Consolidated Financial Statements

Year Ended December 31, 2012

Expressed in Canadian Dollars

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Max Resource Corp.:

We have audited the accompanying consolidated financial statements of Max Resource Corp. which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive loss, changes in equity and cash flow for the years ended December 31, 2012 and 2011, 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 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 that 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 Max Resource Corp.as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from this uncertainty.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
March 8, 2013

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

Max Resource Corp.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Note		December 31, 2012		December 31, 2011
ASSETS					
Current assets					
Cash and cash equivalents	3	$	510,288	$	1,131,358
Receivables and prepaids	4		8,040		14,910
Taxes recoverable			21,657		10,106
Marketable securities	5		-		71,500
			539,985		1,227,874
Non-current assets					
Equipment	6		1,103		1,578
Reclamation deposits	7		53,297		68,183
Exploration and evaluation assets	7		2,614,452		3,721,207
			2,668,852		3,790,968
TOTAL ASSETS		$	3,208,837	$	5,018,842
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	8	$	41,633	$	127,109
SHAREHOLDERS' EQUITY					
Share capital	10		13,754,038		13,754,038
Share purchase warrant reserve	11		288,562		288,562
Share-based payment reserve	11		1,997,335		1,881,765
Deficit			(12,872,731)		(11,032,632)
			3,167,204		4,891,733
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	3,208,837	$	5,018,842

Max Resource Corp.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	Note	Years ended December 31 2012	Years ended December 31, 2011
Expenses			
Amortization		$ 475	$ 676
Consulting	12	83,227	77,587
Consulting – stock based compensation	10	115,570	509,357
Foreign exchange gain		(2,369)	-
Management fees	12	120,000	121,253
Office and miscellaneous		39,114	51,918
Professional fees		92,233	100,231
Transfer agent, filing fees and shareholder relations		193,417	238,008
Travel and promotion		28,088	20,944
		(669,755)	(1,119,974)
Other items			
Write-off of exploration and evaluation assets	7	(1,177,622)	-
Impairment of marketable securities	5	-	(11,000)
Interest income		11,805	15,828
Realized gain (loss) on sale of marketable securities	5	(4,527)	2,500
		(1,170,344)	7,328
Loss for the year		(1,840,099)	(1,112,646)
Other comprehensive loss			
Reversal of prior year unrealized gain on marketable securities	5	-	(84,000)
Total loss and comprehensive loss for the year		$ (1,840,099)	$ (1,196,646)
Loss per share – basic and diluted	10	$ (0.08)	$ (0.05)

Max Resource Corp.
Consolidated statement of changes in equity
(Expressed in Canadian dollars)

		Share capital		Reserves				
	Note	Number of shares	Amount	Share purchase warrant reserve	Share-based payment reserve	Investment revaluation reserve	Deficit	Total
Balance at January 1, 2011		21,699,230	$ 13,003,168	$ 288,562	$ 1,458,599	$ 84,000	$ (9,919,986)	$ 4,914,343
Comprehensive loss:								
Loss for the year		-	-	-	-	-	(1,112,646)	(1,112,646)
Other comprehensive loss	5	-	-	-	-	(84,000)	-	(84,000)
Total comprehensive loss for the year		-	-	-	-	(84,000)	(1,112,646)	(1,196,646)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash – private placement	10	2,016,755	564,691	-	-	-	-	564,691
Share issue costs	10	-	(35,512)	-	-	-	-	(35,512)
Shares issued for cash – option exercise		790,000	135,500	-	-	-	-	135,500
Reallocation of share-based payment reserves on exercise of stock options		-	86,191	-	(86,191)	-	-	-
Stock-based compensation	10	-	-	-	509,357	-	-	509,357
Total transactions with owners, in their capacity as owners, and other transfers		2,806,755	750,870	-	423,166	-	-	1,174,036
Balance at December 31, 2011		24,505,985	13,754,038	288,562	1,881,765	-	(11,032,632)	4,891,733
Comprehensive loss:								
Loss and comprehensive loss for the year		-	-	-	-	-	(1,840,099)	(1,840,099)
Transactions with owners, in their capacity as owners, and other transfers:								
Stock-based compensation	10	-	-	-	115,570	-	-	115,570
Balance at December 31, 2012		24,505,985	$ 13,754,038	$ 288,562	$ 1,997,335	$ -	$ (12,872,731)	$ 3,167,204

See accompanying notes to the consolidated financial statements

Max Resource Corp.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Years ended	
	December 31, 2012	**December 31, 2011**
Operating activities		
Loss for the year	$ (1,840,099)	$ (1,112,646)
Adjustments for:		
Amortization	475	676
Write-off of exploration and evaluation assets	1,177,622	-
Loss on sale of marketable securities	4,527	(2,500)
Impairment of available for sale investment	-	11,000
Stock-based compensation	115,570	509,357
Changes in non-cash working capital items:		
Decrease (increase) in receivables and prepaids	6,870	(3,772)
Decrease (increase) in taxes recoverable	(11,551)	5,181
Increase (decrease) in trade payables and accrued liabilities	(90,276)	97,335
Net cash flows used in operating activities	(636,862)	(495,369)
Investing activities		
Expenditures on exploration and evaluation assets	(737,582)	(1,128,959)
Exploration and evaluation asset recoveries	671,515	-
Recovery of reclamation bonds	21,293	-
Additions to reclamation bonds	(6,407)	(6,200)
Proceeds from sale of marketable securities	66,973	10,000
Net cash flows provided by (used in) investing activities	15,793	(1,125,159)
Financing activities		
Proceeds on issuance of common shares	-	700,191
Share issuance costs	-	(35,512)
Net cash flows provided by financing activities	-	664,679
Decrease in cash and cash equivalents	(621,070)	(955,849)
Cash and cash equivalents, beginning	1,131,358	2,087,207
Cash and cash equivalents, ending	**$ 510,288**	**$ 1,131,358**

See accompanying notes to the consolidated financial statements

1. Nature and continuance of operations

Max Resource Corp. (the "Company") was incorporated on April 25, 1994, under the laws of the province of Alberta, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada and the United States. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MXR".

The head office, principal address records office and registered office of the Company are located at #2300 – 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2.

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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2012, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities, recover the carrying value of its assets, and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties cast a significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with funds on hand.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on March 8, 2013 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**December 31, 2012**	**December 31, 2011**
Max Resource, Inc.	USA	100%	100%

*Percentage of voting power is in proportion to ownership.

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

2. Significant accounting policies and basis of preparation (cont'd)

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of 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 significantly from these estimates.

Areas requiring a significant degree of estimation relate to the determination of the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation 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.

Significant judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification and allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the classification of financial instruments.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company and United States subsidiary's functional and presentation currency.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation (cont'd)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and rights, 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. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

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

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.

Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized. A gain is only recognized when credited proceeds exceed carrying value.

2. Significant accounting policies and basis of preparation (cont'd)

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined at the grant date using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. The Company determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

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

2. Significant accounting policies and basis of preparation (cont'd)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

2. Significant accounting policies and basis of preparation (cont'd)

Restoration and environmental obligations (cont'd)

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of significant replaced parts are derecognized. All other repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category is as follows:

Class	**Amortization rate**
Equipment	30%

2. Significant accounting policies and basis of preparation (cont'd)

Accounting standards issued by not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

New standard IFRS 10 "Consolidated Financial Statements"

This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 11 "Joint Arrangements"

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

New standard IFRS 12 "Disclosure of Interests in Other Entities"

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

New standard IFRS 13 "Fair value measurement"

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

2. Significant accounting policies and basis of preparation (cont'd)

Accounting standards issued by not yet effective (cont'd)

New interpretation IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32 "Financial Instruments: Presentation"

These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

Financial statement presentation

In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "*Presentation of Financial Statements*" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after July 1, 2012.

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	December 31, 2012	December 31,2011
Cash at bank	$ 96,757	$ 231,358
Guaranteed investment certificates	413,531	900,000
	$ 510,288	$ 1,131,358

4. Receivables and prepaids

The components of receivables and prepaids are as follows:

	December 31, 2012	December 31, 2011
Accrued interest receivable	$ 3,817	$ 6,932
Prepaid expenses	4,223	7,978
	$ 8,040	$ 14,910

5. Marketable securities

During the year ended December 31, 2010, the Company received an option payment, consisting of 600,000 shares with a market value of $90,000 from Kokanee Placer Ltd. ("Kokanee"), a publically traded British Columbia company. The Company records these available for sale shares at fair value. During the year ended December 31, 2011, the Company sold 50,000 of these common shares for proceeds of $10,000 resulting in a gain of $2,500. At December 31, 2011, the Company held 550,000 common shares of Kokanee with a fair market value of $71,500 and reversed a previously unrealized gain of $84,000 which was recorded as other comprehensive loss, as well as an impairment of $11,000.

During the year ended December 31, 2012, the Company sold its remaining 550,000 shares of Kokanee for proceeds of $66,973 resulting in a loss of $4,527.

