

Consolidated Financial Statements



Year ended December 31, 2012

(Expressed in Canadian dollars)

K. R. MARGETSON LTD.

Chartered Accountants

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Report of Independent Registered Public Accounting Firm

To the Shareholders of
Solid Resources Ltd.:

We have audited the consolidated statements of changes in financial position of Solid Resources Ltd. as at December 31, 2012 and 2011 and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

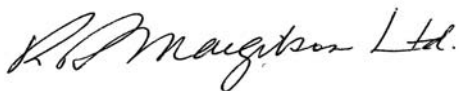
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Solid Resources Ltd. as at December 31, 2012 and 2011 and the results of its operations changes in shareholders' equity and cash flows and for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Solid Resources Ltd. incurred significant loss from operation, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters as described in Note 1, indicated the existence of a material uncertainty which may cast doubt about the ability of Solid Resources Ltd. to continue as a going concern.



Chartered Accountants
Vancouver, Canada
April 26, 2013

SOLID RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	December 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash		\$ 22,851	\$ 264,735
Prepays		4,417	4,300
Receivables	4	15,857	23,344
Total current assets		43,125	292,379
Exploration and evaluation assets	5	4,096,713	3,353,605
TOTAL ASSETS		\$ 4,139,838	\$ 3,645,984
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 91,116	\$ 159,395
TOTAL LIABILITIES		91,116	159,395
EQUITY			
Share capital	8	23,977,994	22,631,570
Reserves	9	5,017,415	4,811,711
Subscription advances		-	155,000
Distribution to shareholders	5	(1,055,808)	(1,055,808)
Deficit		(23,890,879)	(23,055,884)
TOTAL EQUITY		4,048,722	3,486,589
TOTAL LIABILITIES AND EQUITY		\$ 4,139,838	\$ 3,645,984

Nature and continuance of operations (Note 1)

Subsequent event (Note 15)

On behalf of the Board:

“Rick Gliege” Director “Greg Pendura” Director

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

SOLID RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	Year Ended December 31, 2012	Year Ended December 31, 2011
Expenses			
Consulting fees	10	\$ 87,655	\$ 133,306
Investor relations		27,289	388,058
Management fees	10	222,000	192,859
Office and general		55,917	60,030
Professional fees		40,211	44,705
Project investigation		151,956	122,903
Share-based payments	9	171,411	150,856
Transfer agent and filing fees		37,130	36,778
Travel		37,120	90,857
		830,689	1,220,352
Loss before other items		(830,689)	(1,220,352)
Other items			
Foreign exchange loss		(4,306)	(10,333)
Write-off of property, plant and equipment		-	(2,560)
Loss and comprehensive loss for the year		(834,995)	(1,233,245)
Basic and diluted loss per common share	7	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		104,303,019	88,241,316

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

SOLID RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

	Share Capital						
	Number of Shares	Amount	Reserves	Subscription Advances	Distribution to Shareholders	Deficit	Total
Balance at December 31, 2010	79,372,848	\$ 22,017,434	\$ 3,845,241	\$ -	\$ -	\$ (21,822,639)	\$ 4,040,036
Private placement	10,000,000	1,000,000	-	-	-	-	1,000,000
Exercise of warrants	4,539,000	439,900	-	-	-	-	439,900
Warrant issuance	-	(808,348)	808,348	-	-	-	-
Share issuance costs	-	(17,416)	7,266	-	-	-	(10,150)
Share-based payments	-	-	150,856	-	-	-	150,856
Subscription advances	-	-	-	155,000	-	-	155,000
Distribution to shareholders	-	-	-	-	(1,055,808)	-	(1,055,808)
Comprehensive loss for the year	-	-	-	-	-	(1,233,245)	(1,233,245)
Balance at December 31, 2011	93,911,848	22,631,570	4,811,711	155,000	(1,055,808)	(23,055,884)	\$ 3,486,589
Private placement	14,129,200	1,412,920	-	(155,000)	-	-	1,257,920
Cancellation of shares	(200,000)	(20,000)	-	-	-	-	(20,000)
Exercise of warrants	501,667	50,167	-	-	-	-	50,167
Warrant issuance	-	(34,293)	34,293	-	-	-	-
Share issuance costs	-	(62,370)	-	-	-	-	(62,370)
Share-based payments	-	-	171,411	-	-	-	171,411
Comprehensive loss for the year	-	-	-	-	-	(834,995)	(834,995)
Balance at December 31, 2012	108,342,715	\$ 23,977,994	\$ 5,017,415	\$ -	\$ (1,055,808)	\$ (23,890,879)	\$ 4,048,722

