **Cash Flows Provided By (Used In):** | | |
| **Operating Activities** | | |
| Net income (loss) for the period | **$ (110,141)** | $ 907,585 |
| Items not involving cash: | | |
| Gain on sale of marketable securities | **-** | (1,038,049) |
| Income tax expenses | **-** | 69,620 |
| | **(110,141)** | (60,844) |
| Net changes in non-cash working capital items: | | |
| Accounts receivable | **(472)** | 8,096 |
| Prepaid expenses | **(800)** | 5,008 |
| Accounts payable and accrued liabilities | **(10,705)** | (4,702) |
| | **(122,118)** | (52,442) |
| **Investing Activities** | | |
| Proceeds on sale of marketable securities (Note 5) | **-** | 1,232,400 |
| Deferred exploration costs | **-** | 1,870 |
| | **-** | 1,234,270 |
| **Increase (Decrease) In Cash And Cash Equivalents** | **(122,118)** | 1,181,828 |
| **Cash, Beginning Of Period** | **2,027,153** | 1,102,223 |
| **Cash, End Of Period** | **$ 1,905,035** | $ 2,284,051 |
| **Supplemental Cash Flow Information** | | |
| Cash paid for income taxes | **$ -** | $ - |
| Cash paid for interest | **$ -** | $ - |

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

# INLET RESOURCES LTD.

## INTERIM STATEMENTS OF CHANGES IN EQUITY

**(Expressed in Canadian dollars, except number of shares)**

| | SHARE CAPITAL | | RESERVES | | | |
|---|---|---|---|---|---|---|
| | SHARES | AMOUNT | SHARE-BASED PAYMENT RESERVE | AVAILABLE-FOR-SALE REVALUATION RESERVE | DEFICIT | TOTAL |
| **Balance, December 31, 2011** | **17,467,317** | **$ 16,172,798** | **$ 368,792** | **$ 462,829** | **$ (14,933,543)** | **$ 2,070,876** |
| Realized gain on sale of marketable securities | - | - | - | (462,829) | - | (462,829) |
| Net income for the period | - | - | - | - | 907,585 | 907,585 |
| Balance, March 31, 2012 | 17,467,317 | $ 16,172,798 | $ 368,792 | $ - | $ (14,025,958) | $ 2,515,632 |
| Net loss for the period | - | - | - | - | (269,527) | (269,527) |
| **Balance, December 31, 2012** | **17,467,317** | **$ 16,172,798** | **$ 368,792** | **$ -** | **$ (14,295,485)** | **$ 2,246,105** |
| Net loss for the period | - | - | - | - | (110,141) | (110,141) |
| **Balance, March 31, 2013** | **17,467,317** | **$ 16,172,798** | **$ 368,792** | **$ -** | **$ (14,405,626)** | **$ 2,135,964** |

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

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS
## FOR THE THREE MONTHS ENDED MARCH 31, 2013
**(Expressed in Canadian Dollars)**

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Inlet Resources Ltd. ("the Company") carries out its business activities exclusively in Canada, and is engaged in the acquisition, exploration, development and subsequent production relating to mineral properties. The Company is incorporated in British Columbia, Canada. The Company's registered and records office in British Columbia is Suite 1550, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6.

## 2. BASIS OF PRESENTATION

*Statement of Compliance*

These interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These interim financial statements should be read in conjunction with the Company's most recently issued financial statements for the year ended December 31, 2012, which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies, use of judgments and estimates are presented in Note 2 of these financial statements, and have been consistently applied in the preparation of these interim financial statements.

Effective January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS") with a transition date of January 1, 2010.

*Basis of measurement*

These financial statements have been prepared on a historical cost basis, modified by the revaluation of available-for-sale financial assets.

*Significant accounting judgments and estimates*

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant areas where management's judgment is applied include, but are not limited to, asset and investment valuations, equipment lives, contingent liabilities, tax provisions and future income tax balances, asset retirement obligations and other accrued liabilities, and inputs used in accounting for share-based compensation expense. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 may affect both the period of revision and future period.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consists of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing purposes. The Company did not have cash equivalents as of March 31, 2013.

b) Marketable Securities

The Company classifies its marketable securities as “available for sale” and records the marketable securities at their fair values. Quarterly revaluation of the marketable securities is performed and unrealized gains or losses are recorded as reserve for available-for-sale assets until sold when gains and losses are recognized in the statements of operations.

c) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

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

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

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

It is management’s judgement that none of the Company’s exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

d) Property Option Agreements

The Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded; option payments are recorded as resource property costs or recoveries when the payments are made or received.

e) Impairment of Non-Financial Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

As asset's 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 or cash generating unit 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.

