ARNEVUT RESOURCES INC.

December 31, 2012 and 2011

Consolidated Financial Statements

(Expressed in United States Dollars)

- Independent Auditors' Report
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- Consolidated Statements of Shareholders' Equity
- Consolidated Statements of Comprehensive Loss
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Independent Auditors' Report

To the Shareholders of:
ARNEVUT RESOURCES INC.

We have audited the accompanying consolidated financial statements of ARNEVUT Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, the consolidated statements of shareholders' equity, comprehensive loss, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained 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 ARNEVUT Resources Inc. and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the consolidated financial statements concerning the ability of ARNEVUT Resources Inc. and its subsidiary to continue as a going concern. The company incurred a net loss of $1,890,481 during the year ended December 31, 2012 and has an accumulated deficit of $3,315,816 and a working capital deficiency of $231,649 as at December 31, 2012. These conditions, along with the other matters explained in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if ARNEVUT Resources Inc. and its subsidiary were unable to continue as a going concern.

"WDM Chartered Accountants"
Vancouver, B.C., Canada
April 30, 2013

ARNEVUT RESOURCES INC.

Consolidated Statements of Financial Position

As at December 31, 2012 and 2011

(Expressed in United States Dollars)

	Note	2012 $	2011 $
ASSETS			
CURRENT			
Cash		198,033	559
Marketable Securities	5	-	300
		198,033	859
NON-CURRENT			
Exploration and Evaluation Assets	6	623,675	512,775
Reclamation Bond	6 (a)	110,380	41,080
		734,055	553,855
		932,088	554,714
LIABILITIES			
CURRENT			
Trade and Other Payables	7	37,409	77,667
Due to Related Parties	10 (a)	392,273	319,877
		429,682	397,544
SHAREHOLDERS' EQUITY			
Share Capital	8	3,818,222	1,582,505
Deficit		(3,315,816)	(1,425,335)
		502,406	157,170
		932,088	554,714

Nature and Continuance of Operations (Note 1)
Commitments (Note 14)
Subsequent Events (Note 15)

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

Approved on behalf of the Board:

"William R. Wilson"
William R. Wilson, Director

"Douglas C. Peters"
Douglas C. Peters, Director

ARNEVUT RESOURCES INC.

Consolidated Statements of Shareholders' Equity

For The Years Ended December 31, 2012 and 2011

(Expressed in United States Dollars)

	Note	Number of Common Shares	Share Capital $	Deficit $	Total Shareholders' Equity $
Balance, December 31, 2010		16,472,767	1,062,255	(779,475)	282,780
Shares Issued for Resource Properties	8(b)(i)	500,000	50,000	-	50,000
Shares Issued on Exercise of Warrants	8(b)(ii)	2,025,000	306,250	-	306,250
Shares Issued for Services	8(b)(iii)	1,640,000	164,000	-	164,000
Net Comprehensive Loss		-	-	(645,860)	(645,860)
Balance, December 31, 2011		20,637,767	1,582,505	(1,425,335)	157,170
Shares Issued for Cash	8(b)(iv),(v)	23,693,667	1,929,050	-	1,929,050
Shares Issued on Exercise of Warrants	8(b)(vi)	1,901,667	306,667	-	306,667
Net Comprehensive Loss		-	-	(1,890,481)	(1,890,481)
Balance, December 31, 2012		46,233,101	3,818,222	(3,315,816)	502,406

Share Consolidation (Note 15(e))

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

ARNEVUT RESOURCES INC.

Consolidated Statements of Comprehensive Loss

For the Years Ended December 31, 2012 and 2011

(Expressed in United States Dollars)