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

SOLID RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended December 31, 2012	Year Ended December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (834,995)	\$ (1,233,245)
Items not affecting cash:		
Share-based payments	171,411	150,856
Write-off of property, plant and equipment	-	2,560
Changes in non-cash working capital items:		
Receivables	7,487	18,830
Prepays	(117)	2,700
Accounts payable and accrued liabilities	(114,471)	90,961
	<u>(770,685)</u>	<u>(967,338)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(696,915)	(1,317,055)
	<u>(696,915)</u>	<u>(1,317,055)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	1,237,920	1,439,900
Subscription advances	-	155,000
Share issuance costs	(62,371)	(10,150)
Exercise of warrants	50,167	-
	<u>1,225,716</u>	<u>1,584,750</u>
Change in cash for the year	(241,884)	(699,643)
Cash, beginning of year	264,735	964,378
Cash, end of year	\$ 22,851	\$ 264,735

Supplemental disclosure with respect to cash flows (Note 13)

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

SOLID RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the year ended December 31, 2012

1. Nature and continuance of operations

Solid Resources Ltd. (the "Company") is incorporated under the laws of the Province of Alberta, Canada. Its shares are listed for trading on the TSX Venture Exchange and on the Frankfurt Stock Exchange where its common shares trade under the symbol "SRW". The Company is involved in the exploration and development of mineral resource properties and does not currently have a recurring revenue stream. The registered head office and principal address and records office of the Company are located at 600-815 8 Avenue SW, Calgary, AB T2P 3P2.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The consolidated financial statements were authorized for issue on April 19, 2013 by the Board of Directors of the Company.

2. Significant accounting policies and basis of preparation

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of December 31, 2012.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power to, directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

The consolidated financial statements at December 31, 2012 include, on a consolidated basis, the assets, liabilities, revenues and expenses of the Company, and its wholly-owned subsidiaries.

All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

SOLID RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the year ended December 31, 2012

The Company's wholly owned subsidiaries consolidated into these financial statements are:

	Country of Incorporation	Percentage of ownership as of December 31 2012	Percentage of ownership as of December 31 2011
Solid Mines Espana S.A.	Spain	100%	100%
Inactive subsidiaries			
Solid Engineering Ltd.	Cyprus	100%	100%
383933 Alberta Ltd.	Canada	100%	100%
Solid Energy Services Inc.	USA	100%	100%
Solid International Inc	Barbados	100%	100%
Solid Energy Services Inc.	Barbados	100%	100%
Si Well Technology Inc.	Barbados	100%	100%

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign currency translation

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in loss for the period.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

SOLID RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the year ended December 31, 2012

Exploration and evaluation expenditures (cont'd)

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

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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

Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no asset retirement obligations as of December 31, 2012 and December 31, 2011.

Provisions

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

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

Impairment of assets

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

SOLID RESOURCES LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and equivalents and deposits are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2012, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2012, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, deposit on share purchase, and notes payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company's cash is classified as FVTPL.

Related party transactions

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

Share capital

The Company's common shares and share warrants are classified as equity instruments.

SOLID RESOURCES LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the year ended December 31, 2012

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

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

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized 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. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively

SOLID RESOURCES LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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For the year ended December 31, 2012

enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, comprehensive loss was the same as net loss.

Loss per share

The Company presents 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. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Comparative figures

Certain comparative figures have been reclassified to conform with presentation adopted for the current year.

3. New standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2012. The Company does not expect the below standards to have a material impact on the financial statements, although additional disclosures may be required.

The following new Standards were issued by the IASB, and are effective for annual periods beginning on or after January 1, 2013, with the exception of IFRS 9 which is effective January 1, 2015. Early application is permitted if all five Standards are adopted at the same time.

i) Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements ("IFRS 10") will replace IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee based on changes in facts and circumstances.

ii) Joint Arrangements

IFRS 11 Joint Arrangements ("IFRS 11") will replace IAS 31 Interests in Joint Ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not on the legal structure of joint arrangements, but rather on how the

SOLID RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the year ended December 31, 2012

rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities and now requires equity method accounting. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures.

iii) Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”) will replace the disclosure requirements currently found in IAS 28 Investment in Associates, and is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities, including information about the significant judgments and assumptions that it has made in determining whether it has control, joint control or significant influence in another entity. IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11.

iv) Separate Financial Statements

The new 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.

v) Investments in Associates and Joint Ventures

The new 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.

vi) IFRS 13 Fair Value Measurement (“IFRS 13”)

IFRS is issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

vii) IFRS 9 Financial Instruments (“IFRS 9”)

In November 2009, the IASB published IFRS 9, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income.