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 so that the increased carrying amount 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

f) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

g) Share-based Payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value for share purchase options granted to employees and consultants are measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of share purchase options that are expected to vest.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

h) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values using the residual method to determine the fair value of warrants issued. Warrants issued to brokers are evaluated using the Black-Scholes method.

i) Flow-Through financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the deferred tax liability is recognized as a tax recovery to the extent that suitable deferred tax assets are available.

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. 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 Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

j) Income Taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

j) Income Taxes (Continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

k) Income and Loss Per Common Share

Basic income and loss per share is computed by dividing the net income and loss by the weighted average number of common shares outstanding during the year. The diluted income and loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the period. No stock options and warrants were outstanding during the year ended December 31, 2012 and during the three months ended March 31, 2013.

l) Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into Canadian dollars, using the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the year, except for amortization and depletion which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized in the statement of operations.

m) Recent Accounting Standards

The following standards and interpretations are applicable to annual and interim periods beginning on or after January 1, 2013. There was no material impact on the Company’s financial condition or operating results as a result of the adoption of these new standards.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

m) Recent Accounting Standards (Continued)

*IFRS 9 – Financial Instruments*

IFRS establishes the requirements for recognizing and measuring financial assets and financial liabilities.

*IFRS 10 - Consolidated Financial Statements*

IFRS 10 supersedes IAS 27: Consolidated and Separate Financial Statements and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

*IFRS 11 - Joint Arrangements*

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

*IFRS 12 - Disclosure of Interests in Other Entities*

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

*IAS 27 - Separate Financial Statements*

IAS 27 replaces IAS 27: Consolidated and Separate Financial Statements and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9.

*IAS 28 - Investments in Associates and Joint Ventures*

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

n) Future Accounting Standards

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

*IFRS 13 – Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

**4. FINANCIAL INSTRUMENTS**

*a) Designations*

The Company's financial instruments consist of cash, marketable securities, amounts receivable, accounts payable and accrued liabilities.

The Company has designated its marketable securities, comprising of shares listed on a recognized stock exchange, as available-for-sale securities and reports them at fair value. The amounts by which fair values of these securities differ from cost represent unrealized gains and losses and are recognized in other comprehensive income (loss). All realized gains and losses are recognized in the net income (loss) in the period of disposition. The fair value of these securities is market value. The market value of publicly traded securities is based on quoted market prices.

Cash is designated as held-for-trading; amounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

**4. FINANCIAL INSTRUMENTS** (Continued)

*b) Fair Value*

The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair values of financial instruments that are measured on a recurring basis comprises the Company's investments in marketable securities. These fair values are determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The carrying amount of all other financial instruments are a reasonable approximation of fair value.

*c) Risk Management*

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

**4. FINANCIAL INSTRUMENTS** (Continued)

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2013, the Company held cash of $1,905,035 and had liabilities of $20,228. All of the Company's liabilities have contractual maturities of less than 30 days and were subject to normal trade terms. Liquidity risk is assessed as minimal.

Other Price Risk

The Company's investment in marketable securities are classified as available-for-sale and are traded on the TSX Venture Exchange. As at March 31, 2013, all the Company's holdings of marketable securities were disposed.

*d) Comprehensive income*

A statement of comprehensive income (loss) forms part of the Company's financial statements and displays current period net income and other comprehensive income (loss). Other comprehensive income consists of unrealized gains on available-for-sale financial assets. The cumulative changes in other comprehensive income are included in accumulated other comprehensive income within shareholders' equity in the consolidated balance sheet. Upon disposition of the available-for-sale financial assets, the accumulated other comprehensive income (loss) has been reclassified as realized gain (loss) and included in net income (loss).

*e) Hedges*

As at March 31, 2013, the Company had not entered into any hedging relationships.

**5. MARKETABLE SECURITIES**

In March 2012, the Company disposed all the 3,160,000 common share of Goldbrook Ventures Inc., a public company related by virtue of common directors and a common officer, at the price of $0.39 per share as a result of a take-over acquisition.