	Note	2012 $	2011 $
GENERAL AND ADMINISTRATIVE EXPENSES			
Audit, Accounting and Legal		74,153	58,359
Administration		30,163	30,076
Consulting	10(b)	103,657	318,029
Due Diligence		-	790
Dues and Subscriptions		1,036	5,773
Meals and Entertainment		1,280	2,173
Office and Miscellaneous Expense (Recovery)		5,445	(3,118)
Rent		12,100	14,300
Telephone		2,499	3,574
Travel		4,935	9,648
		235,268	439,604
EXPLORATION COSTS	6	1,654,913	202,386
LOSS BEFORE OTHER ITEM		(1,890,181)	(641,990)
Unrealized Loss on Marketable Securities	5	(300)	(3,870)
NET LOSS FOR THE YEAR		(1,890,481)	(645,860)
Other Comprehensive Income		-	-
COMPREHENSIVE LOSS FOR THE YEAR		(1,890,481)	(645,860)
PRE-SHARE CONSOLIDATION			
Basic and Diluted Loss per Share		(0.07)	(0.04)
Weighted Average Number of Common Shares Outstanding		28,246,880	17,893,681
POST-SHARE CONSOLIDATION	15(e)		
Basic and Diluted Loss per Share		(0.20)	(0.11)
Weighted Average Number of Common Shares Outstanding		9,415,627	5,964,560

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

ARNEVUT RESOURCES INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2012 and 2011

(Expressed in United States Dollars)

	2012	2011
CASH PROVIDED FROM (UTILIZED FOR):	$	$
OPERATING ACTIVITIES		
Net Loss for the Year	(1,890,481)	(645,860)
Non-Cash Items		
Shares Issued for Services	-	164,000
Unrealized Loss on Marketable Securities	300	3,870
	(1,890,181)	(477,990)
Change in Non-Cash Working Capital Accounts		
Trade and Other Payables	(40,258)	(1,833)
Due to Related Parties	72,396	94,322
	(1,858,043)	(385,501)
FINANCING ACTIVITY		
Shares Issued for Cash	2,235,717	306,250
INVESTING ACTIVITIES		
Resource Property Expenditures	(110,900)	(23,100)
Reclamation Bond	(69,300)	-
	(180,200)	(23,100)
INCREASE (DECREASE) IN CASH	197,474	(102,351)
Cash, Beginning of the Year	559	102,910
CASH, END OF THE YEAR	198,033	559

Supplemental Cash Flow Information (Note 9)

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

NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

ARNEVUT Resources Inc. (the "Company") was incorporated on July 7, 2007, under the laws of the State of Colorado in the United States. The Company is a development stage junior mining company engaged in the identification, acquisition, evaluation, exploration, and development of mineral properties in the United States.

The head office, principal address, and records office of the Company are located at Suite 202 – 2700 Youngfield Street, Lakewood, Colorado, United States.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions as set out below cast uncertainties on the Company's ability to continue as a going concern.

From inception to date, the Company has incurred losses from operations, and has an accumulated deficit of $3,315,816 and a working capital deficiency of $231,649 as at December 31, 2012. In addition, the Company has a significant exploration and development program requiring ongoing investments in the continuing exploration and development of its resource properties, as well as the evaluation of additional resource properties.

The Company's ability to continue operations is dependent upon the financial support from its shareholders and other related parties, its ability to obtain additional financing, the existence of economically recoverable reserves, and the attainment of profitable operations or sufficient proceeds from disposition of the properties. The outcome of these matters cannot be predicted at this time. While management has been successful in obtaining sufficient funding for its operating, capital, development, and exploration requirements from the inception of the Company to date, there is no assurance that additional future funding will be available to the Company or on terms that are acceptable to management.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 26, 2013.

b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale that have been measured at fair value. Cost is the fair value of the consideration given in exchange for net assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Basis of Consolidation

These consolidated financial statements include the accounts of ARNEVUT Resources Inc. and its wholly-owned subsidiaries, ARNEVUT Resources Nevada, LLC, and ARNEVUT Resources Utah, LLC.

The subsidiary company, ARNEVUT Resources Utah, LLC, was formed in February 2012, in order to allow for business activity on the East Canyon property in northwestern Utah and northeastern Nevada. This will allow for state-level permitting and bonding for work on the property in 2013 and 2014.

Intercompany balances and transactions are eliminated in preparing the condensed consolidated interim financial statements. The following companies have been consolidated within these condensed consolidated interim financial statements:

Entity	Country of Incorporation	Holding	Functional Currency
ARNEVUT Resources Inc.	Colorado, United States	Parent Company	United States
ARNEVUT Resources Nevada, LLC	Nevada, United States	100%	United States
ARNEVUT Resources Utah, LLC	Utah, United States	100%	United States

d) Foreign Currency Translation

These consolidated financial statements are presented in U.S. dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency (Note 2(c)) and items included in the financial statements of each subsidiary are measured using that functional currency.

