Consolidated Financial Statements of

ORACLE
MINING CORP.

December 31, 2012

Oracle Mining Corp.
December 31, 2012

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Independent Auditor's Report

To the Shareholders of Oracle Mining Corp.

We have audited the accompanying consolidated financial statements of Oracle Mining Corp, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of operations and comprehensive loss, changes in equity, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Oracle Mining Corp as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a loss from operations of $21.7 million during the year ended December 31, 2012 (2011 - $16.0 million). This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(Signed) Deloitte & Touche LLP

Chartered Accountants
March 11, 2013
Vancouver, Canada

Oracle Mining Corp.

Consolidated statements of operations and comprehensive loss
years ended December 31, 2012 and 2011

(In thousands of US dollars, except share amounts)

	2012	2011
	$	$
Operating costs		
General and administration expenses (Note 12)	**(6,784)**	(5,690)
Exploration and evaluation expenditures (Note 13)	**(13,990)**	(10,127)
Other costs (Note 14)	**(351)**	-
Loss from operations	**(21,125)**	(15,817)
Other expenses (income)		
Foreign exchange (gain) loss	**30**	(140)
Financing charges	**405**	230
Interest income	**(121)**	(82)
Gain on sale of marketable securities (Note 3)	**-**	(32)
Unrealized gain on marketable securities (Note 3)	**-**	(108)
Gain on sale of available-for-sale investment	**167**	-
Bad debt expense (Note 4)	**-**	347
Other	**(16)**	8
Loss before taxes	**(21,590)**	(16,040)
Income taxes (Note 15)	**(75)**	-
Net loss	**(21,665)**	(16,040)
Other comprehensive income (loss)		
Exchange differences on translating foreign operations	**164**	(231)
	164	(231)
Total comprehensive loss	**(21,501)**	(16,271)
Loss per share		
Basic and diluted	**(0.55)**	(0.51)
Weighted average number of shares outstanding		
Basic and diluted	**39,154,711**	31,375,296

Oracle Mining Corp.
Consolidated statements of financial position
(In thousands of US dollars)

	December 31, 2012	December 31, 2011
	$	$
Assets		
Current assets		
Cash and cash equivalents	**11,051**	7,942
Marketable securities (Note 3)	**252**	411
Prepaid expenses	**65**	125
Other receivables (Note 4)	**487**	645
	11,855	9,123
Non-current assets		
Plant and equipment (Note 5)	**938**	725
Mineral properties (Note 6)	**13,969**	21,024
	26,762	30,872
Liabilities		
Current liabilities		
Trade and other payables	**2,231**	1,365
Income taxes payable (Note 15)	**75**	-
Current portion of promissory notes payable (Note 7)	**700**	1,758
	3,006	3,123
Non-current liabilities		
Promissory notes payable (Note 7)	**-**	1,107
Reclamation provision (Note 8)	**221**	185
Other long-term liabilities	**305**	295
	3,532	4,710
Equity		
Issued capital (Note 11(b))	**86,597**	69,619
Warrant reserve (Note 11(e))	**2,432**	1,924
Share-based payment reserve (Note 11(d))	**6,961**	5,878
Foreign currency translation reserve	**1,033**	869
Deficit	**(73,793)**	(52,128)
	23,230	26,162
	26,762	30,872

Nature and continuance of operations (Note 1)
Contingencies and Commitments (Note 17)

Approved and authorized for issue by the Directors on March 11, 2013.

(Signed) Paul Eagland
Paul Eagland, Director

(Signed) Derek Price
Derek Price, Director

Oracle Mining Corp.

Consolidated statements of changes in equity
(in thousands of US dollars)

	Issued capital		Reserves				
	Shares	Amount	Warrant reserve	Share-based payment reserve	Foreign currency translation reserve	Deficit	**Total**
		$	$	$	$	$	**$**
At December 31, 2010	31,262,170	69,250	1,929	4,683	1,100	(36,088)	**40,874**
Issued on exercise of warrants (Note 11 (e))	61,900	115	(5)	-	-	-	**110**
Issued on exercise of options (Note 11 (c))	110,000	254	-	(112)	-	-	**142**
Share-based payment expense (Note 11(d))	-	-	-	1,307	-	-	**1,307**
Net loss and total comprehensive loss	-	-	-	-	(231)	(16,040)	**(16,271)**
At December 31, 2011	31,434,070	69,619	1,924	5,878	869	(52,128)	**26,162**
Private Placement, net of share issue costs of $663 (Note 11(b))	7,800,000	9,097	-	-	-	-	**9,097**
Private Placement, net of share issue costs of $367 (Note 11(b))	9,800,000	7,881	-	-	-	-	**7,881**
Warrants Issued on Private Placement, net of issue costs of $23 (Note 11e)	-	-	508	-	-	-	**508**
Share-based payment expense (Note 11(d))	-	-	-	1,083	-	-	**1,083**
Net loss and total comprehensive loss	-	-	-	-	164	(21,665)	**(21,501)**
At December 31, 2012	**49,034,070**	**86,597**	**2,432**	**6,961**	**1,033**	**(73,793)**	**23,230**