## 6. EXPLORATION AND EVALUATION ASSETS

Costs incurred to date include:

| | **March 31, 2013** | Additions | December 31, 2012 |
|---|---|---|---|
| Claims and maintenance | **$ 34,634** | $ - | $ 34,634 |
| Drilling and field work | **61,440** | - | 61,440 |
| Equipment rental | **11,775** | - | 11,775 |
| Geological consulting | **93,768** | - | 93,768 |
| Reports | **19,218** | - | 19,218 |
| Supplies and sampling | **14,641** | - | 14,641 |
| Travel, accommodation, food and contractor services | **20,326** | - | 20,326 |
| | **$ $255,802** | $ - | $ 255,802 |
| Tax credits | **(18,776)** | - | (18,776) |
| Total mineral property deferred costs | **$ $237,026** | $ - | $ 237,026 |

Broken Hill-Leo Property

On September 26, 2006, the Company entered into an option agreement with Timer Explorations Inc. ("Timer", name changed to Potash North Resource Corp. since May 2008), a company related by common directors, to acquire a 50% interest in the Broken Hill-Leo property which comprises 56 mineral claims (133 claim units), located approximately 150 kilometers north-east of Kamloops, British Columbia.

Under the terms of the Option Agreement, the Company must complete an initial $50,000 work program prior to December 31, 2006 and a further $150,000 work program by August 31, 2007 to earn the 50% interest in the claims. The Company made payments totaling $20,000 to extend the work program deadline.

On April 23, 2008, Timer signed an Amended Option that requires Timer to complete a $125,000 work program on the property by November 2, 2008 in order to keep the option in good standing and to make advance royalty payments of $5,000 each subsequent year to the optionor until $100,000 has been paid.

**6. EXPLORATION AND EVALUATION ASSETS** (Continued)

On April 23, 2008, the Company, through a board resolution, extended the option agreement with Timer pursuant to the Amended Option. Under the extended option agreement, the Company may earn a 50% interest in Broken Hill-Leo property by sharing 50% of the $125,000 required work program expenditures (incurred as of December 31, 2008) and funding 50% of the advance royalty payments of $5,000 each subsequent year to the optionor until a total $100,000 ($20,000 paid) has been paid.

In December 2009, Timer sold their 50% interest to Monster Uranium Corp. ("Monster"). Monster will assume the responsibilities of Timer.

During the year ended December 31, 2010, the Company received a tax credit relating to the exploration expenses incurred in British Columbian in the amount of $18,776.

During the year ended December 31, 2011, the Company has initiated the 2011 work program on the property and incurred $109,456 exploration expenditures. The Company continued its work program on the property during the year ended December 31, 2012.

All claims are subject to a 2% net smelter returns royalty in favour of the optionor.

**7. SHARE CAPITAL**

a) Authorized

Unlimited number of common shares without par value.

b) Incentive Stock Options

The Company has a fixed stock option plan whereby a maximum of 10% of the issued shares may be reserved for issuance.

There are no stock options granted during the years ended December 31, 2012 and during the three months ended March 31, 2013.

**7 SHARE CAPITAL** (Continued)

b) Incentive Stock Options (Continued)

A summary of the Company's outstanding stock options as of March 31, 2013 and the changes during the period are presented below:

| | NUMBER | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|
| Outstanding and exercisable at December 31, 2012 | - | $ - |
| **Outstanding and exercisable at March 31, 2013** | **-** | **$ -** |

There were no incentive stock options outstanding at March 31, 2013.

c) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at March 31, 2013 and the changes during the period are presented below:

| | NUMBER | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|
| Outstanding and exercisable at December 31, 2012 | **-** | $ - |
| **Outstanding and exercisable at March 31, 2013** | **-** | **$ -** |

At March 31, 2013, there were no share purchase warrants outstanding.

## 8. RELATED PARTIES

All related party transactions and amounts owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company retains the services of certain directors and officers. Management fees, consulting fees, and accounting fees paid to related parties are as follows:

**Key Management Compensation**

| | THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | **2013** | 2012 |
| Management fees paid to the President | **$ 15,000** | $ 15,000 |
| Consulting fees paid to a director | **3,750** | 3,750 |
| Accounting fees paid to an officer | **4,500** | 4,500 |
| Rent paid to the President | **-** | 1,500 |
| Equipment rental paid to the President | **1,453** | 1,453 |
| Total | **$ 24,703** | $ 26,203 |

During the three months ended March 31, 2013, the Company paid $6,000 (2012 - $6,000) in consulting fees to a company controlled by the spouse of the President.

At March 31, 2013, prepaid expenses include $543 (2012 - $543) paid to a company controlled by a director for future expenses.

## 9. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in Canada. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company manages its capital requirements through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations, and exploration activities. The Company is not subject to externally imposed capital requirements.

### 10. SUBSEQUENT EVENTS

On May 1, 2013, the Company announced the appointment of Mr. Don Dybyk to the Board of Directors and member of Audit Committee. Mr. Dybyk is replacing Mr. Martin Auyeung who resigned as a Company director.