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

e) Marketable Securities

Marketable securities are classified as held-for-trading assets and are carried at the fair value based upon quoted market prices. Changes in fair value are recognized in earnings.

f) Exploration and Evaluation Assets

The cost of acquiring resource properties or property rights are capitalized, net of recoveries, until such time as these resource properties are placed into commercial production, sold or abandoned. Once available for use, resource properties are depreciated on a units-of-production basis over the proven and probable reserves to which they relate. If a resource property is sold or abandoned, the related capitalized costs will be expensed to the consolidated statement of comprehensive loss in that period.

From time to time, the Company may acquire or dispose of all or part of its resource property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are recorded as property costs or recoveries when paid or received. When recoveries exceed the carrying value of the mineral property, the excess is reflected in the consolidated statement of comprehensive loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Exploration and Evaluation Assets (Continued)

On an ongoing basis, the Company evaluates each resource property for potential impairment based on results obtained to date to determine the nature of exploration, other assessments, and development work, if any, that is warranted in the future, and the potential for recovery of the capitalized costs. Furthermore, if there is little prospect of future work on a property to be carried out within a three-year period from completion of previous activities, then the capitalized costs related to that property are written down to the recoverable amount unless there is persuasive evidence that an impairment allowance is not required. The amounts capitalized for exploration and evaluation assets represent acquisition costs incurred to date less write-downs, and are not intended to reflect present or future values.

Although the Company has taken steps to verify the title to resource properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and as such, title may be affected.

g) Exploration Costs

Expenditures related to the exploration and development of resource properties are expensed and charged to earnings in the period in which they are incurred.

h) Impairment of Non-Current Assets

The carrying amounts of non-current assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. An impairment loss exists if the asset's or cash generating unit's carrying amount exceeds the recoverable amount and is recorded as an expense immediately. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognized as income immediately.

i) Due Diligence

Transaction costs, such as professional fees and filing fees, relating to proposed acquisition or reverse-takeover transactions are expensed as incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Provisions

(i) Decommissioning and Restoration Provision

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a provision based on estimated future cash flows discounted at a credit adjusted risk free rate. This decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the discount rate. The provision is accreted to full value over time through periodic charges to profit. This unwinding of the discount is charged to financing expense in the statement of comprehensive income.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and depreciated to profit. The method of depreciation follows that of the underlying asset. The costs related to a decommissioning and restoration provision is only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

As at December 31, 2012 and 2011, the Company has no material decommissioning and restoration provision.

(ii) Other Provisions

Provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate.

k) Income Taxes

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

i) Current Income Tax

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

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Income Taxes (Continued)

ii) Deferred Income Tax (Continued)

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

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

l) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Shares issued for non-monetary consideration are valued at the fair value of the goods or services received or of the shares issued, whichever is more reliably measurable.

m) Share-Based Payments

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other share-based payments is recorded based on the estimated fair value using the Black-Scholes option pricing model at the grant date and is charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

n) Loss per Share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

o) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below. The Company does not have any derivative financial instruments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial Instruments (Continued)

i) Financial Assets (Continued)

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

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

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

- ***Financial assets at fair value through profit or loss*** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash and marketable securities falls into this category of financial instruments

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

  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. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is based on recent historical counterparty default rates for each identified group. The impairment losses are recognized in profit or loss.

- ***Held-to-maturity investments*** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold financial assets in this category.

- ***Available-for-sale financial assets*** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company currently does not hold financial assets in this category.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial Instruments (Continued)

i) Financial Assets (Continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

ii) Financial Liabilities

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities upon initial recognition.

- ***Financial liabilities at fair value through profit or loss*** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not hold financial liabilities in this category.

- ***Other financial liabilities*** – Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's trade and other payables and amounts due to related parties fall into this category of financial instruments.

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

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

a) Impairment of Non-Current Assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors.

