

NOTICE TO SHAREHOLDERS



(A Development Stage Enterprise)

Condensed Interim Financial Statements For the three months ended March 31, 2013

(Stated in Canadian Dollars)

Responsibility for Financial Statements

The accompanying financial statements for Metals Creek Resources Corp. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. Only changes in accounting policies have been disclosed in these unaudited condensed interim financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the period ended March 31, 2013.

METALS CREEK RESOURCES CORP.
(A Development Stage Enterprise)

March 31, 2013 and 2012

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METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**(Prepared by Management)**

As at	March 31, 2013 \$ (Unaudited)	December 31, 2012 \$ (Audited)
ASSETS		
Current		
Cash	38,344	79,813
Short-term investments (note 3)	2,545,331	2,914,284
Staking security deposits (note 9)	15,580	22,281
H.S.T. and other receivables	149,310	69,587
Prepaid expenses	10,641	15,862
	2,759,206	3,101,827
Property and equipment (note 4)	51,591	55,510
Long term investments (note 5)	125,719	131,717
Exploration and evaluation assets (note 6)	6,687,853	6,566,086
	9,624,369	9,855,140
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 8)	179,624	81,035
Equity		
Share Capital (note 7)	11,728,403	11,728,403
Reserves (note 7)	4,960,567	4,957,639
Deficit	(7,244,225)	(6,911,937)
	9,444,745	9,774,105
	9,624,369	9,855,140

Nature and Continuance of Operations – Note 1

These condensed interim financial statements are authorized for issue by the Board of Directors on May 27, 2013. They are signed on the Corporation's behalf by:

“Alexander Stares” Director

“Nick Tsimidis” Director

The accompanying notes form an integral part of these condensed interim financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**(Prepared by Management – Unaudited)**

	Three Months Ended March 31, 2013 \$	Three Months Ended March 31, 2012 \$
EXPENSES		
Business development	45,950	66,892
Depreciation	3,920	3,526
Office and general	38,862	55,687
Professional fees	12,472	7,730
Salaries and benefits	114,803	93,576
Share-based payments (note 7(iii))	2,928	82,592
Amounts earned on exploration and evaluation assets	(265)	-
Write-down of exploration and evaluation assets	75,982	-
Pre-acquisition exploration and evaluation expenses	13,122	6,224
Adjustment to fair value for fair value through profit and loss investments	33,996	(11,363)
	341,770	304,864
Loss before the following:	341,770	304,864
Gain on sale of exploration and evaluation assets, net	-	(21,250)
Interest and investment income	(9,482)	(32,073)
Loss before income taxes	332,288	251,541
Provision for deferred income taxes	-	309,653
Comprehensive loss for the period	332,288	561,194
Loss per share – basic and diluted	(0.003)	(0.006)
Weighted Average Shares Outstanding – basic and diluted	98,571,214	96,437,502

The accompanying notes form an integral part of these condensed interim financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**(Prepared by Management – Unaudited)****For the three months ended March 31, 2013 and 2012**

	Share Capital		Reserves			Total
	Number of Shares #	Share Capital \$	Warrants \$	Equity Settled Benefits \$	Deficit \$	
Balance at January 1, 2012	96,437,502	11,611,049	2,489,472	2,330,381	(3,923,104)	12,507,798
Share-based payments	-	-	-	82,592	-	82,592
Comprehensive loss for the period	-	-	-	-	(561,194)	(561,194)
Balance at March 31, 2012	96,437,502	11,611,049	2,489,472	2,412,973	(4,484,298)	12,029,196
Shares issued on property acquisitions	2,133,712	117,354	-	-	-	117,354
Expiration of warrants	-	-	(304,270)	304,270	-	-
Share-based payments	-	-	-	55,194	-	55,194
Comprehensive loss for the period	-	-	-	-	(2,427,639)	(2,427,639)
Balance at December 31, 2012	98,571,214	11,728,403	2,185,202	2,772,437	(6,911,937)	9,774,105
Share-based payments	-	-	-	2,928	-	2,928
Expiration of warrants	-	-	(362,675)	362,675	-	-
Comprehensive loss for the period	-	-	-	-	(332,288)	(332,288)
Balance at March 31, 2013	98,571,214	11,728,403	1,822,527	3,138,040	(7,244,225)	9,444,745

The accompanying notes form an integral part of these condensed interim financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS CASH FLOWS**(Prepared by Management – Unaudited)**