Oracle Mining Corp

Consolidated statements of cash flows
years ended December 31, 2012 and 2011

(in thousands of US dollars)

	2012	2011
	$	$
Operating activities		
Net loss	**(21,665)**	(16,040)
Items not affecting cash		
Realized gain on marketable securities (Note 3)	**-**	(32)
Unrealized loss (gain) on marketable securities (Note 3)	**167**	(108)
Share-based payment expense (Note 11 (d))	**1,083**	1,307
Foreign exchange loss	**278**	34
Depreciation	**237**	95
Loss on sale of equipment	**7**	7
Interest and accretion on promissory note	**358**	230
Other	**5**	-
	(19,530)	(14,507)
Net changes in non-cash components of working capital (Note 18)	**1,158**	(884)
	(18,372)	(15,391)
Financing activities		
Private placements, net of share issue costs (Note 11(b))	**17,486**	-
Exercise of options and warrants (Note 11(b))	**-**	252
Repayment of promissory note, including interest (Note 7)	**(3,222)**	(1,000)
	14,264	(748)
Investing activities		
Proceeds from sale of marketable securities (Note 3)	**-**	514
Purchase of marketable securities (Note 3)	**-**	(784)
Proceeds from sale of royalty interest (Note 6 (a)(i))	**8,831**	-
Mineral property asset acquisition (Note 6)	**(39)**	(93)
Land exchange payment (Note 6(a)(ii))	**(1,006)**	-
Additions to plant and equipment (Note 5)	**(457)**	(691)
	7,329	(1,054)
Effect of exchange rate changes on cash and cash equivalents	**(112)**	(271)
Net change in cash and cash equivalents	**3,109**	(17,464)
Cash and cash equivalents, beginning of year	**7,942**	25,406
Cash and cash equivalents, end of year	**11,051**	7,942
Cash and cash equivalents consist of:		
Cash	**10,935**	847
Short-term deposits	**116**	7,095
	11,051	7,942

1. Nature and continuance of operations

Oracle Mining Corp. (the “Company” or “Oracle Mining”) graduated to the TSX under the symbol “OMN” January 2012. It was previously listed on the TSX Venture Exchange under the symbol “OMN”. The Company is incorporated under the Canada Business Corporations Act and is a reporting issuer under the jurisdiction of British Columbia. The Company is engaged in the acquisition, exploration, development and exploitation of mineral resource projects.

The Company’s head office, principal address and registered office is #1550-666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

In September 2010, the Company acquired the Oracle Ridge copper property near Tucson, Arizona. The Company has started exploration and development activities on this property. In accordance with the Company’ s accounting policy (Note 2(h)), all exploration and evaluation expenditures are expensed until such time as a technical feasibility study has been completed and commercial viability is demonstrable.

These consolidated financial statements are prepared on the basis of a going concern which assumes the realization of assets and satisfaction of liabilities in the normal course of business. During the year-ended December 31, 2012, the Company incurred a net loss for the year of $21,665,000 (2011 - $16,040,000). The working capital balance at December 31, 2012 was $8,849,000 (2011 - $6,000,000).

The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing to satisfy liabilities as they come due, complete exploration and development activities on the Oracle Ridge project and ultimately to achieve profitable operations. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing transactions in the future.

2. Summary of significant accounting policies

(a) Basis of preparation

These consolidated financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued with the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The Board of Directors approved these consolidated financial statements for issue on March 11, 2013.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's principal subsidiaries are as follows:

Name	Country of incorporation	Ownership interest
0830438 BC Ltd.	Canada	100%
Oracle Ridge Mining LLC	USA	100%

All intra-company transactions, balances, income and expenses are eliminated on consolidation.

(c) Foreign currencies

The consolidated financial statements are presented in United States ("US") dollars. The functional currency of Oracle Mining is the Canadian dollar. The functional currency of Oracle Ridge Mining LLC and 0830438 BC Ltd. is the US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates*.

These consolidated financial statements have been translated to the US dollar in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income and expenses be translated using the exchange rates at the dates of the transactions (where there is not significant fluctuation in the exchange rates used, the average rate for the period is applied to income and expense balances). The exchange differences are recognized as a component of other comprehensive income in the statement of comprehensive loss.

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate on which the transaction took place.

(d) Financial instruments

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets and liabilities are measured at fair value plus transaction costs, except for those financial assets and liabilities classified as fair value through profit or loss, which are initially measured at fair value.

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss ("FVTPL") - This category comprises derivatives, assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or assets designated upon initial recognition as FVTPL. These financial assets are carried in the statement of financial position at fair value with changes in fair value recognized as a component of net loss in the statement of comprehensive loss.

- Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest rate method less any impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The carrying amount of trade receivables is reduced through an allowance account. Amounts deemed to be uncollectable are written off against the allowance account and subsequent recoveries are credited against the allowance account. Changes in the allowance account are recognized as a component of net loss in the statement of comprehensive loss.