As at December 31, 2012 and 2011, the Company has no impairment losses on its resource properties.

b) Decommissioning and Restoration Provision

The decommissioning and restoration provision is based on future cost estimates using information available at the reporting date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, and the timing, extent and costs of required decommissioning and restoration activities. Actual costs may differ from these estimates.

As at December 31, 2012 and 2011, the Company has no material decommissioning and restoration liabilities.

c) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations are issued but not yet effective up the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when they become effective. These standards are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet determined the impact of these standards on its consolidated financial statements.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

a) IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in International Accounting Standards ("IAS") 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

b) IFRS 10 – Consolidated Financial Statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors' return.

IFRS 10 sets out the requirements on how to apply the control principle. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and Standing Interpretations Committee ("SIC") 12 "Consolidation – Special Purpose Entities".

c) IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

d) IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates, and structured entities into one comprehensive disclosure standard. The objective of IFRS 12 is for an entity to disclose information that helps users of its financial statements evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows. IFRS 12 also requires that an entity disclose the significant judgments and assumptions it has made.

e) IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for fair value measurements. IFRS 13 does not change when an entity is required to use fair value but rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.

NOTE 5 – MARKETABLE SECURITIES

On January 12, 2010, the Company received 30,000 common shares of Strategic Mining Corporation upon the execution of an option agreement. The shares were valued at $10,000 based on the quoted market price of the shares. On December 31, 2012, these shares were written fully written down as the fair market value was determined to be less than $0.0001 per share.

(Expressed in United States Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

As of December 31, 2012 and 2011, the Company has incurred and capitalized the following acquisition and holding costs related to its resource properties:

	December 31, 2010 $	Additions $	December 31, 2011 $	Additions $	December 31, 2012 $
Island Mountain Property					
Acquisition Costs	139,675	68,100	207,775	105,900	313,675
East Canyon Property					
Acquisition Costs	7,000	5,000	12,000	5,000	17,000
Option Payment Received	(7,000)	-	(7,000)	-	(7,000)
	-	5,000	5,000	5,000	10,000
Zia Property					
Acquisition Costs	300,000	-	300,000	-	300,000
TOTAL RESOURCE PROPERTIES	439,675	73,100	512,775	110,900	623,675

During the years ended December 31, 2012 and 2011, the Company incurred the following exploration expenditures:

	2012 $	2011 $
Island Mountain Property		
Administrative	21,267	3,217
Assaying	182,038	3,035
Exploration and Surveying	1,169,700	496
Geological Consulting (Note 10(b))	179,229	147,304
Maintenance Fees and Licenses	13,673	14,347
Travel	44,703	9,720
	1,610,610	178,119
East Canyon Property		
Maintenance Fees and Licenses	12,380	1,559
Geological Consulting (Note 10(b))	11,218	10,385
Travel	1,732	1,213
	25,330	13,157
Zia Property		
Maintenance Fees and Licenses	18,973	11,110
TOTAL EXPLORATION COSTS	1,654,913	202,386

(Expressed in United States Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

a) Island Mountain Property, Nevada

On November 16, 2007, the Company entered into an option agreement (as amended by agreements dated April 1, 2008, October 31, 2008, November 9, 2009, May 10, 2010, October 11, 2011, and November 2, 2012) to acquire up to a 75% interest in 53 mineral claims comprising the Island Mountain property located in Elko County in Northeast Nevada.

The Company may earn a 51% interest in the property (the "First Option") by issuing 1,350,000 common shares, paying $150,000 in cash, and incurring $2,500,000 in work related expenditures as follows:

		Number of Shares	Cash $	Exploration Expenditures $
On execution of agreement	(issued and paid)	100,000	10,000	-
By November 16, 2008	(issued and paid)	150,000	5,000	-
By November 16, 2009	(issued)	350,000	-	-
By May 16, 2010	(paid)	-	20,000	150,000
By November 16, 2010	(issued and paid)	250,000	30,000	250,000
By November 16, 2011	(issued)	500,000	-	-
By February 16, 2012	(paid)	-	35,000	-
By November 1, 2012	(paid)	-	50,000	-
By November 16, 2012		-	-	1,350,000
By November 16, 2013		-	-	750,000
		1,350,000	150,000	2,500,000

As of December 31, 2012, the Company has issued a total of 1,350,000 (2011 – 1,350,000) common shares valued at $112,500 (2011 – $112,500) and made total cash option payments of $150,000 (2011 – $65,000) towards earning the First Option.