	Three Months Ended March 31, 2013 \$	Three Months Ended March 31, 2012 \$
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Comprehensive loss for the period	(332,288)	(561,194)
Depreciation	3,920	3,526
Share-based payments	2,928	82,592
Adjustment to fair value for fair value through profit and loss investments	33,996	(11,363)
Write-down of exploration and evaluation assets	75,982	-
Proceeds on mineral property option	-	(21,250)
Provision for deferred income taxes	-	309,653
Increase in H.S.T. and other receivables	(79,723)	(10,895)
Decrease in prepaid expenses	5,221	6,685
Decrease in accounts payable and accrued liabilities	98,589	264,029
Cash flows provided by (used in) operating activities	(191,375)	61,783
FINANCING ACTIVITIES		
Redemption of short term investments	368,953	270,290
Cash flows from financing activities	368,953	270,290
INVESTING ACTIVITIES		
Decrease in staking security deposits	6,701	4,000
Expenditures on exploration and evaluation assets	(225,748)	(436,580)
Acquisition of property and equipment	-	(1,299)
Cash flows used in investing activities	(219,047)	(433,879)
Increase (decrease) in cash	(41,469)	(101,806)
Cash - beginning of period	79,813	212,721
Cash - end of period	38,344	110,915

Supplemental information (see note 10)

The accompanying notes form an integral part of these condensed interim financial statements

METALS CREEK RESOURCES CORP.

(A Development Stage Enterprise)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2013

(Prepared by Management - Unaudited)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Metals Creek Resources Corp. (the "Company") was incorporated on June 21, 2004 under the Business Corporations Act (Ontario).

The Company is an exploration stage company, and is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The accompanying financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has working capital in the amount of \$2,579,582 (December 31, 2012 - \$3,020,792) and has a deficit in the amount of \$7,244,225 (December 31, 2012 - \$6,911,937). The Company has not earned any significant revenues to date and is considered to be in the exploration stage.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34- Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's audited annual financial statements for the year ended December 31, 2012.

The policies applied in these financial statements are based on IFRS issued and outstanding as of May 27, 2013, the date the Board of Directors approved the statements. Any subsequent changes to IFRS after this date could result in changes to the financial statements for the period ended March 31, 2013.

The condensed interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's audited annual financial statements and the notes thereto for the year ended December 31, 2012.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

3. SHORT-TERM INVESTMENTS:

	March 31, 2013	Dec 31, 2012
	\$	\$
Money Market Mutual funds	2,045,331	1,114,284
Guaranteed Investment Certificates	500,000	1,800,000
	<u>2,545,331</u>	<u>2,914,284</u>

These funds are available for exploration and operations upon the request of the Company.

The money market mutual funds consist of fully liquid, managed money market fund units that yield regular monthly dividends at market rates.

The guaranteed investment certificates are cashable and have maturity dates ranging from September 6, 2013 to October 1, 2013 and interest rates ranging from 1.70% to 1.95%.

4. PROPERTY AND EQUIPMENT

	Cost	Acc. Depr.	Mar. 31, 2013 Net
Computer equipment	\$ 22,511	\$ 18,509	\$ 4,002
Furniture and fixtures	13,467	8,751	4,716
Computer software	56,911	56,641	270
General equipment	32,478	14,518	17,960
Automobile	37,882	13,239	24,643
Leasehold improvements	4,812	4,812	-
	<u>\$ 168,061</u>	<u>\$ 116,470</u>	<u>\$ 51,591</u>

	Cost	Acc. Depr.	Dec. 31, 2012 Net
Computer equipment	\$ 22,511	\$ 17,870	\$ 4,641
Furniture and fixtures	13,467	8,503	4,964
Computer software	56,911	56,551	360
General equipment	32,478	13,573	18,905
Automobile	37,882	11,242	26,640
Leasehold improvements	4,812	4,812	-
	<u>\$ 168,061</u>	<u>\$ 112,551</u>	<u>\$ 55,510</u>

5. LONG TERM INVESTMENTS

	March 31, 2013		December 31, 2012	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Canadian Equities				
Spruce Ridge Resources Ltd. (i)	30,000	56,250	37,500	56,250
U.S. Gold & Silver Inc. (i)	9,469	21,249	11,717	21,249
Noble Mineral Exploration Inc. (ii)	33,750	58,125	22,500	58,125
Golden Dory Resources Corporation (iii)	22,500	60,000	60,000	60,000
GTA Resources and Mining Inc. (iv)	30,000	28,000	-	-
	<u>125,719</u>	<u>223,624</u>	<u>131,717</u>	<u>195,624</u>