6. Equipment

Cost:		
At December 31, 2011 and December 31, 2012	$	5,148
Depreciation:		
At December 31, 2010		2,894
Charge for the year		676
At December 31, 2011		3,570
Charge for the year		475
At December 31, 2012		4,045
Net book value:		
At December 31, 2011	$	1,578
At December 31, 2012	$	1,103

7. Exploration and evaluation assets

	Balance December 31, 2010	Additions	Recoveries received	Balance December 31, 2011	Additions	Write-offs	Recoveries received	Balance December 31, 2012
Acquisition costs:								
C de Baca, NM	$ 206,472	$ 19,319	$ -	$ 225,791	$ 10,210	$ (236,001)	$ -	$ -
Diamond Peak, NV	35,729	9,625	-	45,354	5,371	-	(3,417)	47,308
Ravin, NV	194,588	10,010	-	204,598	-	(201,038)	(3,560)	-
East Manhattan, NV	204,970	35,803	-	240,773	31,642	-	(3,773)	268,642
Howell, BC	37,500	-	-	37,500	-	-	(37,500)	-
Crowsnest, BC	8,817	-	-	8,817	-	-	(8,817)	-
Table Top, NV	70,720	11,624	-	82,344	1,523	-	(4,129)	79,738
Majuba Hill, NV	-	54,526	-	54,526	244,996	-	(1,330)	298,192
	758,796	140,907	-	899,703	293,742	(437,039)	(62,526)	693,880
Exploration costs:								
C de Baca, NM	235,596	-	-	235,596	-	(235,596)	-	-
Diamond Peak, NV	58,092	2,371	-	60,463	1,823	-	-	62,286
Ravin, NV	504,987	-	-	504,987	-	(504,987)	-	-
East Manhattan, NV	101,854	6,327	-	108,181	2,387	-	-	110,568
Howell, BC	437,801	-	-	437,801	-	-	(437,801)	-
Crowsnest, BC	171,372	-	(184)	171,188	-	-	(171,188)	-
Table Top, NV	323,750	150,820	-	474,570	592	-	-	475,162
Majuba Hill, NV	-	828,718	-	828,718	443,838	-	-	1,272,556
	1,833,452	988,236	(184)	2,821,504	448,640	(740,583)	(608,989)	1,920,572
	$ 2,592,248	$ 1,129,143	$ (184)	$ 3,721,207	$ 742,382	(1,177,622)	$ (671,515)	$ 2,614,452

7. Exploration and evaluation assets (cont'd)

C de Baca, New Mexico, United States

On September 22, 2005, the Company entered into an agreement to acquire a total of 108 claims (the "Dat Claims") in Socorro County, New Mexico, pursuant to an agreement with Applied Geologic Services, Inc. of Denver, Colorado. Consideration for the acquisition of the Claims was US$10,000 cash payment (paid), with annual payments of US$10,000 until the commencement of production. After commencement of production, a royalty of 2% of gross revenues is payable until such time as a total of US$500,000 (including the initial cash payment and annual payments) has been paid.

At December 31, 2012, the Bureau of Land Management ("BLM") of New Mexico holds $Nil in reclamation bonds (December 31, 2011 - $16,272) from the Company to guarantee reclamation of the environment on the property. This reclamation bond was refunded to the Company during the year ended December 31, 2012.

During the year ended December 31, 2011 and 2012, the Company did not incur exploration costs on the C de Baca project. During the year ended December 31, 2012, management elected not to continue with the development of C de Baca and consequently all related costs were written off to operations.

Diamond Peak, Nevada, United States

On May 9, 2006, the Company entered into an Option Agreement, as amended June 30, 2010, to acquire a 100% interest in the claims in Eureka County, Nevada, the "Diamond Peak Property", from The Wendt Family Trust. The Wendt Family Trust is controlled by Clancy J. Wendt, the Vice President of Exploration for the Company. The terms of the Option Agreement require the issuance to the Wendt Family Trust of 100,000 escrowed shares (issued) of the Company with a fair value of $40,000 at date of issue and the following rental payments:

Date	Payment Amount
Upon execution of the Agreement	$ 25,000 (U.S.) (paid)
May 9, 2007	35,000 (U.S.) (paid)
May 9, 2008	45,000 (U.S.) (paid)
May 9, 2009	50,000 (U.S.) (paid)
June 30, 2010 (on execution of amending agreement)	25,000 (U.S.) (paid)
May 9, 2011 (as amended)	35,000 (U.S.) (deferred until further notice)
May 9, 2012 (as amended)	45,000 (U.S.) (deferred until further notice)
Each anniversary thereafter for 4 years (as amended)	50,000 (U.S.)

The Company may purchase the property for US$300,000. If the option to purchase the property is exercised during the term of the rental payments, no further property rental payments will be due. The Diamond Peak property will be subject to a 3% Net Smelter Royalty ("NSR"). Upon full exercise of the option, the Company will own 100% of the property.

On May 15, 2006, the Company entered into a mineral property Option Agreement with Kokanee whereby it granted Kokanee the right to acquire up to a 51% interest in the Diamond Peak Property in consideration of certain cash payments totaling US$470,000, the issuance of 600,000 common shares of Kokanee and incurring mineral exploration commitments of $1,000,000.

7. Exploration and evaluation assets (cont'd)

Diamond Peak, Nevada, United States (cont'd)

In June 2010, Kokanee advised the Company that they would not make the annual option payment of US$50,000 then due and would be abandoning their option on the property.

During the year ended December 31, 2011, the Company incurred $1,794 of drilling and assaying fees and $577 of field expenses on the Diamond Peak project. During the year ended December 31, 2012, the Company incurred $1,823 for geological consulting on the Diamond Peak project and received a refund on state property fees in the amount of $3,417.

At December 31, 2012, the BLM holds a $15,361 reclamation bond (December 31, 2011 - $14,500) from the Company to guarantee reclamation of the property.

Ravin Claims, Nevada, United States

On September 10, 2007, as amended November 9, 2010, the Company entered into an option agreement with Energex LLC ("Energex"), a Nevada corporation, for the acquisition of a 100% interest in the Ravin property, consisting of mineral claims located in Lander County, Nevada. Energex is wholly-owned by Clancy J. Wendt, the Vice President of Exploration for the Company.

The terms, as amended, of the option agreement with Energex require the payment of $4,996 (US$5,000) on execution of the agreement (paid), $26,722 (US$25,000) by September 10, 2008 (paid), $38,700 (US$35,000) by September 10, 2009 (paid), $10,650 (US$10,000) by September 10, 2010 (paid) and $10,010 (US$10,000) by September 10, 2011 (paid), with an additional US$10,000 on each anniversary thereafter, subject to increase to US$50,000 upon certain triggering events. The Ravin Property is subject to a 3% NSR royalty. Upon full exercise of the option, the Company will own 100% of the project. In addition, the Company has paid filing fees of $106,185, which have been included in acquisition costs.

During the year ended December 31, 2011 and 2012, the Company did not incur exploration costs on the Ravin claims. During the year ended December 31, 2012, the Company received a refund on state property fees in the amount of $3,560. During the year ended December 31, 2012, the Company elected not to proceed with the Ravin Claims option agreement and consequently all related costs were written-off to operations.

At December 31, 2012, the BLM holds a $3,025 reclamation bond (December 31, 2011 - $8,046) from the Company to guarantee reclamation of the environment on the property. The Company received a partial refund of $5,021 of the reclamation bond during the year ended December 31, 2012.

East Manhattan, Nevada, United States

On November 11, 2007, as amended December 4, 2008 and December 21, 2010, the Company entered into an option agreement with MSM Resource LLC ("MSM"), a Nevada corporation, for the acquisition of a 100% interest in the East Manhattan Wash mineral claims located in Nye County, Nevada.

The terms of the option agreement with MSM call for the payment of $27,874 (US$28,000) on execution of the agreement (paid), $25,029 (US$20,000) by December 4, 2008 (paid), $26,603 (US$25,000) by. December 4, 2009 (paid), $40,560 (US$40,000) by December 4, 2010 (paid), US$50,000 by December 4, 2011 and US$100,000 by December 12, 2012, subject to securing a drill permit, which has been applied for but not yet been received. During the year ended December 31, 2012, the Company paid $19,788 (US$20,000) while waiting to receive the drill permit for the property.

7. Exploration and evaluation assets (cont'd)

East Manhattan, Nevada, United States (cont'd)

In addition, the Company must make exploration expenditures totaling US$700,000 on the claims including the following minimum expenditures (subject to receipt of drill permits and securing a drill rig, which to the date of these financial statements has not been received):

(i) on or before the second anniversary, US$50,000 (completed);
(ii) on or before the fourth anniversary, a further US$150,000 (deferred until drill permit received);
(iii) on or before the fifth anniversary, a further US$200,000(deferred until drill permit received); and
(iv) on or before the sixth anniversary, a further US$300,000.

The East Manhattan Property is subject to a 3% NSR royalty. Upon full exercise of the option, the Company will own 100% of the project.

During the year ended December 31, 2011, the Company incurred $6,045 of geological consulting and $282 of field expenses on the East Manhattan project. During the year ended December 31, 2012, the Company incurred geological consulting of $2,387 and received a refund of state property fees of $3,773 on the East Manhattan project.