Upon earning the First Option, the Company may earn a further 14% interest in the property (the "Second Option") by issuing 600,000 common shares of the Company, paying $75,000 in cash, and incurring an additional $2,500,000 in work expenditures as follows:

	Number of Shares	Cash $	Exploration Expenditures $
One year after earning of First Option	300,000	35,000	1,250,000
Two years after earning of First Option	300,000	40,000	1,250,000
	600,000	75,000	2,500,000

Upon earning the Second Option, the Company may earn a further 10% interest in the property by completing a feasibility study by the third year after earning the First Option.

In 2010, the Company entered into agreements to lease three patented claim groups at the property for a term of 20 years with an option to renew for an additional 20 years provided that the Company has advanced the property to the production stage. The Company is required to pay annual lease payments which progressively increase by $1,800 annually for the duration of the lease, from annual lease payments totaling $10,300 in the first year of the lease to $44,500 in the twentieth year of the initial lease term.

(Expressed in United States Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Continued)

a) Island Mountain Property, Nevada (Continued)

In 2011, the Company entered into a lease agreement to lease a patented claim group at the property for a term of 5 years with an option to renew for an additional 5 years provided the Company has proven advancement of the property by exploration or has advanced the property to the production stage. Subsequent 5-year renewals are contingent upon the property being advanced to the production stage and so long as production continues from the property. The Company is required to pay an annual lease payment which progressively increases by $1,000 annually for the duration of the lease, from an annual lease payment of $6,000 in the first year of the lease to $10,000 in the fifth year of the initial lease term.

These patented lease claims are subject to a net smelter return ("NSR") royalty of up to 3% upon commencement of commercial production. During the year ended December 31, 2012, the Company paid total lease payments of $20,900 (2011 – $18,100). As at December 31, 2012, the cumulative lease payments paid were $49,300 (2011 – $28,400).

The Company has two reclamation bonds totalling $110,380 (2011 – $41,080), with $41,080 (2011 – $41,080) held with the Nevada Division of Environmental Protection and $69,300 (2011 – $NIL) held with the United States Forest Service, for future site reclamation costs.

b) East Canyon Property, Nevada and Utah

On October 20, 2009, the Company entered into an agreement to lease 100% of ten mineral claims comprising the East Canyon Property located in Box Elder County in Utah and Elko County in Nevada. Consideration to lease the property included an initial issuance of 50,000 common shares of the Company (issued), a payment of $2,000 (paid), and ongoing payments of $5,000 every subsequent anniversary of the agreement. Should the Company enter into a joint venture with another company on the property, the annual lease payment increases to $7,500.

The property is subject to a 2.5% NSR royalty on base metals and a 3% NSR on precious metals. The Company has the option to purchase the property and NSR royalty in full for $4,000,000 payable in cash or in stocks.

During the year 2012, the Company paid the annual $5,000 lease payment.

c) Zia Property, New Mexico

The Company holds a 100% interest in 79 mineral claims comprising the Zia property located in Cibola and McKinley Counties, New Mexico.

NOTE 7 – TRADE AND OTHER PAYABLES

	December 31, 2012	December 31, 2011
Trade Payables	12,409	57,667
Accrued Liabilities	25,000	20,000
	37,409	77,667

NOTE 8 – SHARE CAPITAL

a) Authorized Share Capital

The Company is authorized to issue 100,000,000 common shares with no par value.

b) Issued and Outstanding Common Shares

As at December 31, 2012, the Company had 46,233,101 common shares issued and outstanding (2011 - 20,637,767) as presented in the consolidated statements of shareholders' equity.

(i) During the year ended December 31, 2011, the Company issued 500,000 common shares valued at $50,000 pursuant to the terms of the option agreement dated November 16, 2007 for the Island Mountain Property (Note 6(a)).

(ii) In January and April 2011, the Company issued 25,000 common shares at $0.25 per share and 2,000,000 common shares at $0.15 per share, respectively, upon the exercise of warrants raising gross proceeds totalling $306,250.