- (i) During 2010 the Company entered into an option agreement with Spruce Ridge Resources Ltd. (TSX-V:SHL) (“Spruce Ridge”) pursuant to which Spruce Ridge could earn a 100% interest on eight claims comprising the Company’s Sops Arm property in Newfoundland by making a share payment to the Company of 125,000 shares (received) on signing and an additional 125,000 shares (received) of Spruce Ridge and by spending \$25,000 in exploration over a two year period (satisfied). The Company would retain a 2% NSR on the property as well as a 100% interest in the base metal potential on the Sops Arm property. The Spruce Ridge shares are valued at the March 31, 2013 closing price of \$0.12 per common share (December 31, 2012 - \$0.15). The U.S. Gold & Silver Inc. (TSX:USA) were received from Spruce Ridge originally as RX Gold & Silver shares (which later merged with U.S. Gold & Silver Inc.) as a dividend in kind based on the Company’s pro-rata ownership of Spruce Ridge and are valued at the March 31, 2013 closing price of \$1.39 per common share (December 31, 2012 - \$1.72).
- (ii) During the 2011 fiscal year, the Company sold its interest in 10 mining claim blocks totaling 132 claim units in the Lucas, Duff, and Tully townships to Noble Mineral Exploration Inc. (“Noble”) (TSX-V:NOB) (formerly Ring of Fire Resources Inc.). Under the agreement, Noble has agreed to pay the Company a total of 750,000 shares, 375,000 issuable on signing (received) and 375,000 issuable on or before June 1, 2012 (received) and \$50,000 in cash, \$25,000 payable on signing (received) and \$25,000 on or before June 1, 2012 (received). In addition, the Company will retain a 2% Net Smelter Return Royalty (“NSR”) or a 10% Net Profits Interest (“NPI”) at the Company’s election with Noble having the right to buy back 1% of the NSR or 5% of the NPI at a price of \$1 million. The Noble shares are traded on the TSX-V exchange under the symbol “NOB” and are valued at the March 31, 2013 closing price of \$0.045 per common share (December 31, 2012 - \$0.03).
- (iii) The shares of Golden Dory are valued at the March 31, 2013 closing price of \$0.015 (December 31, 2012 - \$0.04). See note 6(e) for further details on the nature of the agreement that resulted in the receipt of the shares by the Company.
- (iv) During the period ended March 31, 2013, the Company announced that it has entered into an Option/Joint Venture agreement with GTA Resources (“GTA”) (TSX-V:GTA) in which GTA can earn a 51% to 70% interest in the Company’s Squid East property in the Matson Creek area of Yukon. To earn an initial 51% interest, GTA must make cash payments of \$60,000 over three years (\$20,000 due upon regulatory approval (received)), issue a total of 2,000,000 GTA shares over three years (200,000 due upon regulatory approval (received)) and incur work expenditures of \$2,000,000 over three years (\$500,000 firm including a minimum 400 meters of drilling by 1st anniversary). The Company will be the operator during the earn-in period. Once a 51% interest is earned by GTA, either a 51/49 joint venture will be formed, or GTA may elect to earn an additional 19% interest to bring its total property interest to 70%. The terms to increase its interest from 51% to 70% include payments of \$210,000 and 400,000 GTA shares within 120 days of the 3rd anniversary date and incurring an additional \$1,000,000 in exploration expenditures by the 5th anniversary. GTA would assume operatorship once it had earned a 51% interest. The shares are valued at the March 31, 2013 closing price of \$0.15 per common share.

6. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised as follows:

Three Months Ended March 31, 2013:

	Opening	Additions	Abandonment/ Recoveries	Closing
Exploration and evaluation activities	\$ 5,661,550	\$ 339,948	(218,661)	\$ 5,782,837
Acquisition costs and staking cost of properties	904,536	1,516	(1,036)	905,016
TOTAL	\$ <u>6,566,086</u>	\$ <u>341,464</u>	\$ <u>(219,697)</u>	\$ <u>6,687,853</u>