Howell and Crowsnest, British Columbia, Canada

On June 9, 2008, the Company entered into an option agreement with Eastfield Resources Ltd. ("Eastfield"), whereby the Company could acquire a 60% interest in the Howell Gold Project in Southeast British Columbia. On July 23 2009, the Company agreed with Eastfield to amend the Howell property agreement to allow the Company to earn a 60% interest in either the Howell or the Crowsnest projects over a four year period by making cash payments totaling $60,000 to Eastfield ($10,000 paid on signing of the amended agreement), issuing 50,000 shares (issued) and by completing aggregate exploration expenditures on both properties of $400,000 by the second anniversary date (June 30, 2011 - completed).

In February 2010, the Government of British Columbia announced a halt to all ongoing mineral exploration work and mine development in the Flathead Valley in southeastern British Columbia where the Howell and Crowsnest properties are located. The Company was contacted by the Ministry of Energy, Mines and Petroleum Resources and discussions were initiated with respect to compensation. During the year ended December 31, 2012, the Company was reimbursed for all its expenditures on the Howell and Crowsnest properties in the total amount of $655,306.

On August 31, 2009, the Company entered into an option agreement with Energex to acquire a 100% interest in the Table Top claims in Humboldt County Nevada.

The terms of the Option Agreement with Energex require the payment of $5,400 (US$5,000) upon execution of the Agreement (paid), US$25,000 on the first anniversary of the Agreement (deferred indefinitely), US$35,000 on the second anniversary of the Agreement (deferred indefinitely) and US$50,000 on each anniversary thereafter for a term of ten years, subject to renewal. The Company may buy the property at any time for US$300,000, at which point the annual payments will cease.

The Table Top property is subject to a 3% NSR royalty. Upon full exercise of the option agreement, the Company will own 100% of the project.

7. Exploration and evaluation assets (cont'd)

Table Top, Nevada, United States

During the year ended December 31, 2011, $27,139 of geological consulting, drilling and assaying fees of $109,682 and field expenses of $13,999 were incurred on the property. During the year ended December 31, 2012, $592 of geological consulting was incurred on the Table Top property. The Company received a refund on state property fees in the amount of $4,129.

At December 31, 2012, the BLM holds a $19,127 reclamation bond (December 31, 2011 - $19,127) from the Company to guarantee reclamation of the environment on the property.

Majuba Hill, Nevada, United States

On March 4, 2011, the Company entered into an option agreement ("Agreement") to acquire up to a 75% interest in the Majuba Hill property in Pershing County, Nevada from Claremont Nevada Mines LLC., ("Claremont") of Nevada. The terms of the Agreement with Claremont allow the Company to earn an initial 60% interest in the property over six years by spending US$6,500,000 on exploration of the property, as follows:

- incurring US$500,000 in exploration work by March 4, 2012 (completed);
- incurring a further US $750,000 in exploration work by March 4, 2013 (completed);
- incurring a further US $1,000,000 in exploration work by March 4, 2014;
- incurring a further US $1,250,000 in exploration work by March 4, 2015;
- incurring a further US $1,500,000 in exploration work by March 4, 2016; and
- incurring a further US $1,500,000 in exploration work by March 4, 2017.

The Company can increase its interest in the property to 75% by spending a further US $3,500,000 on exploration over a subsequent two year period. The Majuba Hill property will be subject to a 3% NSR payable to the vendor, 1.5% of which may be purchased at any time for US$1,500,000.

On December 3, 2012 the Company entered into a Mining Lease and Option to Purchase Agreement (the "Lease Agreement") with Claremont and JR Exploration LLC of Utah whereby the Company can acquire a 100% interest in the Majuba Hill property by the payment to Claremont of US$1,000,000 over a four year period, with US$200,000 having been paid on signing and US$200,000 payable each year on the anniversary of the Lease Agreement. This new Lease Agreement replaced the previous Agreement with Claremont. Under the terms of this new Lease Agreement, there will be no annual work commitments and the NSR will be reduced from 3% to 1%.

On April 9, 2012, the Company entered into a mineral lease with New Nevada Resources LLC ("NNR") for 560 acres of mineral rights immediately adjacent of its Majuba Hill project in Nevada. The mineral lease with NNR is for a term of 20 years and calls for annual lease payments of $15 per acre in the first year increasing incrementally to $30 per acre in year four and subsequent years. NNR has the right to retain a 15% working interest or it can convert it to a net smelter return of 0.5% on base metals and 1% on precious metals in addition to retaining an overriding NSR of 1.75% on base metals and 3% on precious metals.

During the year ended December 31, 2011, the Company paid $19,560 (US$20,000) in lease payments on the Majuba Hill property. The Company incurred $34,966 for staking additional claims on the Majuba Hill property. During the year ended December 31, 2012, the Company paid $244,996 (US$228,400) in lease payments on the Majuba Hill property and received a refund in state property fees in the amount of $1,330.

7. Exploration and evaluation assets (cont'd)

Majuba Hill, Nevada, United States (cont'd)

During the year ended December 31, 2011, the Company incurred $213,081 for geological consulting, $481,603 for drilling and $134,034 for field expenses on the Majuba Hill project. During the year ended December 31, 2012, the Company incurred $181,781 for geological consulting, $204,469 for drilling and $57,588 for field expenses on the Majuba Hill project.

At December 31, 2012, the BLM holds a $ 15,784 reclamation bond (December 31, 2011 - $10,238) from the Company to guarantee reclamation of the environment on the property.

8. Trade payables and accrued liabilities

The components of trade payables and accrued liabilities are as follows:

	December 31, 2012	December 31,2011
Trade payables	$ 5,633	$ 67,283
Amounts due to related parties (Note 12)	20,000	39,826
Accrued liabilities	16,000	20,000
	$ 41,633	$ 127,109

9. Deferred tax assets and liabilities

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

	Year ended December 31, 2012	Year ended December 31, 2011
Net loss	$ (1,840,099)	$ (1,112,646)
Statutory tax rate	25%	26.5%
Expected income tax recovery at the statutory tax rate	$ (460,025)	$ (294,851)
Non-deductible items	26,144	152,807
Other items	-	(13,394)
Difference in tax rates in foreign jurisdiction	(125,139)	(38,942)
Effect of change in tax rates	-	33,430
Temporary differences not recognized	559,021	160,950
Income tax recovery	$ -	$ -

The Company has the following tax effected deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2012	December 31, 2011
Non-capital loss carry-forwards	$ 2,854,871	$ 2,359,142
Exploration and evaluation assets	260,820	(186,917)
Share issuance costs	5,327	7,102
Equipment	978	(305)
Other	-	1,180
	$ 3,001,259	$ 2,442,238

9. Deferred tax assets and liabilities (cont'd)

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian resource pools	Canadian share issue costs	United States tax losses	United States equipment and resource pools
2013	$ -	$ -	$ 7,102	$ -	$ -
2014	149,223	-	7,102	-	-
2015	161,439	-	7,102	4,080	-
2026	383,173	-	-	-	-
2027	518,148	-	-	174,949	-
2028	607,835	-	-	274,214	-
2029	720,438	-	-	3,153,918	-
2030	607,390	-	-	160,383	-
2031	783,671	-	-	167,777	-
2032	475,711	-	-	1,076,576	-
No or various expiries	-	1,044,230	-	-	2,255,027
	$ 4,407,028	$ 1,044,230	$ 21,307	$ 5,008,897	$ 2,255,027

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2012, there were 24,505,985 issued and fully paid common shares (December 31, 2011– 24,505,985).

Private placements

On April, 2011, the Company completed a non-brokered private placement of 2,016,755 units at a price of $0.28 per unit for gross proceeds of $564,691. Each unit is comprised of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of $0.38 per share until April 4, 2013. Cash finder's fees of $35,512 were paid with respect to a portion of this placement.

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 $1,840,099 (2011 - $1,196,646) and the weighted average number of common shares outstanding of 24,505,985 (2011 – 23,423,021). Diluted loss per share did not include the effect of 3,280,000 outstanding stock options and 2,016,755 outstanding warrants as they are anti-dilutive.

10. Share capital (cont'd)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares to a maximum of 4,309,846. Such options will be exercisable for a period of up to 5 years from the date of grant. Options granted typically vest on the grant date.

The changes in options during the year ended December 31, 2012 and 2011 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	3,040,000	$ 0.28	2,525,000	$ 0.30
Options granted	675,000	0.25	3,405,000	0.28
Options exercised	-	-	(790,000)	0.17
Options expired	(335,000)	0.36	(2,100,000)	0.35
Options cancelled	(100,000)	0.24	-	-
Options outstanding, end of year	3,280,000	$ 0.26	3,040,000	$ 0.28
Options exercisable, end of year	3,280,000	$ 0.26	2,680,000	$ 0.28

Details of options outstanding as at December 31, 2012 are as follows:

Exercise price	Number of options outstanding	Expiry Date
$ 0.35	600,000	March 14, 2013
0.24	480,000	October 26, 2013
0.24	1,525,000	August 17, 2014
0.25	675,000	February 22, 2015
	3,280,000	

The weighted average remaining contractual life of stock options outstanding at December 31, 2012 is 1.35 years.