(iii) In December 2012, the Company issued 1,640,000 common shares valued at $164,000 for consulting services provided by the Directors and Officers of the Company pursuant to management agreements dated October 1, 2010 (Note 14(a)).

(iv) In August 2012, the Company signed a Letter of Intent ("LOI") with Precious Minerals and Energy Company ("PME") for an investment by PME in the share capital of the Company. Pursuant to the terms of the LOI, the Company issued 22,500,000 common shares at a price of $0.08 per share for total cash proceeds of $1,800,000. Upon completion of the August 2012 subscription, the Company was required to issue to PME 15,625,000 share purchase warrants. Each share purchase warrant entitles PME to purchase one common share of the Company at a price of $0.16 per share. The warrants expire on April 1, 2013.

(v) During the year ended December 31, 2012, the Company issued, by way of private placements, 186,667 units at a price of $0.15 per unit, raising gross proceeds of $28,000, and 1,000,000 units at a price of $0.10 per unit, raising gross proceeds of $100,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $0.25 per share and expires on December 20, 2012 (relating to the 186,667 units), and into one common share at $0.10 per share and expires on February 1, 2015 (relating to the 1,000,000 units).

In addition, the Company completed a private placement of 7,000 common shares at a price of $0.15 per share, raising gross proceeds of $1,050.

(vi) In November and December 2012, the Company issued 26,667 common shares valued at $0.25 per share and 1,875,000 common shares at $0.16 per share upon the exercise of warrants raising gross proceeds totaling $306,667.

(Expressed in United States Dollars)

NOTE 8 – SHARE CAPITAL (Continued)

c) Share Purchase Warrants

The continuity of warrants for the years ended December 31, 2012 and 2011 is summarized below.

Expiry Date	Exercise Price	December 31, 2011	Issued	Exercised	Expired/ Cancelled	December 31, 2012
June 15, 2012	$0.25	500,000	-		(500,000)	-
December 20, 2012	$0.25	-	186,667	(26,667)	(160,000)	-
April 1, 2013	$0.16	-	15,625,000	(1,875,000)	-	13,750,000
February 1, 2015	$0.10	-	1,000,000	-	-	1,000,000
Total		500,000	16,811,667	(1,901,667)	(660,000)	14,750,000
Weighted Average Exercise Price		$0.25	-	-	-	$0.16

Expiry Date	Exercise Price	December 31, 2010	Issued	Exercised	Expired/ Cancelled	December 31, 2011
January 5, 2011	$0.25	25,000	-	(25,000)	-	-
May 1, 2011	$0.15	2,000,000	-	(2,000,000)	-	-
June 15, 2012	$0.25	500,000	-	-	-	500,000
Total		2,525,000	-	(2,025,000)	-	500,000
Weighted Average Exercise Price		$0.17	-	$0.15	-	$0.25

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION

	2012 $	2011 $
a) Significant Non-Cash Investing Activity		
Shares Issued for Resource Properties	-	50,000
b) Significant Non-Cash Financing Activities		
Shares Issued for Services	-	164,000
Shares Issued for Debt	-	-
	-	164,000
c) Other Information		
Interest Paid	-	-
Income Taxes Paid	-	-

(Expressed in United States Dollars)

NOTE 10 – RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described below.

a) Related Party Balances

As at December 31, 2012, the Company has $392,273 (2011 – $319,877) owed to Directors and Officers of the Company and a related company controlled by a Director (also an Officer) for advances made and consulting services provided to the Company and expenses incurred on behalf of the Company. The amounts are unsecured, non-interest bearing and have no specified terms for repayment.

b) Compensation of Key Management Personnel

The Company incurred consulting fees for general, geological, and financing services provided by key management personnel for the years ended December 31, 2012 and 2011 as described below. The Company has entered into management agreements with key management personnel for management and technical services provided (Note 14(a)). All related party transactions were in the ordinary course of business and were measured at their exchange amount.