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

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

All financial assets, except for those recorded at FVTPL, are subject to review for impairment at least at each reporting date. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

- FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term or liabilities designated upon initial recognition as FVTPL. These financial liabilities are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive (loss) income

- Other financial liabilities - Other financial liabilities are subsequently measured at amortized cost, using the effective interest rate method.

(iii) Classification of financial instruments

The Company's financial instruments consist of the following:

Instrument	Classification	Measurement basis
Cash and cash equivalents	FVTPL	Fair value
Marketable securities	FVTPL	Fair value
Other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost
Other long-term liabilities	Other liabilities	Amortized cost

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents and marketable securities are designated as Level 1.

The fair values of cash and cash equivalents, marketable securities, and trade and other payables, approximate their carrying values due to the short-term maturities of these financial instruments.

2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

The Company considers cash to be cash on deposit and cash equivalents to be highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

(f) Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment losses, if any, and are depreciated using the straight-line method over the following periods:

Mobile equipment	5 years
Furniture and fixtures	5 years
Computer equipment and software	4 years
Machinery and equipment	5 years
Leasehold improvements	Term of lease

Depreciation of mobile equipment as well as machinery and equipment used directly in exploration or development projects are included in exploration and evaluation costs. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment and depreciated over their useful life.

Borrowing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to borrowings specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is available for use.

All other borrowing costs are expenses when incurred.

The depreciation method, useful life and residual values are assessed annually.

(g) Impairment of non-financial assets

Non-financial assets are reviewed for impairment at the end of each reporting period and throughout the year if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether an impairment exists. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill, any intangible asset with an indefinite useful life, or any intangible asset not yet available for use is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset or cash-generating units recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. Impairment of goodwill cannot be reversed.

2. Summary of significant accounting policies (continued)

(h) Mineral properties

The cost of a property acquired as an individual asset purchase or as part of a business combination represents the property's fair value at the date of acquisition. This cost is capitalized until the viability of the mining property is determined. When it is determined that a property is not economically viable, the amount capitalized is written off which includes expenditures which were capitalized to the carrying amount of the property subsequent to its acquisition.

The Company expenses all costs relating to the exploration for and evaluation of mineral claims until such time as a technical feasibility study has been completed and commercial viability of extracting the mineral resources is demonstrable. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation expenses attributable to that area of interest will be capitalized to mineral properties. Costs will continue to be capitalized until the property to which they relate is ready for its intended use, sold, abandoned or management has determined there is impairment. If economically recoverable reserves are developed, capitalized costs of the property are depleted using the units of production method.

The Company capitalizes land purchase costs related to mineral properties.

(i) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case income tax is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the balance sheet liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that affects neither accounting or taxable loss and is not a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the date of the statement of financial position.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Summary of significant accounting policies (continued)

(j) Share-based payment transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of options granted to employees is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured for each tranche at grant date and is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted and management's estimate of forfeitures. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

(k) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral 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, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset and the environment in which the mine operates.

Pre-tax discount rates that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

2. Summary of significant accounting policies (continued)

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(n) Loss per share

The Company presents the basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted 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 for the year, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. During years ended December 31, 2012 and 2011 all outstanding stock options and warrants were anti-dilutive.

(o) Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 2 (p)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral properties, the determination of functional currency for the Company and its subsidiaries, the determination that the acquisition of the Oracle Ridge project represents an acquisition of an asset rather than a business combination and the assumption that the Company will continue as a going concern.

2. Summary of significant accounting policies (continued)

(p) Significant accounting estimates

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

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

- the recoverability of amounts receivable and deposits which are included in the statement of financial position;
- impairment of non-financial assets;
- the estimated fair value of marketable securities;
- the estimated useful lives of property, plant and equipment which are included in the consolidated statement of financial position and the related depreciation included in the statement of comprehensive (loss) income;
- the inputs used in accounting for share-based compensation expense in the statement of comprehensive (loss) income;
- the inputs used in accounting for the fair value of warrants; and
- the allocation of funds received from MF2 Investment Company 1LP, Bermuda LP (“MF2”)

(q) New accounting standards and interpretations

In October 2010, the IASB issued amendments to IFRS 7 - *Financial Instruments: Disclosures* that enhance the disclosure requirements in relation to transferred financial assets. The Company adopted this amendment effective January 1, 2012. The adoption of this amendment did not have a significant impact on the Company’s consolidated financial statements.

The following standards are effective for annual periods beginning on or after January 1, 2013 (except as noted), with earlier adoption permitted. The Company has determined that there will be no material impact on the consolidated financial statements.

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

2. Summary of significant accounting policies (continued)

(q) New accounting standards and interpretations (continued)

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

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

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

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

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

- IFRIC 20 – *Stripping Costs in the Production Phase of a Mine*: In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods.

- *IFRS 9, Financial Instruments*: IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities as at FVTPL. The amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

(In US$, tabular amounts in thousands, unless otherwise noted)

2. Summary of significant accounting policies (continued)

(q) New accounting standards and interpretations (continued)

- *IAS 1 – Presentation of Financial Statements*: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted.