On March 14, 2011, the Company granted stock options to consultants to purchase 1,300,000 common shares at a price of $0.35 per share to March 14, 2013. These options vested immediately. The total fair value of $261,401 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.72% and an expected volatility of 111%.

On August 17, 2011, the Company granted stock options to consultants to purchase 1,625,000 common shares at a price of $0.24 per share to August 17, 2014. These options vested immediately. The total fair value of $226,022 was estimated using the Black-Scholes option pricing model assuming an expected life of 3 years, a risk-free interest rate of 1.27% and an expected volatility of 114%.

10. Share capital (cont'd)

On October 26, 2011, the Company granted stock options to consultants to purchase 480,000 common shares at a price of $0.24 per share to October 26, 2013. These options vest over a one year period. The total fair value of $57,667 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.08% and an expected volatility of 102%. The granting of these options resulted in a stock based compensation expense of $21,934 being recorded during fiscal 2011 and $5,930 being recorded during fiscal 2012.

On February 22, 2012, the Company granted stock options to directors and officers to purchase 675,000 common shares at a price of $0.25 per share to February 22, 2015. These options vested immediately. The total fair value of $109,640 was estimated using the Black-Scholes option pricing model assuming an expected life of 3 years, a risk-free interest rate of 1.22% and an expected volatility of 106%.

Warrants

As at December 31, 2012, the Company had 2,016,755 warrants exercisable at $0.38 until April 4, 2013.

The changes in warrants during the period are as follows:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	2,016,755	$ 0.38	-	$ -
Warrants issued	-	-	2,016,755	0.38
Warrants outstanding, end of year	2,016,755	$ 0.38	2,016,755	$ 0.38

11. Reserves

Share based payment reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Share purchase warrant reserve

The warrant reserve records items recognized as stock-based compensation expense until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

12. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 8):

	December 31, 2012	December 31, 2011
Companies controlled by directors of the Company	$ 10,000	$ -
Directors of the Company	10,000	39,826
	$ 20,000	$ 39,826

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	Years ended	
	December 31, 2012	December 31, 2011
Short-term employee benefits:		
Management fees	$ 120,000	$ 120,000
Geological consulting	120,000	120,000
Professional fees	42,000	42,000
Share-based payments to officers and directors	109,640	487,423
	$ 391,640	$ $769,423

Refer to Note 7.

13. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its taxes recoverable. This risk is considered to be 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 and cash equivalents.

13. **Financial risk and capital management** (cont'd)

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to equity financing is dependent upon market conditions and market risks. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollar while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The majority of cash is held in Canadian dollars.

The following is a summary of Canadian dollar equivalent financial assets and liabilities that are denominated in United States dollars:

	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 62,180	$ 22,197
Accounts payable	(10,000)	(101,594)
	$ 52,180	$ (79,397)

Based on the above net exposures, as at December 31, 2012 a 10% change in the United States dollar to Canadian dollar exchange rate could impact the Company's net loss by $5,200.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on certain of its cash equivalents as some instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $4,100.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of working capital and share capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

13. Financial risk and capital management (cont'd)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 510,288	$ 1,131,358
Loans and receivables:		
Receivables and prepaids	8,040	14,910
Taxes recoverable	21,658	10,106
Reclamation deposits	53,297	68,183
Available-for-sale financial instruments:		
Marketable securities	-	71,500
	$ 593,283	$ 1,285,951

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
Non-derivative financial liabilities:		
Trade payables	$ 5,633	$ 67,287
Amounts due to related parties	20,000	39,826
	$ 25,633	$ 107,109

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2012 and December 31, 2011:

	As at December 31, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 510,288	$ -	$ -

	As at December 31, 2011		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,131,358	$ -	$ -
Marketable securities	71,500	-	-
	$ 1,202,858	$ -	$ -

14. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The following non-current assets are located in the following countries:

	As at December 31, 2012		
	Canada	**United States**	**Total**
Equipment	$ -	$ 1,103	$ 1,103
Reclamation bond	-	53,297	53,297
Exploration and evaluation assets	-	2,614,452	2,614,452
	$ -	$ 2,668,852	$ 2,668,852

	As at December 31, 2011		
	Canada	**United States**	**Total**
Equipment	$ -	$ 1,578	$ 1,578
Reclamation bond	-	68,183	68,183
Exploration and evaluation assets	655,306	3,065,901	3,721,207
	$ 655,306	$ 3,135,663	$ 3,790,969

15. Non-cash transactions

During the year ended December 31, 2012, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Years ended	
	December 31, 2012	**December 31, 2011**
Reclassification from share-based payment reserve to capital stock on exercise of stock options	$ -	$ 86,191
Accrued deferred exploration costs for exploration and evaluation assets	$ 4,800	$ -

MAX RESOURCE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the year ended December 31, 2012

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes for Max Resource Corp. ("MAX" or the "Company") for the year ended December 31, 2012. All dollar amounts are stated in Canadian funds. This discussion is based on information available as at March 11, 2013.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the consolidated financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

The accompanying December 31, 2012 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. Additional information about MAX Resource Corp. is available at www.sedar.com.

Overview

Exploration and Evaluation Assets

Majuba Hill copper/gold/silver property, Pershing County, Nevada

During the period under review, MAX completed a Phase III drill program at the Majuba Hill copper/silver/gold in Pershing County, Nevada. The drill program was designed to test the southeast extension of near surface high grade supergene oxide mineralization identified during Phase I drilling at the historic Majuba Hill mine during 2011, as well as initiate delineation drilling at the DeSoto discovery zone 1.4 km to the northwest. A total of eight holes were completed during the period, with initial assay results reported in September that included **4.6 m @ 58.0 g/t Ag and 7.6 m @ 0.80% copper within an overall mineralized intercept of 332 m @ 12.0 g/t Ag and 0.13% Cu (23.9 g/t AgEq) in oxides** in hole MM-21.

During Phase I and II drilling completed in 2011, MAX intercepted high grade copper/silver oxide mineralization near surface over long intervals at the past producing Majuba Hill mine site and the DeSoto zone. Highlights of this prior drilling included:

Majuba Hill Mine:

- **96 m of 39.2 g/t Ag, 0.57% Cu and 0.10 g/t Au** (98.3 g/t AgEq) in hole MM-06
- **50.3 m of 50.8 g/t Ag, 0.31% Cu and 0.31 g/t Au** (86.7 g/t AgEq) in MM-07
- **42.7 m of 37.5 g/t Ag and 0.38% Cu** (73.0 g/t AgEq) in hole MM-03

DeSoto:

- **29.2 m of 30.5 g/t Ag and 0.69% Cu** (98.3 g/t AgEq) in hole MM-18

Note: Silver equivalent is calculated based on 100% metallurgical recovery and five-year historic metal prices of $24 U.S. for silver, $3 U.S. per pound for Cu and $1,200 US per ounce for gold.

MAX believes that Majuba Hill is a newly-defined copper/silver/gold porphyry system that is highly prospective for a bulk-tonnage, open pit deposit.

On March 4, 2011 MAX entered into an Option Agreement to acquire up to a 75% interest in the historic Majuba Hill Copper/Gold/Silver property in Pershing County, Nevada from Claremont Nevada Mines LLC. The terms of this initial Option Agreement with Claremont allowed MAX to earn an initial 60% interest in the property over six years by spending US$6.5 Million on exploration of the property. MAX could increase its interest in the property to 75% by spending a further $3.5 Million on

exploration over a subsequent two year period. The Majuba Hill property would be subject to a 3% NSR payable to the vendor, 1.5% of which could be purchased at any time for US$1.5 Million.

On December 3, 2012 MAX entered into a Mining Lease and Option to Purchase Agreement (the "Lease Agreement") with Claremont Nevada Mines LLC of Nevada and JR Exploration LLC of Utah whereby MAX can acquire a 100% interest in the Majuba Hill Silver/Copper/Gold property in Pershing County, Nevada by the payment to Claremont of US$1 Million over a four year period, with $200,000 having been paid on signing and $200,000 payable each year on the anniversary of the effective date. This new Lease Agreement replaced the previous Option Agreement with Claremont dated March 4, 2011 whereby MAX could earn up to a 75% interest in the Majuba Hill project by spending US$10 Million over an eight year period, subject to a 3% NSR payable to the vendor. Under the terms of this new Lease Agreement, there will be no annual work commitments and the NSR has been reduced from 3% to 1%.

Majuba Hill is the site of numerous past producing mines, with historic production reported of 12% Cu (Mason Valley Copper, 1918) and silver grades up to 40 oz/t Ag. Majuba Hill encompasses 2,568 acres of surface and mineral rights that includes patented lode mining claims and is located approximately halfway between the Florida Canyon Mine (Jipangju) and the Hycroft Mine (Allied Nevada Corporation). The property is easily accessed via 23 miles of well-maintained dirt roads leading from U.S. Interstate 80, and lies 30 miles northwest of Coeur d'Alene Rochester silver mine, which contains a NI 43-101 compliant Measured and Indicated Resource of 263.9 million tons grading 0.46 oz/ton Ag and 0.004 oz/ton Au. (The Coeur d'Alene Mines Corp. (TSX:CDM) Technical Report on the Rochester Mine is available on SEDAR).