4. Receivables

	December 31, 2012	December 31, 2011
Sales and other taxes receivables	\$ 11,657	\$ 19,144
Other receivables	4,200	4,200
	\$ 15,857	\$ 23,344

SOLID RESOURCES LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the year ended December 31, 2012

5. Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and in good standing.

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

	Doade- Presqueira, Spain	Peru Gold & Copper	Total
Balance, December 31, 2010	\$ 1,977,555	\$ 58,995	\$ 2,036,550
Additions:			
Geological fees and expenses	342,910	41,880	384,790
Mining rights and taxes	57,168	-	57,168
Drilling, sampling and assay	875,097	-	875,097
Total additions	1,275,175	41,880	1,317,055
Balance, December 31, 2011	3,252,730	100,875	3,353,605
Additions:			
Geological fees and expenses	136,733	35,894	172,627
Mining rights and taxes	63,010	-	63,010
Drilling, sampling and assay	507,471	-	507,471
Total additions	707,214	35,894	743,107
Balance, December 31, 2012	\$ 3,959,944	\$ 136,769	\$ 4,096,713

Doade-Presqueira, Spain

The Company has 100% interest in this concession which is located in Northwestern Spain and is 4,902 hectares (12,108 acres) in size. This property is under exploration for Lithium, Tantalum, Tin, Rubidium, and Cesium.

The surrounding schist also contains significant quantities of Lithium, Rubidium, and Cesium. The mineralized pegmatites are located in a northerly trending belt approximately 0.6 km wide and 15 km in length

The Cehegín Iron Ore Concession, Spain

On October 22, 2012, the Company entered into a binding option agreement with Lorente Y Pallares SL (the "Optionor") pursuant to which it acquired, without cost, the option to purchase 100% of the sixty-two (62) iron ore concessions and metallic mining licenses, covering an area of 1,030 hectares, located in south eastern Spain.

Under the terms of the option agreement, Solid has the right to purchase the licenses during the one year term, by paying the Optionor a total of €900,000 (approx. \$1,160,000) and an additional €2,100,000 (approx. \$2,700,000), upon one of the 62 concessions going into production. The exercise of the option will be subject to acceptance by the TSX Venture Exchange.

In 1975, all 62 concessions were grouped together in one single subsidiary of Altos Hornos de Vizcaya called Agrupacion Minera, SA., who exploited one of the open pit mines – Mina Maria, for its own needs until 1985.

SOLID RESOURCES LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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Peru Gold & Copper Property

The Company entered into a binding option agreement with an arm's length third party (the "Optionor") pursuant to which it acquired the option to purchase a metallic mining license, covering an area of 1,000 hectares, located in Northwest Peru. Under the terms of the option agreement, the Company has the right to purchase the license by paying the Optionor a total of US\$500,000. The first cash payment of US\$4,000 has already been paid to the Optionor. Although the agreement expired on December 31, 2012, by mutual consent it has remained in force. Negotiations are currently underway with respect to a new expiry date.

Bear Property, Northwest Territories, Canada

During the fiscal year 2009, the Company entered into a letter of intent (the "Letter of Intent") dated April 30, 2010 with Golden Lion Resources Inc. now known as Silver Bear Mines Inc. ("Silver Bear") with respect to the proposed transfer of all of the Company's 49% interest in the Bear mineral property located in the Northwest Territories (the "Bear Property") to Silver Bear. The purchase price for the 49% interest in the Bear Property is \$3,000,000, and was payable: (i) by the assumption of debt (the "Assumed Debt") owing by the Company to certain lenders in the aggregate amount of \$1,930,172; and (ii) by the issuance and delivery of common shares in the capital of Silver Bear ("Silver Bear Shares") having an aggregate value of \$1,055,808, which Silver Bear Shares will be distributed to the shareholders of the Company in a tax effective manner. The actual number (not to exceed 2,000,000) and deemed price of the Silver Bear Shares shall be determined at or before the time of execution of the definitive agreement(s) for the proposed transaction.