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

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*. On December 16, 2011 the IASB published new disclosure requirements jointly with the FAS that enables users of financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP.

3. Marketable securities

As at December 31, 2012, the Company holds the following marketable securities:

		December 31, 2012	December 31, 2011
	Cost	Fair value	Fair value
	$	$	$
Fair value through profit or loss			
Canada Zinc Metals Corp.	303	252	411
	303	252	411

During the year-ended December 31, 2011, the Company purchased 98,800 shares of Nevada Copper Corp. for a cost of $481,000 and sold the shares for gross proceeds of $514,000, resulting in a realized gain of $32,000.

(In US$, tabular amounts in thousands, unless otherwise noted)

4. Other receivables

	December 31, 2012	December 31, 2011
	$	$
Value added taxes recoverable	**107**	80
Deposits and advances	**380**	565
Total	**487**	645

During the year-end December 31, 2011, the Company advanced funds of $347,000 to a drilling contractor. The Company determined that the advance would not be recovered and the amount was written off as a bad debt expense.

(In US$, tabular amounts in thousands, unless otherwise noted)

5. Plant and equipment

	Oracle Ridge equipment	Corporate office and other equipment	**Total**
	$	$	**$**
Cost			
January 1, 2011	68	72	**140**
Additions	594	97	**691**
Disposals	-	(9)	**(9)**
Foreign exchange movement	-	(2)	**(2)**
December 31, 2011	662	158	**820**
Additions	356	101	**457**
Disposals	(6)	(5)	**(11)**
Foreign exchange movement	-	3	**3**
December 31, 2012	1,012	257	**1,269**

	Oracle Ridge equipment	Corporate office and other equipment	**Total**
	$	$	**$**
Accumulated depreciation			
January 1, 2011	1	1	**2**
Additions	59	36	**95**
Disposals	-	(1)	**(1)**
Foreign exchange movement	-	(1)	**(1)**
December 31, 2011	60	35	**95**
Additions	181	56	**237**
Disposals	(1)	1	**-**
Foreign exchange movement	-	(1)	**(1)**
December 31, 2012	240	91	331

	Oracle Ridge equipment	Corporate office and other equipment	**Total**
	$	$	**$**
Carrying amounts			
At December 31, 2011	602	123	**725**
At December 31, 2012	772	166	**938**

(In US$, tabular amounts in thousands, unless otherwise noted)

6. Mineral properties

	Oracle Ridge Copper Project	Copper Moon Property	**Total**
	$	$	**$**
January 1, 2011	20,747	-	**20,747**
Option Payment	67	25	**92**
Reclamation Asset	185	-	**185**
December 31, 2011	20,999	25	**21,024**
Net Smelter Return Royalty *(i)*	(8,831)	-	**(8,831)**
Land Exchange *(ii)*	1,706	-	**1,706**
Option Payment	19	20	**39**
Reclamation Asset	31	-	**31**
December 31, 2012	**13,924**	**45**	**13,969**

(a) Oracle Ridge copper project

On September 28, 2010, the Company completed the acquisition of the Oracle Ridge copper property through the purchase of all the outstanding common shares of 0830438 BC Ltd. and its wholly-owned subsidiary, Oracle Ridge Mining LLC.

(i) Net Smelter Return Royalty (the "NSR Royalty")

In November 2012, the Company entered into a royalty agreement, an offtake agreement and a concurrent private placement (collectively the "Investment Agreements") with MF2 Investment Company 1LP, Bermuda LP ("MF2"). Pursuant to the terms of the Investment Agreements, the Company completed a private placement of 9,800,000 units as described in Note 11(b), agreed to sell 100% of the Oracle Ridge copper project's future copper production to MF2 at market prices and completed the sale of a 3% NSR Royalty on the Oracle Ridge copper property, for aggregate net proceeds of $17,610,000, after reduction for various fees specified in the Investment Agreements.

The net proceeds were allocated to the respective elements of the Investment Agreements based on their estimated fair value as follows:

NSR Royalty	$ 8,831,000
Issue Capital (Note 11(b))	8,248,000
Warrant Reserve (Note 11(e))	531,000
Total	$17,610,000

The NSR Royalty has been recorded as a reduction in the carrying value of mineral properties.

(In US$, tabular amounts in thousands, unless otherwise noted)

6. Mineral properties (continued)

(a) Oracle Ridge copper project (continued)

(ii) Land Exchange Agreement (“Exchange Agreement”)

In December 2012, the Company entered into an Exchange Agreement with Pima County of Arizona (the “County”). Under the terms of the Exchange Agreement, the Company agreed to exchange land that it had purchased from a third party (the “Exchange Property”) for land owned by the County. The County land provides key access between the mine site and tailings area.

The Company purchased the Exchange Property for a total price of $1,700,000 of which $1,000,000 was paid in cash and $700,000 issued in the form of a promissory note payable as described in Note 7. The Company also incurred approximately $6,000 in transaction costs which has been capitalized to the property.