Exploration and historic production data available on Majuba Hill outline excellent potential for the discovery of new economic zones of silver/copper and gold mineralization in a near surface environment. Production reported from historic underground mines in the project area (see Nevada Bureau of Mines and Geology Bulletin 86) included:

- 184,000 ounces of silver
- 5,800 ounces of gold
- 2.8 million lbs of copper

In September 2011 MAX received and mapped the results of an extensive soil sampling program at Majuba Hill. A total of 834 soil samples were taken across a surface area in excess of 5,000 by 2,500 meters (m) with assay results obtained as high as **1.53% Cu** and **209 g/t Ag.**

On the northwest side of the Majuba Hill property, on unpatented land, assay results in soils ranged from 1.8 ppm Cu to 15,300 ppm (1.53%) Cu and from nil to 209 g/t Ag at the "DeSoto" zone. Sampling undertaken on the newly identified "Ball Park" target area 1 km east of the Copper Stope target area (the site of MAX's Phase I drill program completed in August 2011) returned values from 61.2 ppm to 132 ppm Cu and from 0.16 ppm to 2.5 g/t silver. Both of these areas are identified on the soil geochemistry maps available on our web site at www.maxresource.com, with the target areas outlined in black. MAX drilled both of these areas during a Phase II drill program that was completed in December 2011.

During the summer of 2011, MAX drilled eight core holes on patented land at the site of the past producing Majuba Hill mine. This drilling confirmed higher results for both copper and silver than reported by previous operators due to the improved sample recovery provided by core drilling, with significant gold (Au) values encountered in all drill holes; no gold assays had previously been reported, nor finding native gold in the holes as we have.

The complete assay results from the eight hole Phase I drill program at Majuba Hill are as follows:

Hole	Azimuth	Angle	Total Depth	From (m)	To (m)	Thickness (m)	Cu (%)	Au (g/t)	Ag (g/t)
MM-07	290	-45	146.4 m	76.2	126.5	**50.3 m**	**0.31%**	**0.31**	**50.8**
includes				106.7	126.5	**19.8 m**	**0.53%**	**0.56**	**100.1**
MM-06	-	90	119.8 m	1.5	97.5	**96.0 m**	**0.57%**	**0.10**	**39.2**
includes			119.8 m	1.5	45.7	**44.2 m**	**1.14%**	**0.15**	**71.0**
MM-02	243	-70	122.8 m	68.6	114.3	**45.7 m**	**0.56%**	**0.07**	**15.4**
includes				105.2	114.3	9.1 m	0.54%	0.11	39.3
MM-03	263	-70	158.6 m	91.5	134.1	**42.7 m**	**0.38%**		**37.5**
includes				102.1	112.8	10.7 m	0.93%		90.2
MM-05	279	-45	89.3 m	0	89.3	**89.3 m**	**0.28%**		**16.5**
includes				1.5	15.2	13.7 m	0.47%		30.0
MM-13	298	-56	135 m	0	135.0	135 m	0.02%		3.0
MM-15	255	-45	257 m	0	257.0	257 m	0.05%		4.3
includes				137.2	161.6	24.4 m	0.09%		12.3
MM-16	042	-45	111.2 m	0	111.2	111.2 m	0.06%	-	3.08

In October 2011 MAX commenced a Phase II core drilling program at Majuba Hill. Four holes were drilled to test new target areas identified during mapping, data compilation and soil sampling conducted over a surface area in excess of 5,500 by 2,500 m during 2011. The first hole of the Phase II program, MM-17 was drilled 730 m southeast of Phase I drilling (see the listing of drill results in the table above) and **i**ntercepted **42.7 m** of **16.8 g/t Ag**, **13.7 m of 15.9 g/t Ag** and **6.16 m of 51.0 g/t Ag**, indicating that this target area may be the extension of the high grade supergene oxide mineralization identified during Phase I drilling.

Two drill holes, MM-18 and MM-19, were drilled 1.4 km to the northwest of Phase I drilling to follow up on a high grade copper/silver soil anomaly approximately 1.5 km long by 500 m wide identified near the past producing DeSoto silver mine that returned values as high as **1.53% Cu and 209 g/t Ag in soils**. Hole MM-18 was drilled to a depth of 146 m and intercepted **29.2 meters of 30.5 g/t Ag and 0.69% Cu** starting at 21.9 m from surface**.** Hole MM-19 was drilled at the same location as hole MM-18 at an angle of –45 to the southeast, whereas hole MM-18 was drilled at the same angle to the northwest, and intercepted **3.6 m of 14.3 g/t Ag and 0.45% Cu** within ten feet of surface.

The final hole of the Phase II program**,** MM-20, intercepted **293 m of 5.49 g/t Ag, 0.10 g/t Au and 0.09% Cu in sulfide mineralization in a porphyry-style alteration zone** below the high grade Ag/Cu/Au oxide zone identified during Phase I drilling. Gold mineralization grading **0.145 g/t Au**, along with **6.3 g/t Ag** and **0.13% Cu**, was intercepted over the final 116 m of Hole MM-20, which was still in mineralization when terminated at the planned target depth. The increase in gold, copper and molybdenum mineralization at depth and the long intersections of mineralization add more evidence that Majuba Hill is an extensive copper/silver/gold porphyry system.

Having discovered the primary zone of porphyry mineralization below Majuba Hill, MAX concentrated its 2012 exploration activity on defining the high grade supergene (oxide) system located above this zone. The initial hole of the Phase III program, MM-21, was drilled to a depth of 351 m and tested a ridge of high grade oxide mineralization identified during geologic exploration in 2011 that appears to extend a further 500 m to the southeast to the "Ball Park" area, where hole MM-17 intercepted **42.7 m** of **16.8 g/t Ag**, **13.7 m of 15.9 g/t Ag** and **6.16 m of 51.0 g/t Ag.** On completion of hole MM-21, the drill rig was moved to the DeSoto zone 1.4 km to the northwest and seven holes were drilled to follow-up on the discovery hole at DeSoto, MM-18, which intercepted **29.2 m of 30.5 g/t Ag and 0.69% Cu**. Core from this program was split, logged and submitted to Inspectorate in Reno for assay.

Assays results from the first hole of the program, MM-21, were announced on September 11, 2012. Hole MM-21 intercepted **4.6 m @ 58.0 g/t Ag and 7.6 m @ 0.80% Cu within an overall mineralized intercept of 332 m @ 12 g/t Ag and 0.13% Cu (23.9 g/t silver equivalent ("AgEq")) in oxides** that began within 12 m of surface. Hole MM-21 was collared approximately 250 m southeast of the middle portal of the past-producing Majuba Hill mine, where Phase I drilling by MAX in 2011 intercepted long intervals of high grade silver and copper mineralization near surface.

Hole MM-21 confirms that a southeast trending ridge of high-grade oxide mineralization extends a further 500 m to the southeast from the Majuba Hill mine to the Ball Park target area. A map showing drilling locations from the 2011 exploration programs at Majuba Hill, as well as the location of MM-21, is available on our web site at www.maxresource.com.

Significant intervals from hole MM-21 are summarized in the following table:

Hole	Azimuth	Angle	Total Depth	From (m)	To (m)	Thickness (m)	Cu (%)	Ag (g/t)	AgEq (g/t)
MM-21	068	-44	351.4 m	12.2	344.5	**332.3 m**	**0.13%**	**12.0**	**23.9**
includes				50.3	131.1	**80.8**		**19.2**	
includes				56.4	61.0	**4.6**		**58.0**	
includes				259.1	266.7	**7.6**	**0.80%**	**10.8**	
includes				263.7	266.7	**3.0**	**1.16%**	**10.1**	
includes				242.4	291.1	**48.7**	**0.32%**	**16.5**	**47.1**

Note: Silver equivalent is calculated based on 100% metallurgical recovery and five-year historic metal prices of $24 U.S. for silver and $3 U.S. per pound for Copper.

In addition, MAX was able to acquire some of the data from drilling completed by the Minefinders Exploration group at Majuba Hill in 1974-5. This information was obtained from a reliable source but readers are cautioned that this information predates NI 43-101 and is not NI 43-101 compliant; it is provided for information purposes only and should not be relied upon. This data included Minefinders hole MF-01, which was drilled a further 250 meters to the southeast of hole MM-21 at an azimuth of 288 and a -54 angle to a total depth of 707 meters. Hole MF-01 was assayed on 3 meter intervals and contained **155.4 m @ 9.23 g/t Ag and 0.221% Cu** starting at a down hole depth of 220 meters. Minefinders hole MF 2 was drilled at the same location as MAX's hole MM-17 to a depth of 387 m and intercepted **30.5 m @ 0.60% Cu** from 85.3 m to 115.8m. It also contained **91.4 m @ 11.2 g/t Ag** from 42.7 m to 134.1 m, inclusive of **9.1 m @ 53.0 g/t**. These drill results, combined with the results from our hole MM-21, **serve to expand the known mineralized silver/copper zone for 500 m to the southeast and to a depth of at least 350 m from surface**. We now believe that Majuba Hill is a significant porphyry system with a chalcocite blanket; the next phase of drilling at Majuba Hill will focus on the expansion of the known mineralized zone within this target area, now referred to as the "Majuba Ridge".