	2012 $	2011 $
Geological Consulting Fees	79,995	92,798
General Consulting Fees	96,865	283,540
	176,860	376,338

NOTE 11 – INCOME TAXES

a) Income Tax Expense

The income tax recovery of the Company is reconciled to the net loss for the year as reported in the consolidated statement of comprehensive loss as follows:

Loss before Income Tax	1,890,481	645,860
Recovery of Income Tax Calculated at the Statutory Rate of 35%	(659,918)	(226,051)
Permanent Differences	1,608	380
Deferred Tax Assets Not Recognized	658,310	225,671
Income Tax Expense	-	-

(Expressed in United States Dollars)

NOTE 11 – INCOME TAXES (Continued)

b) Deferred Tax Assets and Liabilities

Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2012 $	December 31, 2011 $
Deferred Tax Assets (Liabilities)		
Non-Capital Losses Carry-Forward	1,181,842	612,299
Exploration and Evaluation Assets	(21,175)	(109,836)
Marketable Securities	3,500	3,395
Net Deferred Tax Assets (Liabilities)	1,164,167	505,858

As at December 31, 2012, the Company has net operating losses of $3,376,993 which may be applied to reduce future taxable income in the United States. The net operating losses expire as follows:

2027	54,841
2028	103,788
2029	177,562
2030	723,444
2031	689,790
2032	1,627,268
	3,376,693

NOTE 12 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 2(o). The Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's acquisition and exploration activities on its resource properties. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through cash flow forecasting of cash requirements to fund exploration and development projects and operating costs. The Company is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. The Company has a working capital deficiency of $231,649 as at December 31, 2012. There can be no assurance that such financing will be available on terms acceptable to the Company.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management considers that risk related to interest is not significant to the Company at this time. Amounts owed to related parties are non-interest bearing.

NOTE 12 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk.

d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk to the extent it incurs operating costs in foreign currencies including the Canadian dollar. The Company does not use derivatives to manage its exposure to foreign exchange risk. Management considers that risk related to foreign exchange is not significant to the Company at this time.

e) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The ability of the Company to develop its mineral resource properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors precious and base metal prices to determine the appropriate course of action to be taken by the Company.

f) Fair Values

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company's financial instruments measured at fair value use Level 1 valuation technique during the years ended December 31, 2012 and 2011. The carrying values of the Company's financial assets and liabilities approximate their fair values as at December 31, 2012 and 2011.

NOTE 13 – CAPITAL MANAGEMENT

The Company manages its share capital as capital, which as at December 31, 2012 was $3,818,222 (2011 – $1,582,505). The Company's objectives when managing capital are to preserve the Company's access to capital markets and its ability to meet its financial obligations, and to finance its exploration and development activities.

The Company manages its capital structure using future forecasts of cash flows, particularly those related to its exploration and development programs. To maintain or adjust its capital structure, the Company may adjust its exploration and development programs and operating expenditure plans, issue new shares or debt, or dispose of assets. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

NOTE 13 – CAPITAL MANAGEMENT (Continued)

The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future, in order to conserve cash reserves and to maximize ongoing development efforts.

There were no changes in the Company's approach to capital management in 2012.

NOTE 14 – COMMITMENTS

a) Management Agreements with Key Management Personnel

On October 1, 2010, the Company entered into management agreements with Officers and Directors of the Company for management, strategic, administration, and technical consulting services. The agreements require hourly rates and maximum daily rates for each officer, with no daily minimum payment required for any officer. All officers are reimbursed at cost for approved expenses. For the President and Chief Operating Officer (also a Director), the hourly rate is $65 for general and administrative (G&A) activities and $85 for activities related to Island Mountain and East Canyon, with maximum daily rates of $500 for G&A and $700 for projects and a monthly maximum of $5,500 for all G&A activities. For each of the Chief Executive Officer (also the Chairman), Chief Financial Officer (also a Director), the Vice President for Environmental Technologies, and the Corporate Secretary of the Company, the hourly rate is $50 and the daily maximum rate is $400.

In December 2011, pursuant to the terms of the management agreements, the Company issued an aggregate of 1,640,000 common shares to these key management personnel for consulting services provided (Note 8(b)(iii)).

The agreements have an initial term of two years and will automatically extend for one-year periods unless terminated by the Company or the Officers and Directors. Should the agreements be cancelled by the Company unilaterally or because of a takeover by or merger with another company, the Company will pay severance up to a maximum of 12 months of management's pay in effect at the time of cancellation.

b) Consulting Agreements

In October 2010, the Company entered into consulting agreements with two arm's length consultants for exploration consulting services at a daily compensation rate ranging from $600 to $650 (or $75 to $82 per hour) plus expense reimbursement. The agreements have a term of two years and may extend for one-year periods as mutually agreed upon by the Company and the consultant.