(iii) Option Payment

In August 2011, the Company entered into an operating lease agreement for additional land adjacent to the Oracle Ridge copper property. The lease is for a term of 15 years and requires annual payments of $19,200, with two additional five year option periods on similar terms. The Company paid an initial non-refundable payment of $57,600 upon execution of the lease. During the year, the Company paid the annual lease payment of $19,200.

(b) Copper Moon Property

In June 2011, the Company entered into an option agreement to acquire a 100% interest in a mineral property in Colorado, USA. Under the terms of the agreement, the Company is required to make the following payments to keep the option in good standing: a cash payment of $20,000 on or before June 29, 2012, a cash payment of $20,000 on or before June 29, 2013, and a cash payment of $500,000 on or before June 29, 2014. The Company paid the $20,000 option payment during the year.

7. Promissory notes payable

	December 31, 2012	December 31, 2011
	$	$
Promissory notes payable, relating to acquisition of Oracle Ridge copper project including accrued interest (a)	**-**	2,865
Less: Current portion	**-**	(1,758)
Promissory note payable, related to land exchange (b)	**700**	-
Less: Current portion	**(700)**	-
Promissory notes payable, non-current	**-**	1,107

(In US$, tabular amounts in thousands, unless otherwise noted)

7. Promissory notes payable (continued)

(a) As part of the acquisition of Oracle Ridge (Note 6), the Company assumed promissory notes payable of $3,800,000 that were secured by the Oracle Ridge copper property.

In May 2012, the Company paid $500,000 of principal owing under the promissory notes.

In November 2012, the Company paid the full outstanding balance on the promissory notes payable plus accrued interest of $2,722,000.

(b) As part of the Exchange Agreement (Note 6(a)(ii)), the Company issued a promissory note that matures on December 21, 2013 and bears interest at US prime rate and is payable in full at time of maturity.

8. Reclamation provision

Reclamation provision represents the estimated costs required to provide adequate restoration and rehabilitation upon completion of mining activities at Oracle Ridge. The Company measures the reclamation costs at fair value, which is based on the net present value of future cash expenditures upon reclamation and closure. Reclamation costs are capitalized to mineral properties and will be amortized over the life of mine once the mine commences commercial production.

The estimated provision of $221,000, established at December 31, 2012, has been discounted at its present value at a rate of approximately 2.95% per annum being an estimate of the long-term, risk-free, pre-tax cost of borrowing. The undiscounted balance of the reclamation provision is $387,000. There was no reclamation provision prior to December 31, 2011.

	December 31, 2012
	$
Reclamation provision - December 31, 2011	**185**
Accretion expense, included in financing charges	**5**
Revision in discount rate	**31**
Reclamation Provision - December 31, 2012	**221**

9. Capital risk management

The Company's objectives in managing its liquidity and capital resources are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of promissory notes payable, other long-term liabilities, and equity, comprised of issued capital, warrant-reserve, share-based payment reserve, foreign currency translation reserve and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue shares, issue new debt, and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual budgets are approved by the Board of Directors. The Company does not pay out dividends.

(In US$, tabular amounts in thousands, unless otherwise noted)

9. Capital risk management (continued)

Corporate objectives for the next 12 months include:

- Establishing a mineral resource estimate and finalizing a technical report in accordance with the requirements of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") for the Oracle Ridge copper project;

- Should a mineral resource estimate be established in accordance with NI 43-101, commencing a project feasibility study ("Feasibility Study") for the Oracle Ridge copper project; and

- Obtaining regulatory permits and approvals and placing deposits for long-lead equipment necessary to allow for a re-start of the mine should the Feasibility Study have a positive result and a production decision is made.

Significant additional funding will be required to achieve these objectives. Management has been actively communicating with various financial institutions and potential investors, including signing a non-binding, indicative term sheet for project financing with Credit Suisse AG ("CS Term Sheet") for a secured loan of up to $70 million in order to advance the restart of the Oracle Ridge copper project. This project financing remains subject to a number of conditions, including completion of Feasibility Study, due diligence, the receipt of internal credit committee approvals by Credit Suisse, and the negotiation and execution of definitive documentation.

While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in obtaining financing in the future.

The Company's capital at December 31 is as follows:

	2012	2011
	$	$
Promissory notes payable	**700**	2,865
Other long-term liabilities	**305**	295
Equity	**23,230**	26,162
	23,535	29,322

10. Financial risk and risk management

The Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, trade and other payables, promissory notes payable and other liabilities. The Company has exposures to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors is responsible for the establishment and oversight of the Company's risk management policies and reviews the policies on an ongoing basis.

(a) *Interest rate risk*

The Company is exposed to interest rate risk with respect to the interest it earns on its cash and cash equivalents balances.

The Company does not enter into derivative contracts to manage the risk associated with interest rate movements.