In October, 2012 MAX announced assays from the seven core holes (521 m) drilled at the high grade silver/copper DeSoto soil anomaly, 1.4 km to the northwest of the main mineralized zone at the historic Majuba Hill mine in Nevada. These shallow step-out holes were drilled to test the extension of near-surface oxide mineralization at DeSoto, where the discovery hole, MM-18, intercepted 29.2 m of 30.5 g/t Ag and 0.69% Cu (98.3 g/t silver equivalent("AgEq")) in the fall of 2011. The DeSoto soil anomaly was defined by soil sampling and measures approximately 2 km long by 1 km wide, with values as high as 1.53% Cu and 209 g/t Ag in soils. Significant copper and silver mineralization was intercepted in four of the seven holes drilled, confirming DeSoto as the second highly prospective mineralized zone to be identified by MAX at Majuba Hill project. Highlights of this drilling at DeSoto included **7.8 m @ 28.0 g/t Ag and 0.57% Cu (81.5 AgEq)** in hole DSM-02 and **6.4 m @ 38.8 Ag and 0.70% Cu (105.1 g/t AgEq)** in DSM-06.

Significant intervals from the DeSoto drilling are summarized in the following table:

Hole	Azimuth	Angle	Total Depth	From (m)	To (m)	Thickness (m)	Cu (%)	Ag (g/t)	AgEq (g/t)
DSM-01	059	-45	128.8	71.6	73.1	**1.5**	**.50%**	**36.4**	**92.3**
DSM-02	125	-45	66.3	3.0	4.7	2.7	0.58%	17.7	**72.7**
				46.5	54.3	**7.8**	**0.57%**	**28.0**	**81.5**
Includes				52.8	54.3	1.5	2.13%	101.9	342.2
DSM-04	310	-64.3	16	9.1	10.7	1.6	0.34%	18.5	**50.6**
DSM-06	115	-45	31.0	6.1	7.6	1.5	0.39%	26.0	**63.2**
				19.5	25.9	**6.4**	**0.70%**	**38.8**	**105.1**
Includes				19.5	21.0	1.6	1.26%	81.7	200.8
Includes				24.1	25.9	1.8	1.47%	65.6	204.6

Note: Silver equivalent is calculated based on 100% metallurgical recovery and five-year historic metal prices of $24 U.S. for silver and $3 U.S. per pound for Copper.

Hole DSM-02 was drilled 200 m northwest of the DeSoto discovery hole, MM-18, and intercepted 7.8 m @ 28 g/t Ag and 0.57% Cu (81.5 g/t AgEq), inclusive of 1.5 m of 101.9 g/t Ag and 2.13 % Cu. A further 310 m to the northwest, hole DSM-06 intersected a separate mineralized zone that included intervals of 1.6 m @ 81.7 g/t Ag and 1.26% Cu and 1.8 m @ 65.6 g/t Ag and 1.47% Cu within 26 m of surface. This initial shallow drilling indicates the presence of high grade copper and silver mineralization in the Auld Lang Syne formation at DeSoto and has provided us with a better understanding of the structural fabric of the system and the depositional environment. We believe that DeSoto is a replacement system within the Auld Lang Syne formation; detailed structural mapping and sampling will focus on the direction and mineralogy of mineralization at DeSoto and its relationship to the Majuba diking and main intrusive system on the Majuba property prior to resumption of drilling.

Analysis was performed by Inspectorate American Corp. Laboratories, an ISO certified facility in Reno, Nevada, using fire assay and multi-element (ICP-ES) techniques producing assays for a 49 element suite of minerals. Standards, duplicates and blanks were used for quality control of the samples. After the core is logged for each drill hole, the location of each site is located using a GPS in UTM coordinates using NAD 27 datum. The core is then split and put into a sample bag which is labelled for each interval and a sample card tag put in each sample bag and taken from the core facility to the Inspectorate Laboratories.

On April 9, 2012 MAX entered into a Mineral Lease with New Nevada Resources, LLC ("NNR") for 560 acres of mineral rights ("Section 33) immediately adjacent of its Majuba Hill copper/silver/gold project in Nevada where soil sampling in 2011 identified a high grade soil anomaly covering a 1.5 km by 2 km area that returned values as high as 1.53% Cu and 209 g/t Ag in soils.

The Mineral Lease with NNR is for a term of 20 years and calls for annual lease payments of $15 per acre in the first year, increasing incrementally to $30 per acre in year four and subsequent years. NNR has the right to retain a 15% working interest in Section 33 or can convert it to a NSR of 0.5% on base metals and 1% on precious metals, in addition to retaining an overriding NSR of 1.75% on base metals and 3% on precious metals.

On March 4 2013 the Company announced the preliminary report by John Fox, P.Eng., Consulting Metallurgical Engineer of Laurion Consulting Inc. on the test work carried out on samples from Majuba Hill by Inspectorate Exploration & Mining Services in Richmond, B.C.

A total of fourteen samples of assay sample reject material (crushed to 6 mesh) were received at Inspectorate and these were made into a single composite weighing 58 kg. A sub sample was taken for head analysis and indicated a grade of 0.62% Cu and 34.6 g/t Ag.

A series of bottle roll acid tests were carried out with sulphuric acid at pH 1.3 on material running 6 mesh and on material ground to 200 mesh. **After 14 days of leaching the copper extraction was 81.1% and 84.6% respectively**. These results indicate the potential for heap leaching copper in a relatively short leach cycle, with acid consumption modest at 25kg/t, which is in line with expectations.

Leach testing was also conducted with thiosulphate over a six hour period and 24 hour period. Leaching was carried out at pH8 on the two samples, 6 mesh (un-ground) and 200 mesh. **Silver extraction of 73.4% was achieved** on ground material, which was 30% higher than on un-ground material. Thiosulphate leaching is normally very rapid; the difference between ground and un-ground leach recoveries may disappear over a longer leach cycle. Moreover, the silver leach value has not been optimized and it is expected that silver recovery may increase with longer leach times.

While cyanide leaching of sulfuric acid leach residue was also undertaken and gave about a 70% recovery, the thiosulphate leach route may be preferred because of reduced reagent costs (less lime required to neutralize acid to pH8 rather than pH10, and less consumption of lixivient as thiosulphate is not consumed leaching excess copper) as well as for environmental considerations.

Clancy Wendt, VP Exploration of MAX, states: "We are extremely pleased by these preliminary results, which demonstrate the feasibility of utilizing low-cost heap leach mineral extraction technology at Majuba Hill. Test work is still ongoing with respect to longer term thiosulphate leaching, with a number of processing methods also being examined and tested, with a view to determining the optimum recovery system for Majuba Hill."

Permitting is underway for a development drill program at Majuba Hill designed to define an initial NI 43-101 compliant inferred resource estimate by the end of 2013.

During the year ended December 31, 2012, the Company incurred $181,781 for geological consulting, $204,469 for drilling and assays and $57,588 for field expenses on the Majuba Hill project.

East Manhattan Wash gold project, Nye County, Nevada

In December, 2007 MAX entered into an Option Agreement to acquire a 100 % interest in the East Manhattan Wash ("EMW") claims in the Manhattan Mining District, Nye County, Nevada from MSM LLC, a Nevada corporation. The EMW property is comprised of 78 claims (1,560 acres) located 40 miles north of the town of Tonopah.

More than 1,000,000 ounces of gold have been mined in the **Manhattan Mining District.** Production has included the nearby Manhattan mine (1974-1990), an open-pit operation that produced 236,000 ounces of gold at an average grade of 0.08 ounce per ton ("opt"). The Echo Bay East and West Pit deposits operated in the early 1990s, producing 260,000 ounces at an average grade of 0.06 opt. The Round Mountain Mine (Kinross/Barrick), situated eight miles north of East Manhattan Wash, is a conventional open pit operation that has produced more than 12 million ounces of gold to date.

In March 2009, the Company announced the results of the first large (bulk) sample taken from the EMW claims. This bulk sample weighed 793 pounds and was crushed to particles of less than 1 millimetre in size. The sample was then processed on a Wilfley Table to concentrate the heavy minerals. From this concentrate, a fired bead was made to produce a gold/silver "button". This button, which weighed 2.67 grams, was then analyzed using a NITON x-ray analyzer and was found to contain approximately 80% gold and 20% silver. On a per ton basis, this is equivalent to 6.1 grams of gold/silver per ton, or **4.9 g/t gold and 1.2 g/t silver.**

Following up the results of the bulk sample, MAX completed three large volume soil sampling grids in May of 2009 at EMW. The sampling program was designed to delineate the geometry of the native gold mineralization in three areas of interest. Significant values in the samples that were taken ranged from 0.05 ppm to 0.32 ppm gold with two of the zones being open in at least three directions.