In 2011, one of the consultant contracts was terminated. The second existing consultant's contract was amended to increase the hourly rate to $85 and allow for charges for actual time spent over 8 hours per day for days where the consultant was managing a drill rig where 12-hour shifts were common. An additional consulting agreement with an arm's length consultant was entered into for exploration consulting services at a daily compensation rate of $300 (or $38 per hour) plus expense reimbursement and allowing for charges for actual time spent over 8 hours per day for days where the consultant was managing a drill rig where 12-hour shifts were common.

NOTE 14 – COMMITMENTS (Continued)

c) Lease/Purchase Agreement

In September 2012, the Company entered into lease/purchase agreement with an arm's length Company (the "seller/lessor") for commercial lease of 1111 Metzler Avenue, Elko, Nevada with option to purchase. The total rent to be paid over the two year term is $43,200, or $1,800 per month. Per Addendum #1 of the lease contract, the property shall continue to be listed for sale during the terms of the lease/option agreement. If the seller/lessor receives an offer from a third party to purchase the property, the lessee (being ARNEVUT) will be able to exercise their option to purchase the property at a price of $219,000.

NOTE 15 – SUBSEQUENT EVENTS

a) Shares Issued for Cash on Exercise of Warrants

To April 2013, the Company issued additional 1,875,000 common shares to PME for total cash proceeds of $300,000 on the exercise of 1,875,000 warrants (Note 8(b)(iv)).

b) Majority Ownership of Island Mountain Property

The Company achieved a 51% ownership in the Island Mountain Property on January 16, 2013 after completing the required $2,500,000 minimum exploration expenditures on the property under the First Option of the option agreement with Victoria Gold Corp. (Note 6(a)). The Company also elected to pursue the Second Option under the option agreement, which requires the expenditure of an additional $2,500,000 on property activities and payments of $75,000 and 600,000 common shares to Victoria Gold Corp. by January 16, 2015. Completion of the Second Option will result in 65% ownership of the Island Mountain property by the Company.

c) Farm-out of Zia Property

The Company completed a farm-out option agreement for the Zia Claims uranium project with PME Energy Corporation ("PME Energy") on January 26, 2013 whereby PME Energy will control 75% of the property upon completion of $200,000 exploration expenditure over the first four years of the agreement. PME Energy assumes all expenditures related to the ZIA property such as claim fees, required permits for exploration, and a reasonable amount of exploration work starting in 2013. The Company's senior management and geologists will provide technical and managerial services at reasonable consulting rates to PME Energy as needed.

d) Acquisition of Blair Property

The Company began the process of acquiring a new exploration property in southwestern Utah, referred to as the "Blair Property" in March 2013. A Utah State Section lease has been acquired on a key portion of this property and staking of unpatented claims for the remainder of the property is in progress.

e) Share Capital Consolidation and Amendment to Articles of Incorporation

On April 12, 2013, the Company's shareholders approved a consolidation of its outstanding share capital on a basis of one post-consolidation share for every three pre-consolidation shares, and an amendment to the Company's Articles of Incorporation in Colorado to allow majority voting of shareholders without requiring a meeting of all shareholders.

NOTE 15 – SUBSEQUENT EVENTS (Continued)

e) Share Capital Consolidation and Amendment to Articles of Incorporation (Continued)

As at December 31, 2012, the number of issued and outstanding common shares of the Company would be 15,411,034 had the share consolidation been effected as at December 31, 2012. The basic loss per share calculations disclosed in the consolidated statements of comprehensive loss for the years ended December 31, 2012 and 2011 have been adjusted to reflect the subsequent share consolidation.

f) Property Acquisition

On April 19, 2013, ARNEVUT entered into a purchase agreement for a real estate near the Island Mountain Property, in the community of Wild Horse, Nevada, for $145,000. The house will provide housing and storage facilities for geological and other project staff. The closing date on this purchase is May 15, 2013.