Concurrently with the execution of the Letter of Intent, the Company entered into a debt assumption agreement, pursuant to which Silver Bear assumed the Assumed Debt effective as of April 30, 2010 and the lenders released the Company from any further obligations under the Assumed Debt. In 2010, the Company recorded a sale or disposal of asset of \$6,381,971 for a net book value of \$nil.

In 2011, the Company distributed 1,250,000 shares of Silver Bear Mines Inc. valued at \$1,055,808 to its shareholders. The amount has been included in distribution to shareholders.

6. Accounts payables and accrued liabilities

	December 31, 2012	December 31, 2011
Accounts payables	\$ 39,923	\$ 134,395
Accrued liabilities	51,193	25,000
	<u>\$ 91,116</u>	<u>\$ 159,395</u>

7. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2012 was based on the loss attributable to common shareholders of \$860,521 (2011 - \$1,233,245) and the weighted average number of common shares outstanding of 104,303,019 (2011 - 88,241,316).

Diluted loss per share did not include the effect of 10,200,000 stock options, 44,262,533 share purchase warrants and 626,500 finders' warrants as the effect would be anti-dilutive.

8. Share capital***Authorized share capital***

Unlimited number of common shares without par value.

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Issued share capital

At December 31, 2012 there were 108,342,715 issued and fully paid common shares (December 31, 2011 - 93,911,848).

Please refer to the Consolidated Statements of Changes in Equity for a summary of changes in share capital and reserves for the year ended December 31, 2012. Reserves relate to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placements**Year ended December 31, 2012**

- i) On January 6, 2012, the Company closed a non-brokered private placement of 3,129,200 units at a price of \$0.10 per unit for gross proceeds of \$312,920. Included in the proceeds were \$155,000 subscription advances received prior to January 1, 2012. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one additional common share for a period of 24 months after the closing at a price of \$0.15 per common share, subject to earlier termination in the event that the closing price exceeds \$0.25 for 20 consecutive trading days. In connection with the offering, the Company paid finders fees of \$9,520.
- ii) On May 10, 2012, the Company closed a non-brokered private placement of 11,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,100,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share at a price of \$0.15 at any time prior to the date that is twenty four months from the date of the issuance of the units, subject to earlier termination in the event that the closing price exceeds \$0.25 for 20 consecutive trading days. The securities issued in connection with the offering are subject to a four month hold period expiring on September 11, 2012.

In connection with this offering, the Company paid finders fees of \$52,850 and 525,000 finder's warrants, with each finder's warrant entitling the holder to purchase one common share at an exercise price of \$0.15 per common share for a period of 24 months after the closing and are subject to the early termination clause as outlined in the previous paragraph.

The fair value of the finders' warrants, being \$34,293 was determined using the Black-Scholes option pricing model weighted average assumptions with volatility of 131%, average risk free interest rate of 1.21%, expected life of 2 years and a dividend rate of 0%.

- iii) On September 19, 2013, 200,000 units from the May 10, 2013 private placement were returned and as a result 200,000 shares were cancelled.

Year ended December 31, 2011

On July 15, 2011, the Company issued a total of 10,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one additional common share until July 15, 2013 at a price of \$0.15 per common share. The Company issued 101,500 finder's warrants, with each finder's warrant entitling the holder to purchase one common share at an exercise price of \$0.15 per common share until July 15, 2013

The fair value of the finders' warrants, being \$7,266 was determined using the Black-Scholes option pricing model weighted average assumptions with volatility of 167%, average risk free interest rate of 1.41%, expected life of 2 years and a dividend rate of 0%.

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The fair value of the private placement warrants, being \$808,348 was determined using the Black-Scholes option pricing model weighted average assumptions with a volatility of 167%, average risk free interest rate of 1.41%, expected life of 2 years, and a dividend rate of 0%.

Year ended December 31, 2012

- i) In conjunction with private placement on January 6, 2012, the Company issued 3,129,200 warrants that are exercisable into one additional common share at a price of \$0.15 per common share, until January 6, 2014.
- ii) In conjunction with private placement on May 10, 2012, the Company issued 11,000,000 warrants that are exercisable into one additional common share at a price of \$0.15 per common share, until May 10, 2014. As noted above, 200,000 units of the private placement were later cancelled, which included cancellation of 200,000 warrants.
- iii) The expiry date of the 20,333,333 warrants previously set to expire on May 17, 2012 has been extended to May 17, 2013. The warrants were issued as part of a non-brokered private placement completed by the Company in November, 2010, and are exercisable for common shares of the Company at a price of \$0.10 per share. All other terms and conditions of the warrants remain unchanged.