The first two grids are located in a volcanic rhyolite lithic tuff hosting coarse gold. These areas, the "Gold Pit" and the "Old Drill Hole" grids, were sampled first by clearing a 1 meter by 1 meter area of surface debris then removing the organic (A) and root (B) soil horizons in turn. The sample was collected and consisted of a mixture of the soils directly above the bedrock (C horizon) and a portion of the bedrock below the soil. The sample was then sieved to ¼ inch minus then bagged.

These holes ranged from 12 inches to 48 inches in depth. Each hole location was identified with a 16 inch wooden stake labelled with an aluminum tag and backfilled to minimize disturbance. This technique was used to look at a small representative area and obtain any coarse gold trapped in the bedrock fractures.

In the first area, the Old Drill Hole grid, 30 samples were taken. The values ranged from nil to 0.32 ppm gold. The mineralized zone was 1200 feet long and 600 feet wide and was open in all four directions. Further work was undertaken to define the full areal extent of mineralization in this zone.

At the Gold Pit grid, located approximately 500 feet west of the Old Drill Hole grid, the area of significant mineralization was 1000 feet long by 250 feet wide. Again, the values range from nil to 0.32 ppm Au. The geology of the "Gold Pit" area consists of lithic rhyolitic and lapilli tuffs. These tuffs are locally argillically altered with minor local silicification.

A metallurgical sample was also taken and the entire sample contained 0.018 opt Au. This sample was found to contain visible native gold in the concentrate, middling's, and the reject, with equal values in each of the three sizes. The gold found is from fine to coarse grained in size and did not seem to be in any one size fraction.

In early November 2009, MAX received the assays from additional soil sampling completed at EMW. The sampling was designed to further delineate the geometry of the native gold mineralization in the two main areas of interest, the "Gold Pit" and the "Old Drill Hole Grid", which sampling now indicates are joined. A total of 138 samples were taken, with significant values ranging from **0.05 ppm to 1.5 ppm (1.5 g/t) gold**. The total mineralized zone now encompasses an area **5,500 by 1,500 feet** in size while still remaining open to the north, east, and west.

MAX staff also sampled historic prospector pits to the southeast of the Old Drill Hole Grid and returned high gold values (0.96 g/t) from soils around the pits that indicate that the mineralized zone continues and may be linked to another mineralized zone sampled by MAX further south, the "Southeast Extension".

In September 2010 MAX completed additional soil sampling that was designed to further delineate the geometry of the native gold mineralization at EMW, which previously encompassed the "Gold Pit", the "Old Drill Hole Grid" and now includes the "Southeast Extension". This sampling has filled in the open areas within these grids, where 163 new samples were taken with significant values ranging from **0.05 ppm to 1.27 ppm (1.27 g/t) gold**. While the total mineralized zone now exposed at surface encompasses

an area in excess of 5,500 by 1,500 feet in size, the mineralized area is much larger but is covered by either overburden or alluvium.

The Gold Pit, Old Drill Hole Grid and Southeast Extension are located in a volcanic rhyolite lithic tuff hosting coarse gold. The sampling between the three pits has now enabled MAX to identify structural linear features seen in air photo images along with argillic alteration that appears to define where strong gold values may be found. Historic pits dug by earlier prospectors have helped to define the areas of mineralization and to confirm the presence of gold. An updated soil sampling map is now available on our web site at www.maxresource.com.

Clancy Wendt, VP Exploration of MAX, states "We have now defined a significant area of gold mineralization that contains potential for a large mineralized system. More important is the fact that the mineralization appears to be free gold within the volcanic tuff. Having now defined a large mineralized area at surface, permit applications have been filed for a core drilling program to determine the depth of the mineralization, extend the known mineralization below cover, and to see if it increases in grade."
The Company is currently awaiting drill permits and incurred $2,387 for geologic consulting on the East Manhattan project during the year ended December 31, 2012. In addition, the Company received a refund of state property fees of $3,773 on the East Manhattan Wash project during the period.

Diamond Peak gold-zinc project, Nevada

The Diamond Peak property is located at the southern end of the prolific Carlin Trend of Nevada, which contains numerous gold deposits. The property comprises 58 claims located 32 miles north of the town or Eureka, Nevada and the Archimedes gold deposit owned by Barrick Gold Corporation. Strong surface mineralization occurs in a 2 mile long band of silicified and intensely clay altered rocks which is 200 to 300 feet wide.

Pursuant to a May 2006 option agreement, Kokanee Minerals Inc. (TSX.V: KOK) had the option to earn a 51% interest in the Diamond Peak project by spending US$1 Million on exploration and reimbursing all lease payments, of which US$95,000 was paid to MAX during the current period along with 600,000 shares of Kokanee due under the terms of the agreement. Kokanee began drilling at Diamond Peak in May 2010 and completed only two drill holes before advising MAX that it did not intend to make the annual option payment of $50,000 (U.S.) then due to MAX and would be abandoning its option on the property.

Max plans to explore the property using the original exploration program recommended to Kokanee. In September 2010 MAX conducted an extensive soil sampling program at Diamond Peak. A total of 375 samples were collected, with assay results as high as **5.8 g/t Ag**, **4.3 g/t Ag** and **3.2 g/t Ag in soils** confirming the high silver zone in the southern part of the property and its continuation to the east. Gold values to **90 ppb Au** were obtained that confirm many of the gold zones previously examined and have also identified a new zone on the west side of the northern part of the property that has not yet been drilled. Zinc values were returned as high as **648 ppm Zn** that indicate that the mineralized system is far larger than originally thought, extending to the east of both the gold zone in the northern portion of the property and the silver zone in the south.

In November, 2010 MAX received and announced assay results from the holes drilled by Kokanee at Diamond Peak prior to their abandoning their interest in the property. One of these holes, DP-02, contained an intercept of **0.588 g/t gold over 7.62 meters** (25 feet) beginning at 155 feet, inclusive of a higher grade zone of **1.359 g/t gold over 1.52 m**. Hole DP-02 was a vertical hole drilled at the same location as a 60 degree angle hole drilled by MK Gold in 1999 that reported 2.08 g/t Au over 5 feet.

In addition, an outcrop sample recently taken from the silver zone in the southern portion of the property has returned an assay grade of **53.5 g/t silver**. This silver zone was identified during extensive soil sampling conducted in September 2010, with assay results as high as 5.8 g/t Ag, 4.3 g/t and 1.9 g/t silver in soils confirming the high silver zone and its continuation to the east.

Additional soil sampling recently undertaken at Diamond Peak has also identified a further zinc zone on the west side of the northern part of the property that had not been previously drilled or sampled. This zone contains a sample grading **648 ppm Zinc**. Zinc geochemistry along the northeastern side of the property remains open and contains values greater than 200 ppm Zn along 600 feet of strike length. This zone will be filled in with more geochemistry to the south and east to close off the mineralized system. Maps of the sampling locations for gold, silver and zinc at Diamond Peak are now available on our website at www.maxresource.com.

Drill permits have been received and roads and drill pads have been cleared at Diamond Peak. The timing of drilling will be dependent on the receipt of additional funding and will follow up on:

- an outcrop sampled by MK Gold that contained **3.4 ounces of silver per ton**, which has potential to host a Contact Replacement Deposit ("CRD") and was never followed up on;

- the **11.6% zinc** zone intercepted within 60 feet of surface by MK Gold in 1999;
- a zone of mineralization which contains anomalous zinc, lead, and silver; and
- extensive gold targets on the property and new claims acquired to the east that were defined by recent soil sampling programs.

During the year ended December 31, 2012 MAX spent $1,823 for geologic consulting on the Diamond Peak property and received a refund of state property fees of $3,417.

Ian Smith, F.AusIMM, appointed as Director

In February 2012, Mr. Ian Smith, B.E. (Mining) Hons, F.AusIMM, CP Mgmt, was appointed as a director of the Company.

Mr. Smith graduated from the University of Queensland, Australia with a degree in mining engineering and has over 40 years of international experience in corporate development, operations, project management and consulting within the base, precious metals and coal industries. From 2010 until late 2012, Mr. Smith was the President and Chief Executive Officer of Yellowhead Mining Inc. (TSX.V:YMI), successfully completing a detailed Feasibility Study on the Harper Creek copper-gold-silver project in south central B.C. in March 2012.

Mr. Smith was also President and CEO of bcMetals Corp., which had engineered the Red Chris copper/gold porphyry project for development in northwest BC prior to being acquired by Imperial Metals Corp. His involvement with large scale open pit copper operations at a senior management level includes Bougainville Copper in Papua New Guinea, La Caridad in Mexico and the Zambian Copperbelt. He was also President and a founding partner of one of North America's most successful mining industry consulting companies until it was purchased by Canadian interests in 1995.

Incentive Stock Options Granted

On February 22, 2012, MAX granted 675,000 incentive stock options to directors and officers at an exercise price of $0.25 per share for a period of three years.