Dog Paw Gold (a)	\$ 1,298,322	\$ 5,388	\$ -	\$ 1,303,710
Wicks Lake and Panama Lake (b)	97,487		(67,480)	30,007
Sheffield Lake (c)	-	-	-	-
Tilt Cove (d)	450,694	3,591	-	454,285
Iron Horse (e)	121,783	1,014	-	122,797
Tillex (f)	-	2,975	(2,975)	-
Staghorn (g)	-	5,526	(5,526)	-
Ogden (h)	3,694,913	298,937	-	3,993,850
Other Properties (i)	902,887	24,033	(143,716)	783,204
TOTAL	\$ <u>6,566,086</u>	\$ <u>341,464</u>	\$ <u>(219,697)</u>	\$ <u>6,687,853</u>

Year Ended December 31, 2012:

	Opening	Additions	Abandonment/ Recoveries	Closing
Exploration and evaluation activities	\$ 6,318,946	\$ 1,390,603	(2,047,999)	\$5,661,550
Acquisition costs and staking cost of properties	1,038,154	141,777	(275,395)	904,536
TOTAL	\$ <u>7,357,100</u>	\$ <u>1,532,380</u>	\$ <u>(2,323,394)</u>	\$ <u>6,566,086</u>

Dog Paw Gold (a)	\$ 1,061,170	\$ 237,152	\$ -	\$ 1,298,322
Wicks Lake and Panama Lake (b)	95,350	2,137	-	97,487
Sheffield Lake (c)	43,307	-	(43,307)	-
Tilt Cove (d)	425,211	25,483	-	450,694
Iron Horse (e)	165,827	15,956	(60,000)	121,783
Tillex (f)	718,457	9,979	(728,436)	-
Staghorn (g)	1,214,321	56,854	(1,271,175)	-
Ogden (h)	3,137,282	557,631	-	3,694,913
Other Properties (i)	496,175	627,188	(220,476)	902,887
TOTAL	\$ <u>7,357,100</u>	\$ <u>1,532,380</u>	\$ <u>(2,323,394)</u>	\$ <u>6,566,086</u>

a. Dog Paw Gold Property

In 2007, the Company acquired an option on the Dog Paw Gold project which is located approximately 40 km east of Kenora, Ontario and consists of 23 claims totaling 269 units. The Company entered into an option agreement with Endurance Gold Corp. whereby under the Initial Option the Company can earn a 70% interest in the property by making share payments totaling 400,000 shares (completed in 2008) and completing work commitments of \$200,000 on the property. The Company exercised a Second Option to earn a further 5% in the property by issuing a further 50,000 common shares (completed in 2008) and spent an additional \$250,000 on the property (completed). The Company has now earned a 75% interest and a joint venture has been formed on a 75% (the Company) and 25% (Endurance Gold Corp.) basis. During the 2010 fiscal period, the Company recovered \$50,000 in expenditures from Endurance Gold Corp. for their share of the joint venture expenditures. This recovery reduced the carrying amount of deferred exploration expenditures.

b. Wicks Lake and Panama Lake

The Panama Lake gold property is located in the southern portion of the Birch-Uchi Lake Greenstone belt in Northwestern Ontario and consists of 2 claims totaling 24 units. The Wicks Lake gold property is located approximately 1.5 km south of the Dog Paw Gold property and consists of 1 claim totaling 11 units.

The properties were purchased from Stares Contracting Corp., (a company related by common directorship) in 2007, subject to a 2% NSR royalty. Consideration for the acquisition was \$20,000 cash and 150,000 shares (both paid and issued in 2007).

c. Sheffield Lake

The Sheffield Lake project consists of 12 claims located approximately 30 km northeast of Deer Lake, Newfoundland. As a result of no planned exploration on the project, the Company wrote off \$43,307 in capitalized exploration and evaluation expenditures in the 2012 fiscal year.

d. Tilt Cove

During 2008, the Company acquired by staking and option agreement a land package totaling 56 claim units, in four separate blocks, covering portions of the Betts Cove Ophiolite Suite on the Baie Verte Peninsula, Newfoundland. Three of the blocks were staked by the Company, while rights to the fourth were obtained through the execution of an option agreement (“Option Agreement”) with an arm’s length prospector. Pursuant to the Option Agreement, the Company has the option to earn a 100% interest in the claims forming the fourth block by making staged cash payments totaling \$67,500 and issuing 220,000 shares to the optionor over three years. On production, the optioned claim block is subject to a 2% net smelter return in favor of the optionor, subject in turn to a 1% buyback right in favor of the Company at the cost of \$1,250,000.