(In US$, tabular amounts in thousands, unless otherwise noted)

10. Financial risk and risk management (continued)

(b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and has acquired a 100% interest in the Oracle Ridge copper property in the US. A significant change in the currency exchange rates between the Canadian dollars relative to the US dollar could have an effect on the Company's financial performance, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2012, the Company holds the following financial instruments denominated in Canadian dollars or US dollars:

	US$	C$
Cash and cash equivalents	7,143	3,888
Marketable securities	-	251
Other receivable	311	174
Trade and other payables	1,789	438
Other long-term liabilities	221	-
	9,464	4,751

At December 31, 2012, with other variables unchanged, a 10% change in the US dollar/ Canadian dollar exchange rate would impact pre-tax loss by $2.1 million for the year ended December 31, 2012.

(c) Credit risk

The Company's credit risk is mainly attributable to its liquid financial assets: cash and cash equivalents, marketable securities, and other receivables. The Company deposits cash with high credit quality financial institutions and credit risk is considered to be minimal. The Companies maximum exposure to credit risk is $11,790,000.

(d) Liquidity risk

The Company manages liquidity risk through an annual budget and ongoing monitoring of expenses and capital expenditures to ensure it has sufficient liquidity to meet its business requirements as they come due. As of December 31, 2012, the Company had working capital of $8,849,000 (December 31, 2011 - $6,000,000).

(In US$, tabular amounts in thousands, unless otherwise noted)

10. Financial risk and risk management (continued)

(d) *Liquidity risk*

As at December 31, 2012, the Company's liabilities and commitments have contractual maturities of:

	Payments due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	$	$	$	$
Trade and other payables	2,231	2,231	-	-
Taxes payable	75	75	-	-
Promissory note	700	700	-	-
Reclamation provision	387	-	-	387
Other liabilities	305	-	305	-
Lease commitments	281	89	96	96
	3,979	3,095	401	483

In order for the Company to achieve its major objectives for the next 12 months, significant additional funding will be required. While the Company has been successful in raising capital in the past, there is no guarantee it will be able to do so in the future (See Note 1 and Note 9).

11. Issued capital

(a) *Authorized*

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

(b) *Issued*

On February 28, 2012, the Company completed a private placement for 7,800,000 common shares of the Company at a subscription price of C$1.25 per share raising gross proceeds of C$9,750,000 ($9,760,000). The Company paid a finder's fee to an arm length's party in the aggregate amount of C$570,000 ($577,000) and incurred C$86,000 ($86,000) in other issuance costs.

On November 21, 2012, the Company completed a private placement with MF2 (Note 6) for 9,800,000 units ("Units") of the Company at a subscription price of C$0.85 per share raising gross proceeds of C$8,330,000 ($8,347,000). Each unit consists of one common share of the Company and one-half of a warrant to purchase one common share. The share issuance has been valued of C$0.84 per share, the share price of the Company on the date of the close of the agreement. The resulting value of C$8,232,000 ($8,248,000) has been recorded in Issued Capital. The Company incurred C$350,000 ($367,000) in share issuance costs on the transaction.

The fair value attributed to the warrants was $508,000 and is described in Note 11(e).

During the year ended December 31, 2011, the Company issued 171,900 shares upon the exercise of stock options and warrants for gross proceeds of C$243,000 ($252,000).

(In US$, tabular amounts in thousands, unless otherwise noted)

11. Issued capital

(c) Long term incentive plan ("LTIP")

Pursuant to the terms of the Company's LTIP, approved during the second quarter of 2012, the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options may be exercisable over periods of up to five years as determined by the Board of Directors of the Company and the exercise price is the last closing price of the shares preceding the awarding date. Stock options granted to employees, officers and consultants vest one-third immediately, one-third after 12 months from the date of grant and one-third after 24 months from the date of grant, while stock options granted to directors vest immediately. Stock options granted to investor relations consultants vest and are exercisable for a period of two years from the date of grant, with 25% of the options vesting each quarter.

A summary of the Company's share options outstanding as at December 31, 2012 and the changes for the year then ended are as follows:

	Directors and officers	Employees and consultants	Total number of options	Weighted average exercise price per share
				C$
Balance, December 31, 2010	1,579,000	453,000	2,032,000	2.06
Granted	600,000	1,075,000	1,675,000	1.50
Exercised	(110,000)	-	(110,000)	1.23
Forfeited	(830,000)	(35,000)	(865,000)	2.01
Expired	(53,000)	-	(53,000)	9.55
Balance, December 31, 2011	1,186,000	1,493,000	2,679,000	1.61
Granted	1,870,000	893,000	2,763,000	1.09
Forfeited	(1,278,000)	(258,333)	(1,536,333)	1.55
Expired	(8,000)	-	(8,000)	17.25
Balance, December 31, 2012	**1,770,000**	**2,127,667**	**3,897,667**	**1.23**

(In US$, tabular amounts in thousands, unless otherwise noted)

11. Issued capital

(c) Long term incentive plan ("LTIP") (continued)

The following table summarizes information about options outstanding and exercisable, granted to officers, directors, employees and consultants of the Company as at December 31, 2012:

Number of stock options outstanding	Number of stock options exercisable	Option exercise price	Expiry date
		C$	
8,000	8,000	1.63	August 2013
20,000	20,000	2.50	April 2014
210,000	210,000	1.00	February 2015
100,000	100,000	1.22	August 2015
180,000	180,000	1.60	October 2015
450,000	350,000	1.90	March 2016
300,000	200,000	1.30	June 2016
150,000	150,000	0.99	October 2016
150,000	150,000	1.07	October 2016
66,667	66,667	1.15	November 2016
1,090,000	658,333	1.25	March 2017
54,000	18,000	1.29	May 2017
1,119,000	373,000	0.94	December 2017
3,897,667	2,484,000		
1.23	1.26	Weighted average exercise price	

(d) Share-based payments

During the year ended December 31, 2012, the Company granted 2,295,000 (2011 - 1,425,000) share options to directors, officers, employees and a further 468,000 options to consultants. An amount of $1,083,000 (2011 - $1,307,000) was recorded in share-based payment reserve in recognition of share-based compensation, based on the vesting schedule for the options granted.

(In US$, tabular amounts in thousands, unless otherwise noted)

11. Issued capital (continued)

(d) Share-based payments (continued)

The fair value of each option granted during the year to employees and directors is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Year ended December 31,	
	2012	2011
Number of options granted	**2,295,000**	1,425,000
Weighted average		
Risk-free interest rate (%)	**1.17**	1.66
Expected life (years)	**2.87**	2.79
Expected volatility (%)	**62**	85
Expected dividend (%)	**-**	-
Forfeiture rate (%)	**19.15**	10.80
Weighted average fair value (per option)	**0.45**	0.84

Share option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of fair value of the Company's options.

Expected volatility is measured as annualized weekly standard deviation of share price returns, based on historical movement of the Company's shares. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds. The fair value of each option granted during the year to consultants is estimated using the equivalent market price of the consultant services. The service fair value is recognized over the contract period.

Subsequent to year-end, the Company granted 250,000 share options to an employee with an exercise price of $0.79.

(In US$, tabular amounts in thousands, unless otherwise noted)

11. Issued capital (continued)

(e) Share purchase warrants

A summary of the Company's share purchase warrants outstanding as at December 31, 2012 and the changes for the year then ended are as follows:

	Number of warrants	Average price of warrants
		C$
Balance, January 1, 2011	923,800	2.40
Expired	(861,900)	2.45
Exercised	(61,900)	1.75
Balance, December 31, 2011	-	-
Granted	4,900,000	1.02
Balance, December 31, 2012	4,900,000	1.02

On November 21, 2012, the Company completed a private placement with MF2 (Note 11(b)) for 9,800,000 units and each unit consists of one common share of the Company and one-half of a warrant to purchase one common share (each whole warrant, a "Warrant") at a subscription price of $1.02 per common share for a period of 36 months from the date of issue. The Company has estimated the fair value at C$0.11(US$0.11) per Warrant using the Black-Scholes option pricing model, using the following assumptions: an average risk free rate of 1.11%, a volatility factor of 40%, and expected dividend yield of $Nil and an expected life of 1.5 years. The resulting amount of C$506,000 ($508,000), net of transaction costs of C$24,000 (US$23,000), has been recorded in the warrant reserve.

On May 8, 2011, 800,000 common share purchase warrants with an exercise price of C$2.50 expired unexercised.

On June 3, 2011, 61,900 share purchase warrants were exercised for proceeds of C$108,000 and 61,900 share purchase warrants expired unexercised.

(In US$, tabular amounts in thousands, unless otherwise noted)

12. General and administration expenses

	Year ended December 31,	
	2012	2011
	$	$
Salaries and benefits	**2,107**	1,704
Professional and consulting fees	**1,632**	1,294
Share-based payments	**1,083**	1,230
Office expenses	**386**	367
Investor relations	**622**	347
Travel	**565**	330
Filing costs and shareholders' information	**259**	293
Insurance	**48**	60
Depreciation	**55**	36
Other	**27**	29
	6,784	5,690

13. Exploration and evaluation expenditures

	Year ended December 31,	
	2012	2011
	$	$
Design and technical studies	**3,178**	1,196
Permitting costs	**2,481**	2,870
Site and safety services	**1,518**	1,216
Drilling	**2,657**	3,151
Site and advisory costs	**2,564**	1,456
Underground exploration and development	**1,592**	238
	13,990	10,127

Site and advisory costs includes depreciation of $182,000 (2011 - $59,000).

(In US$, tabular amounts in thousands, unless otherwise noted)

14. Other costs

	Year ended December 31	
	2012	2011
	$	$
Due diligence fee (a)	**99**	-
Write-off of promissory note (b)	**252**	-
	351	-

(a) During the year, the Company entered into an agreement with a third-party, whereby the third party granted the Company the exclusive right to negotiate and carry out due diligence with respect to a potential acquisition. As part of the agreement, the Company paid the third-party a C$100,000 ($99,000) non-refundable fee that would be credited towards the purchase price payable by the Company should the Company proceed with the acquisition. The Company subsequently chose not to proceed with the transaction.