Results of Operations – Year ended December 31, 2012

During the year ended December 31, 2012, the Company incurred operating expenses of $669,755 as compared to operating expenses of $1,119,974 for the year ended December 31, 2011. The significant changes during the current period compared to the same period a year prior are as follows:

During the year ended December 31, 2012, the Company incurred $115,570 of stock-based compensation, a non-cash expense, on the granting of 675,000 stock options and the vesting of certain options granted in the prior year. During the year ended December 31, 2011, the Company incurred $509,357 of stock-based compensation on the granting of 3,405,000 stock options.

Transfer agent, filing fees and shareholder relations expenses decreased to $193,417 during the year ended December 31, 2012 from the $238,008 incurred during the year ended December 31, 2011. This was primarily due to decreased expenditures on investor relations activities and advertising during the current fiscal period as compared to the same period a year prior.

Interest income decreased to $11,805 during the year ended December 31, 2012 from the $15,828 earned during the prior year due to the lower cash balance maintained during the current year.

During the year ended December 31, 2012, the Company recorded a $1,177,622 (2011-$Nil) write-off of exploration and evaluation assets. The write-off is in connection with the abandonment of the C de Baca Uranium property in New Mexico and the Ravin molybdenum property in Nevada during the current period due to continuing weakness in the market price of those underlying commodities.

As a result of the foregoing, the loss for the year ended December 31, 2012 was $1,840,099 as compared to a loss of $1,112,646 for the year ended December 31, 2011.

Selected Annual Information

Year ended December 31	2012	2011	2010
Other Income (Loss)	$(1,170,344)	$7,328	$63,749
Loss before Other Items	$669,754	$1,119,974	$566,064

Per Share	$0.03	$0.05	$0.03
Net Loss	$1,840,099	$1,112,646	$502,315
Per Share	$0.08	$0.05	$0.02
Total assets	$3,208,837	$5,018,842	$4,944,117
Long-Term Liabilities	$Nil	$Nil	$Nil

The net loss for fiscal 2010 decreased to $502,315 from $4,660,805 incurred during fiscal 2009 primarily due to the elimination of write-offs totalling $3,987,802 that were incurred during fiscal 2009. The Company also reduced its investor relations and advertising during fiscal 2010 by $178,772. These reductions were partially offset by slight increases in both consulting and travel and promotion.

The net loss for fiscal 2011 increased to $1,112,646 from $502,315 incurred during fiscal 2010 primarily due to the increase in stock-based compensation expense, a non-cash expense, in the amount of $509,357 during fiscal 2011 as compared to $65,114 during the prior period.

The net loss for fiscal 2012 increased to $1,840,099 from $1,112,646 incurred during fiscal 2011 primarily due to the write-off of $1,177,622 on the C de Baca and Ravin properties as compared to a write-off of $Nil in fiscal 2011. This was partially offset by a decrease in stock-based compensation, a non-cash expense, which was $115,570 in fiscal 2012 as compared to $509,357 during the 2011 fiscal year.

Summary of Quarterly Results

	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11
Other Items ($)	1,572	(1,174,601)	5,040	(2,355)	(5,664)	4,096	5,146	3,750
Loss ($)	(109,978)	(1,310,135)	(150,139)	(269,847)	(172,438)	(288,698)	(136,578)	(514,932)
Loss per Share($)	(0.01)	(0.05)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)

The loss for the first quarter of 2011 increased to $514,932 from the loss of $117,996 incurred during the fourth quarter of fiscal 2010. The increase was primarily due to incurring $318,745 of stock-based compensation (a non-cash expense incurred on the granting of 1,300,000 incentive stock options) during the first quarter.

The loss for the second quarter of 2011 decreased to $136,578 from the loss of $514,932 incurred during the first quarter of fiscal 2011. The decrease was due to the elimination of stock based compensation expense during the second quarter as no stock options were granted; this compares to stock-based compensation expense of $318,745 incurred during the first quarter of fiscal 2011.

The loss for the third quarter of 2011 increased to $288,698 from the loss of $136,578 incurred during the second quarter of fiscal 2011. The increase was primarily due to stock-based compensation expense incurred during the third quarter of $186,063 on the granting of 1,625,000 stock options.

The loss for the fourth quarter of 2011 decreased to $172,438 from the loss of $288,698 incurred during the third quarter of fiscal 2011. The decrease was primarily due to increased stock-based compensation expense incurred in the third quarter compared to the fourth quarter, when fewer options were granted and only a portion vested during the period.

The loss for the first quarter of fiscal 2012 increased to $269,847 from the loss of $172,438 incurred during the fourth quarter of fiscal 2011. The increase is primarily due to an additional stock-based compensation expense incurred in the first quarter of fiscal 2012, when 675,000 stock options were granted that all vested immediately.

The loss for the second quarter of fiscal 2012 decreased to $150,139 from the loss of $269,847 incurred during the first quarter of fiscal 2012. The decrease is primarily due to additional stock-based compensation expense incurred in the first quarter of fiscal 2012, when 675,000 stock options were granted and the company incurred stock-based compensation expense of $109,640. In addition, shareholder communications and investor relations expenditures were both reduced during the second quarter.

The loss for the third quarter of fiscal 2012 increased to $1,310,135 from the loss of $150,139 incurred during the second quarter of fiscal 2012. The increase was primarily a result of the $1,177,622 write-off incurred on the abandonment of exploration and evaluation assets during the period, as the Company elected not to proceed with both the Ravin claims and C de Baca project and consequently all related costs were written off to operations.

The loss for the fourth quarter of fiscal 2012 decreased to $109,978 from the loss of $1,310,135 incurred during the third quarter of fiscal 2012. The decrease was primarily due to the elimination of the $1,177,622 write-off of certain exploration and evaluation assets that occurred in the prior quarter.

Liquidity and Solvency

At December 31, 2012, the Company had working capital of $498,352 and cash and cash equivalents on hand of $510,288. This compares to working capital of $1,100,765 at December 31 2011, inclusive of cash and cash equivalents of $1,131,358.

The decrease in cash of $630,385 during the year ended December 31, 2012 was due to net cash spent on mineral properties of $51,181 (during the year ended to December 31, 2012, the Company received $655,306 for reimbursement of costs spent on the Crowsnest and Howell gold projects which were halted by the Province of British Columbia on February 9, 2010) and cash used in operating activities of $636,862, offset by cash of $66,973 received from the sale of marketable securities.

As of the date of this report, MAX has approximately $440,000 in cash and cash equivalents, which will provide sufficient working capital to maintain its interests in its properties for the next twelve months as well as its general and administrative expenses through the same period.

During fiscal 2013, MAX intends to focus its efforts and cash resources on exploration for copper, gold and silver at its Majuba Hill project in Nevada. However, in order to do so, the Company will be required to raise additional equity capital during 2013.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments will depend on the Company's ability to obtain financing through joint venturing of its projects, debt financing, equity financing or other means. There can be no assurance that the Company will be successful in obtaining any such financing.

Related Party Transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	December 31, 2012	December 31, 2011
Companies controlled by directors of the Company	$ 10,000	$ -
Directors of the Company	10,000	39,826
	$ 20,000	$ 39,826

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

During the year ended December 31, 2012, the Company paid or accrued management fees of $120,000 (2011 - $120,000) to a private company controlled by Stuart Rogers, the CEO of the Company.

During the year ended December 31, 2012 the Company paid or accrued geologic consulting fees of $120,000 (2011 - $120,000) to a private company controlled by Clancy Wendt, the VP Exploration and a Director of the Company.

During the year ended December 31, 2012 the Company recorded stock-based compensation of $109,640 (2011 - $487,423) to officers and directors of the Company.

Financial Risk and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as

determined by rating agencies. The Company's secondary exposure to risk is on its HST receivable. This risk is considered to be 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 and cash equivalents.

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

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollar while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in United States dollars:

	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 62,180	$ 22,197
Accounts payable	(10,000)	(101,594)
	$ 52,180	$ (79,397)

Based on the above net exposures as at December 31, 2012, a 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's net loss by $5,200.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $4,100.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash and cash equivalents.

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

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 510,288	$ 1,131,358
Loans and receivables:		
Receivables and prepaids	8,040	14,910
HST recoverable	21,658	10,106
Reclamation deposits	53,297	68,184
Available-for-sale financial instruments:		
Marketable securities	-	71,500
	$ 593,283	$ 1,296,058

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
Non-derivative financial liabilities:		
Trade payables	$ 5,633	$ 67,287

Fair value
The fair value of the Company's financial assets and liabilities approximates the carrying amount.
Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2012 and December 31, 2011:

	As at December 31, 2012		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 510,288	$ -	$ -

	As at December 31, 2011		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 2,087,207	$ -	$ -
Marketable securities	174,000	-	-
	$ 2,261,207	$ -	$ -

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of March 11, 2013.

Off Balance Sheet Arrangements

The Corporation has no off Balance Sheet arrangements.

Equity Securities Issued and Outstanding

The Company has 24,505,985 common shares issued and outstanding as of March 11, 2013. In addition, there are 2,016,755 warrants expiring April 4, 2013 that are exercisable at $0.38 and 3,280,000 incentive stock options outstanding with exercise prices ranging between $0.24 and $0.35.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.