Year ended December 31, 2011

In conjunction with private placement described earlier, the Company issued 10,000,000 warrants and 101,500 finder's warrants that are exercisable into one additional common share at a price of \$0.15 per common share, until November 16, 2013.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2010	50,553,333	\$ 0.13
Granted	10,000,000	0.15
Exercised	(6,839,000)	0.10
Expired or cancelled	(23,381,000)	0.20
Balance, December 31, 2011	30,333,333	\$ 0.09
Granted	14,129,200	0.15
Expired or cancelled	(200,000)	0.15
Balance outstanding, December 31, 2012	44,262,533	\$ 0.13
Balance exercisable, December 31, 2012	44,262,533	\$ 0.13

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Finders' warrants

Finders' warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2010	589,167	\$ 0.10
Granted	101,500	0.15
Balance, December 31, 2011	690,667	\$ 0.11
Granted	525,000	0.15
Exercised	(501,667)	0.10
Expired or cancelled	(87,500)	0.10
Balance outstanding, December 31, 2012	626,500	\$ 0.15
Balance exercisable, December 31, 2012	626,500	\$ 0.15

9. Share-based payments*Stock options*

The Company follows the policies of the TSX Venture Exchange, under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's common shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. The vesting period for all options is at the discretion of the board of directors.

The changes in options are as follows:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	7,700,000	\$ 0.16	6,700,000	\$ 0.17
Options granted	2,500,000	0.10	1,150,000	0.12
Options cancelled/expired	-	-	(150,000)	0.25
Options outstanding, end of year	10,200,000	\$ 0.14	7,700,000	\$ 0.16
Options exercisable, end of year	10,012,500	\$ 0.15	7,700,000	\$ 0.16

Year ended December 31, 2012

On March 14, 2012, the Company granted an aggregate of 2,250,000 stock options to directors, officers and consultants of the Company. The options are at an exercise price of \$0.10 per share and valid for a period of five years from the date of the grant and vest 25% on grant and 25% quarterly thereafter.

On November 20, 2012, the Company granted an aggregate of 250,000 options to a new director of the Company. The options are at an exercise price of \$0.10 per share and valid for a period of five years from the date of the grant and vest 25% on grant and 25% quarterly thereafter.

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Year Ended December 31, 2011

- i) On January 7, 2011, the Company granted stock options to purchase up to 500,000 common shares of the Company at a price of \$0.135 per share to consultants, such stock options expiring on January 7, 2016; and
- i) On March 24, 2011, granted stock options to purchase up to 200,000 common shares of the Company at a price of \$0.12 per common share to consultants, such stock options expiring on March 24, 2016.
- iii) On September 1, 2011, the Company granted 450,000 stock options at an exercise price of \$0.10 to directors and officers of the Company, such options expiring on September 1, 2016.

The total share-based payments recognized during the year ended December 31, 2012, under the fair value method was \$176,781 (2011 - \$150,856). The Company expensed during the year ended was \$171,411 (2011 - \$150,856) leaving an unamortized balance of \$5,370 (2011 - \$nil).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2012 and 2011:

	2012	2011
Risk-free interest rate	1.34%	1.25%
Expected life of options	4 years	5 years
Annualized volatility	191%	187%
Dividend rate	0.00%	0.00%

Reserves

The reserves record items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

10. Related party transactions

The Company entered into the following transactions with related parties:

Key management personnel compensation

	Year ended	
	December 31, 2012	December 31, 2011
Short-term employee benefits - management	\$ 222,000	\$ 192,859
Short-term employee benefits - directors	48,000	52,000
Share-based payments - officers	93,427	36,202
Share-based payments - directors	48,304	-
Total	\$ 411,730	\$ 281,061

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable as at December 31, 2012 is \$3,438 in amounts due to two officers and directors. (\$nil at December 31 2011.)

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11. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash balances and components of shareholders' equity. 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 new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2012. The Company is not subject to externally imposed capital requirements.

12. Financial risk management

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

Cash is classified as Level 1.

As at December 31, 2012, the carrying values of cash, receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial

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institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At December 31, 2012, the Company's exposure to credit risk is minimal.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at December 31, 2012, the Company had a cash balance of \$22,851(2011 - \$264,735) to settle current liabilities of \$91,117 (2011 - \$159,395).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding

Market risk

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

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At December 31, 2012, the Company was not exposed to significant interest rate risk.