The Company issued 40,000 common shares to the optionor, on June 11, 2008, upon signing of the Option Agreement. During the year ended December 31, 2009, the Company issued 60,000 common shares to the optionor pursuant to the first anniversary of the agreement. Also, during 2009 the Company amended the agreement to reduce the first anniversary cash payment from \$17,500 to \$10,000 (paid) and then add a third anniversary cash payment of \$12,500 and 40,000 shares. During the 2010 fiscal year, the Company issued 120,000 common shares and made a second amendment to the option agreement’s second anniversary cash payment from \$40,000 to \$10,000 (paid) on or before June 2, 2010 and a further payment of \$10,000 (paid) and \$20,000 worth of the Company’s shares (166,000 shares) (paid) on or before September 2, 2010.

During the year ended December 31, 2011, the Company announced that it had successfully negotiated a Net Smelter Royalty (“NSR”) agreement with Rambler Metals and Mining PLC (“Rambler”) to process surface material located at the East Mine Dump on the Tilt Cove property. The Company will be paid a Net Smelter Return, or NSR, on any gold produced from this material. The agreement provides for payments of annual advanced royalties of \$100,000 if the material has not been processed in the first year and Rambler wish to keep the agreement in good standing. During the 2011 fiscal year, the Company received its first NSR royalty under the agreement in the amount of \$173,372 (10% of \$1,733,721). Of this amount, the Company also paid a \$34,674 amount owing to the optionor of the property to satisfy the underlying 2% NSR. Net proceeds in the

amount of \$138,698 were credited against the capitalized costs on the property. No production has occurred during the year ended December 31, 2012 or during the three month period ended March 31, 2013.

e. Iron Horse (formerly Gabbro Lake)

The Iron Horse project consists of 211 claims located approximately 120 km Northeast of Labrador City, Labrador.

During 2008, the Company entered into a formal joint venture agreement with Golden Dory Resources for the Iron Horse Project (the "Property"). Under the terms of the agreement the Company and Golden Dory Resources formed the joint venture on a 50:50 basis with the Company being the primary operator. During the year ended December 31, 2011, the Company reduced the carrying cost of the Property by \$56,721 as a result of cost recoveries from Golden Dory under the JV agreement.

During the year ended December 31, 2012, the Company announced that it had reached an agreement subject to TSX Venture Exchange approval whereby Golden Dory can increase its ownership interest from 50% to 70%. Under the terms of the agreement, Golden Dory will become the operator and can increase its interest by 10% to 60% by issuing 1.5 million shares of Golden Dory to the Company (received) and by completing a \$500,000 exploration program in 2012, which is to include a minimum 1,200 metre diamond drill program. Golden Dory can increase its ownership interest by an additional 10% to 70% by issuing an additional 2.5 million Golden Dory shares to the Company and by providing an NI 43-101 compliant report by the fourth anniversary of the agreement. During the year ended December 31, 2012, Golden Dory successfully met the conditions to earn the initial 10% additional interest and holds a 60% interest in the Project.

During the period ended March 31, 2013, the Company signed a letter of intent to sell its remaining 30% interest in the Project to Golden Dory subject to entering into a definitive amending agreement and upon receipt of TSX Venture Exchange approval. The Company and Golden Dory have agreed to amend their existing Option and Joint Venture Agreement dated May 18, 2012 (the "JVOA") to provide for Golden Dory to accelerate its interest in the Property to 70% and then for Golden Dory to purchase the remaining 30% residual interest from the Company (the "Residual 30% Interest"). The JVOA will be amended to provide that Golden Dory will accelerate increasing its interest in the Property to 70% by issuing 2,500,000 common shares to the Company without having to comply with a previous term which required Golden Dory to complete a NI 43-101 report resulting in a minimum of 50 million tonnes of product. Upon Golden Dory acquiring the 70% interest in the Property, the royalty interest in the Property will be reduced to a 0.9% NSR. As part of the amended JVOA, Golden Dory will also purchase the Company's Residual 30% Interest by: a) issuing 15 million common shares to the Company; b) paying \$1 million to the Company upon completion of a bankable feasibility study on the Property; and c) issuing to the Company an additional 1% NSR on the Property. Upon Golden Dory acquiring all of the Company's interest in the Property, the Company will retain, in the aggregate, a 1.9% NSR in the Property. Upon completion of the abovementioned transactions, the Company will own 19,000,000 shares of Golden Dory, or approximately 15% of its total issued and outstanding, while Golden will have a 100% interest in the Iron Horse project. The amending agreement is expected to close in the subsequent period.