(b) On April 12, 2012, the Company entered into a C$250,000 ($252,000) convertible promissory note ("Note") with a third party to fund exploration on a property the Company was considering acquiring. The Note bears interest at a rate of 8% per annum simple interest from the date of issuance until paid in full. No payment of principal or interest under this Note shall be due until April 12, 2014. The Company has the right, exercisable in whole or in part, to convert the outstanding principal and accrued interest into a number of fully paid and non-assessable whole shares of the third party's no par value common stock. The Company did not acquire the property and has written off the Note due to the uncertainty of eventual collection.

15. Income taxes

Total income tax expense consists of:

	Years ended December 31,	
	2012	2011
	$	$
Current tax expense	75	-
Deferred tax expense	-	-
	75	-

(In US$, tabular amounts in thousands, unless otherwise noted)

15. Income taxes (continued)

The provision for income taxes differs from the amounts computed by applying cumulative federal and provincial income tax rates to the loss before tax provision due to the following:

	Years ended December 31,	
	2012	2011
	$	$
Consolidated net loss	**(21,590)**	(16,040)
Canadian statutory tax rate	**25.0%**	26.5%
Income tax expense at statutory rate	**(5,398)**	(4,251)
Lower effective tax rate on loss in foreign jurisdiction	**(2,178)**	(1,333)
Current year tax losses not recognized	**7,705**	5,858
Tax attributes not previously recognized	**(271)**	-
Non-deductible stock option compensation	**271**	308
Items recorded in equity	**(548)**	104
Other permanent differences and non-deductible expenses	**419**	(686)
Alternative minimum tax	**75**	-
Balance at end of year	**75**	-

As at December 31, 2012, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that the future profit will be available against which the Company can utilized the benefits. Deferred tax assets have not been recognized on the following items:

	2012	2011
	$	$
Mining assets, deferred development and capital assets	**18,876**	25,195
Non-capital loss carryforwards and other future tax deductions	**35,714**	8,614
	54,590	33,809

As at December 31, 2012, the Company had a taxable temporary difference relating to investments in subsidiaries of $13,285 (2011 - $18,286) that has not been recognized because the Company controls whether the liability will be incurred and its satisfied that it will not be incurred in the foreseeable future.

(In US$, tabular amounts in thousands, unless otherwise noted)

15. Income taxes (continued)

As of December 31, 2012, the Company has non-capital loss carry forwards in Canada amounting to approximately $23,855,000 (2011 - $18,205,000) and US loss carryforwards of approximately $6,209,000 (2011- 6,205,000) available to reduce future years income for tax purposes. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The tax loss carryforwards expire as follows:

	$
2014	253
2015	253
2026	1,032
2027	1,842
2028	3,264
2029	3,109
2030	3,729
2031	10,997
2032	5,585
	30,064

16. Related party transactions

(a) During the year ended December 31, 2012, the Company paid $525,000 (2011 - $550,000) in advisory fees, respectively, to certain directors of the Company.

These transactions were incurred in the normal course of business and are measured at the fair value of the services provided.

(b) *Compensation of key management personnel*

The remuneration of directors and other members of key management personnel during the year ended December 31, 2012 were as follows:

	Year ended December 31	
	2012	2011
	$	$
Salaries and directors' fees [1]	**1,574**	1,356
Share-based payment [2]	**289**	683
Total	**1,863**	2,039

[1] Salaries and directors’ fees include consulting and management fees disclosed in Note 16(a).
[2] Share-based payments are the fair value of options that have been granted to directors and key management personnel.

(In US$, tabular amounts in thousands, unless otherwise noted)

17. Contingencies and commitments

(a) The Company is committed under the terms of two operating leases for office premises for total aggregate payments of $70,000 expiring in 2013.

(b) The Company is committed under the terms of a land lease for total aggregate payments of $211,200. The term of the lease extends until 2023.

(c) In December 2012, the Company received notification of a lawsuit against the Company from a third party regarding an alleged breach of contract related to finders fee on a financing agreement. The Company intends to vigorously defend any and all claims under this lawsuit. The Company believes it will be successful in the outcome of this lawsuit.

In the normal course of business, the Company is aware of certain potential claims. The outcome of these matters is not determinable at this time, although the Company does not believe these potential claims will have a material adverse effect on the Company's operations.

18. Supplemental cash flow information

Details of net change non-cash working capital are as follows:

	Year ended December 31,	
	2012	2011
	$	$
Prepaid expenses and other receivables	**219**	(563)
Trade and other payables	**939**	(321)
Net change in non-cash working capital	**1,158**	(884)

19. Segmented information

The Company currently operates in one business segment, being the acquisition and development of mineral properties. The Company's sole development property, Oracle Ridge, is located in the US and the Company's head office is located in Canada.

20. Subsequent event

In March 2013, the amended Aquifer Protection Permit ("APP") was granted to the Company by the Arizona Department of Environmental Quality ("ADEQ"). The Company posted financial assurance in the amount of $2.1 million as a requirement to receive amended APP. Financial assurance was provided through the issuance of a surety bond by a third-party insurer requiring a collateral deposit of 40% of the overall value of the financial assurance. In connection with the granting of the APP, a successful efforts payment of $0.2 million was awarded to a third party consultant.