The Company has significant operating expenditures which are denominated in Euro ("EUR"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities. The Company is principally engaged in the acquisition, exploration and development of mineral properties in Spain and Peru.

Financial assets

The Canadian dollar equivalent of the amounts denominated in foreign currencies as at December 31, 2012 and December 31, 2011 are as follows:

December 31, 2012		EUR
Cash	\$	18,442
December 31, 2011		EUR
Cash	\$	180,446

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Financial liabilities

The exposure of the Company's financial liabilities to currency risk are as follows:

December 31, 2012		EUR
Accounts payable and accrued liabilities	\$	49,193
December 31, 2011		EUR
Accounts payable and accrued liabilities	\$	Nil

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities that are denominated in Euro. As at December 31, 2012, net financial liabilities totalling \$30,751 were held in Euro.

Based on the above net exposure as at December 31, 2012 and assuming all other variables remain constant, a 2% depreciation or appreciation of the Euro against the Canadian dollar would result in an increase or decrease of approximately \$600 in the Company's loss and comprehensive loss.

b) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. Supplemental disclosure with respect to cash flows

The Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Year ended	
	December 31, 2012	December 31, 2011
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

During the year ended December 31, 2012, the significant non-cash transactions were as follows:

- a) Issued 525,000 finder's warrants having a fair value of \$34,923 in connection with the private placement of May 10, 2012 as described in Note 8.
- b) Transferred 155,000 from subscriptions advances to common shares of the Company.
- c) Exploration and evaluation assets of \$46,193 included in accounts payable and accrued liabilities.

There were no significant non-cash transactions for the year ended December 31, 2011.

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14. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2012	December 31, 2011
Net loss	\$ (834,995)	\$ (1,233,245)
Statutory tax rate	25%	26.50%
Expected income tax recovery at the statutory tax rate	\$ (208,749)	\$ (321,810)
Effect of changes in enacted tax rates	(171,219)	104,365
Expenses not deductible for income tax purposes	227,933	44,542
Finance fees charged to equity	(18,926)	1,503
Revision to tax account estimates	-	(1,360,904)
Change in tax assets not recognized	170,961	1,537,304
Income tax recovery	\$ -	\$ -

The components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2012	December 31, 2011
Non capital losses	\$ 1,467,017	\$ 1,354,331
Impairment of note receivable for accounting	787,300	834,538
Other	42,041	48,096
Deferred exploration costs	557,186	787,540
Valuation allowance	(2,853,544)	(3,024,505)
Net deferred income tax asset	\$ -	\$ -

The Company has non capital loss carry forwards that can be used against future taxable income of \$5,842,541 (2011 - \$5,131,000) expiring beginning 2025.

15. Subsequent events

Subsequent to the year-end,

- i) On January 24, 2013, the Company closed the non-brokered private placement of 4,166,666 units at a price of \$0.06 per unit for aggregate gross proceeds of \$250,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one (1) common share in the share capital of the Corporation at a price of \$0.15 at any time prior twenty four (24) months from the date of the issuance of the units, subject to earlier termination in the event that the closing price (or closing bid price on days when there are no trades) of the common shares on the TSX Venture Exchange exceeds \$0.25 for 20 consecutive trading days, then upon the Company sending subscribers written notice of such date and issuing a news release announcing such date, the Warrant will only be exercisable for a period of 30 days following the date on which such written notice is sent to the subscribers. The securities issued in connection with the Offering will be subject to a four month hold period that expires on May 22, 2013.
- ii) On March 22, 2013, the Company closed the first tranche of its previously announced non-brokered private placement consisting of up to 6,250,000 units ("Units") at a price of \$0.08 per unit for gross proceeds of up to \$500,000. Each unit is comprised of one common share of the Company and one share purchase warrant.

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The Company issued 3,837,500 units for total gross proceeds of \$307,000 pursuant to the first tranche. The securities issued pursuant to the first tranche are subject to a four month hold period from the date of closing and the warrants are exercisable to acquire an additional common share at a price of \$0.15 until March 22, 2015. The warrants are subject to an accelerated expiry stating that if at any time, after the standard 4 month hold period, the closing price of the Company's common shares on the TSX Venture Exchange exceeds \$0.25 for any 20 consecutive trading days, the warrant holder will be given notice that the warrants will expire 30 days following the date of such notice. The Company will pay finder's fees of \$13,930 cash.