In addition, during the period ended March 31, 2013, the Company announced that it had entered into an agreement with Gold Royalties Corporation ("Gold Royalties") in which Gold Royalties will acquire a 1.0% royalty interest in the Iron Horse Project. The purchase price of \$1,000,000 is payable through the issuance of 1,333,333 common shares of Gold Royalties (the "Gold Royalties Shares") at a deemed price of \$0.75 per Gold Royalties Share (the "Share Consideration"). Closing of the transaction, is subject to certain conditions, including approval of the TSX Venture Exchange and closing of the transaction described above with Golden Dory. Upon closing of the Transaction, the Company would still retain a 0.9% royalty from the Iron Horse Project. The Company has agreed to a contractual escrow period whereby the Share Consideration will be subject to escrow with a 25% release every six (6) months from the date of closing of the Transaction. The common shares of Gold Royalties trade on the TSX Venture Exchange under the symbol "GRO".

f. Tillex

On March 6th, 2008, the Company entered into an option agreement with Kinross Gold Corporation (“Kinross”) on the Currie Bowman Property, located 54 kilometers east of Timmins, Ontario, whereby the Company can acquire 100% of the 60% participating interest currently held by Kinross: the remaining 40% interest is held by Selkirk Metals Holdings Corp. The option requires expenditures totaling \$250,000 over 2 years, with the first \$100,000 to be expended during the first year of the agreement (requirement met) and staged share payments totaling 750,000 shares (300,000 shares issued to date). Kinross retains a 1% NSR, of which 50% (or 0.5%) can be purchased the Company for \$500,000. The property consists of 134 units in 30 claims. During the 2010 fiscal year, the Company terminated its option with Kinross on the Currie Bowman property, and maintains the Tillex claims. As a result of no planned exploration on the project, the Company wrote off \$2,975 in capitalized exploration and evaluation expenditures during the three months ended March 31, 2013 (December 31, 2012 - \$728,436).

g. Staghorn

During 2008, the Company entered into an agreement with a group of prospectors to earn a 100% interest in a group of 76 claim units spread over 1,216 hectares in the Wood Lake area in west central Newfoundland. Terms of the option agreement include making a series of staged option payments totaling \$95,000 and issuing 250,000 shares to the optionors over three years. During 2008, the Company issued 50,000 common shares and during 2009, the Company issued 70,000 common shares. During the 2010 fiscal year, the Company issued 50,000 common shares to the optionors. The optionors will retain a 2% Net Smelter Royalty, 50% of which can be purchased for \$1,000,000. During the 2011 year, the Company reduced the carrying amount of the deferred exploration expenditures on the Staghorn project by \$100,000 as a result of the receipt of a non-repayable grant from the Province of Newfoundland. Also during the 2011 year, the Company paid \$44,000 and issued 50,000 shares to the optionors pursuant to the option agreement and now holds a 100% interest. During the year ended December 31, 2012, the Company determined that no further work would be conducted on the property and has written off \$5,526 in deferred exploration and evaluation expenditures during the three month period ended March 31, 2013 (December 31, 2012 - \$1,271,175). The Company is actively seeking a joint venture partner on the project.

h. Ogden

During 2008, the Company entered into an agreement with Goldcorp Canada Ltd. (“Goldcorp”) to jointly explore Goldcorp’s mining claims located in Ogden and Deloro Townships, located six kilometres south of Timmins, Ontario. The package consists of 84 patented and unpatented claims totaling approximately 1,184 hectares (the “Property”). The agreement allows for the Company to earn 50% of Goldcorp’s interest in the Property by funding total expenditures on the Property of \$3,100,000 over four years as follows: (i) \$400,000 in year one, (ii) \$700,000 in year two and (iii) \$1,000,000 in each of years three and four. The Company will also make cash and share payments to Goldcorp as follows: (i) \$40,000 cash and \$25,000 worth of common shares on signing (completed in 2008 and based on an average of the previous 20 trading days), (ii) \$35,000 cash and \$25,000 worth of common shares on the first anniversary (completed in 2009 and based on an average of the previous 20 trading days), (iii) \$35,000 cash and \$50,000 worth of common shares (based on an average of the previous 20 trading days) on the second anniversary (completed in 2010), (iv) \$100,000 worth of common shares on the third anniversary (based on an average of the previous 20 trading days) (completed in 2011), and (v) \$150,000 worth of common shares on the fourth anniversary (based on an average of the previous 20 trading days) (completed). Within six months of the Company’s vesting at 50% interest in the Property, Goldcorp has the option to buy back a 20% interest from the Company for a cash payment of up to \$310,000, expending \$4,100,000 on the Property within two years, and completing a feasibility study within three years.

The Company was the operator of the Property during the earn-in period and afterwards, provided it holds a 50% or greater interest in the Property. During the year ended December 31, 2012, the Company received notice from Goldcorp that Goldcorp does not intend to pursue its back-in right on the Ogden property and as a result, the Company and Goldcorp are in the process of finalizing a 50/50 joint venture agreement. If either party becomes diluted to a 10% interest, that interest will be converted into a 2% Net Smelter Return Royalty.

i. Other Properties

Included in Other Properties (located in Ontario, Newfoundland, and Yukon) are the Sops Arm North; Silver Pond; Cape Ray; Prospector's Pond; Yukon Property; Yellow Fox; Careless Cove; Jackson's Arm; Gryba; and Tally Pond projects. During the period ended March 31, 2013 the Company incurred \$13,122 (2012: \$58,945) in pre-acquisition exploration and evaluation costs which were included in expenses for the year. In addition, the Company wrote off NIL (2012: \$195,475) in capitalized exploration and evaluation during the period ended March 31, 2013 due to no further planned exploration on the Silver Pond, Cape Ray, Prospector's Pond, Yellow Fox, Careless Cove, and Tally Pond properties and recovered \$25,000 from the Government of Yukon in the form of a grant on the Yukon property in the 2012 fiscal year.

During the period ended March 31, 2013, the Company announced that it has entered into an Option/Joint Venture agreement with GTA Resources ("GTA") in which GTA can earn a 51% to 70% interest in the Company's Squid East property in the Matson Creek area of Yukon. The 82 claim property was initially staked by the Company in 2011 and the Company owns a 100% interest. To earn an initial 51% interest, GTA must make cash payments of \$60,000 over three years (\$20,000 due upon regulatory approval and now received), issue a total of 2,000,000 GTA shares over three years (200,000 due upon regulatory approval and now received) and incur work expenditures of \$2,000,000 over three years (\$500,000 firm including a minimum 400 meters of drilling by 1st anniversary). The Company will be the operator during the earn-in period. Once a 51% interest is earned by GTA, either a 51/49 joint venture will be formed, or GTA may elect to earn an additional 19% interest to bring its total property interest to 70%. The terms to increase its interest from 51% to 70% include payments of \$210,000 and 400,000 GTA shares within 120 days of the 3rd anniversary date and incurring an additional \$1,000,000 in exploration expenditures by the 5th anniversary. GTA would assume operatorship once it had earned a 51% interest. During the period ended March 31, 2013, the Company recovered \$5,303 in exploration costs incurred under the joint venture. These costs were recorded as a reduction to the deferred exploration and evaluation expenditures with the exception of the operator fee which was recorded in income during the period.

During the period ended March 31, 2013, the Company applied for a grant under the Mineral Incentive Program through the Government of Newfoundland and Labrador for exploration and evaluation work completed on its Jackson's Arm property. The amount of the grant was \$90,413 and the funds were received by the Company subsequent to March 31, 2013. The grant was recorded as a reduction of deferred exploration and evaluation expenditures in Other Properties.

7. CAPITAL AND RESERVES

i. Share Capital

At March 31, 2013, the authorized share capital comprised an unlimited number of common shares and an unlimited number of preferred shares.

To date, no preferred shares have been issued.

ii. Share Purchase Warrants

Details of share purchase warrant transactions for the period are as follows:

	# of Warrants	Amount \$	Wtd. Avg. Ex. Price	Expiry
Balance, December 31, 2011	16,866,173	2,489,472		
-Expired during the year	(4,481,153)	(304,370)	\$0.25	
Balance, December 31, 2012	12,385,020	2,185,202		
-Expired during the period	(1,900,520)	(362,675)	\$0.28	
Balance, March 31, 2013	10,484,500	1,822,527		

For purposes of the warrants granted, the fair value of each warrant was estimated on the date of grant using an option pricing model, using the assumptions noted in note 7(iii).

Pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table summarizes information about the warrants outstanding at March 31, 2013 and December 31, 2012:

Expiry Dates	Exercise Price	March 31, 2013 # of Warrants	December 31, 2012 # of Warrants
February 2, 2014	\$0.45	10,484,500	10,484,500
February 2, 2013	\$0.28	-	1,900,520
		<u>10,484,500</u>	<u>16,866,173</u>

During the period ended March 31, 2013, the Company received TSX Venture Exchange approval to extend the term of 10,484,500 share purchase warrants initially set to expire on February 2, 2013 by 12 months. The warrants were issued as part of a private placement completed by the Company on February 4, 2011. Each warrant is exercisable into one common share of the Company at a price of \$0.45 per share. The new expiry date of the warrants is February 2, 2014. All other terms of the warrants will remain unchanged.

In addition, during the period ended March 31, 2013, 1,900,520 warrants exercisable at a price of \$0.28 expired unexercised.

iii. Stock Options

Details of stock option transactions for the period ended March 31, 2013 and the year ended December 31, 2012 are as follows:

	# of Options	Wtd. Avg. Ex. Price
Balance, December 31, 2011	7,540,000	\$0.16
Granted during the period	300,000	\$0.13
Cancelled during the period	(325,000)	\$0.10
Balance, December 31, 2012	7,515,000	\$0.16
Granted during the period	100,000	\$0.10
Balance, March 31, 2013	<u>7,615,000</u>	<u>\$0.16</u>

The following table summarizes information about the options outstanding at March 31, 2013 and December 31, 2012:

Expiry Dates	Exercise Price	March 31, 2013 # of Options	December 31, 2012 # of Options
August 2014	\$0.15	1,380,000	1,380,000
February 2015	\$0.16	1,260,000	1,260,000
May 2015	\$0.10	100,000	100,000
March 2016	\$0.235	1,475,000	1,475,000
August 2016	\$0.13	3,000,000	3,000,000
July 2017	\$0.13	300,000	300,000
March 2015	\$0.10	100,000	-
		<u>7,615,000</u>	<u>7,515,000</u>

The Company applies the fair value method of accounting for share-based payments using an option pricing model.

Stock options granted to directors, officers and employees vested during the period ended March 31, 2013 are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
July 5, 2012	45,166	\$0.13	July 5, 2017
March 1, 2013	17,010	\$0.10	March 1, 2015
	<u>62,176</u>		

The Company has calculated \$2,928 as share-based payments expense and under capital stock as reserves for the 62,176 options vesting to directors, officers, employees and consultants during the period:

- For the 300,000 options granted on July 5, 2012, the fair value of each vested option is \$0.055 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 169%, a risk-free interest rate of 1.3% and an expected life of approximately 5 years.
- For the 100,000 options granted on March 1, 2013, the fair value of each vested option is \$0.026 and was estimated on the grant date with the following assumptions: dividend yield of 0%, expected volatility of 147%, a risk-free interest rate of 1.01% and an expected life of approximately 2 years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

iv. **Share Issuance – Mineral Property Option Agreements**

The Company has issued the following shares in acquiring options on mineral properties at March 31, 2103 and December 31, 2012

	Number	Amount
<i>Issued in 2013</i>	-	\$ -
<i>Issued in 2012</i>		
Ogden – May 24, 2012	<u>2,133,712</u>	<u>\$ 117,354</u>

v. **Shares held in escrow**

Pursuant to the requirements of the Exchange on closing of the reverse takeover transaction with North American Uranium Corp. in December 2007, 578,587 common shares remain subject to a surplus escrow agreement.

8. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties during the period ended March 31, 2013 and March 31, 2012:

Payee	Description of Relationship	Nature of Transaction	Mar. 31, 2013 Amount (\$)	Mar. 31, 2012 Amount (\$)
Stares Prospecting Ltd.	Company controlled by Alexander Stares, Director and Officer	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures	40,890	101,198
Eastrock Exploration/ Wayne Reid	Company controlled by Wayne Reid, Director and Officer	Payments for geological consulting services, and reimbursement of expenses capitalized in deferred development expenditures	9,051	49,024
Nick Tsimidis	Director and Officer	Payments for consulting fees and reimbursement of expenses	6,780	6,780

The purchases from/fees charged by related parties are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the period ended March 31, 2013, the Company announced that it has entered into an Option/Joint Venture agreement with GTA Resources ("GTA") (see note 6(i)). Wayne Reid, Director and Officer of the Company is also the Chief Executive Officer of GTA.

Included in accounts payable and accrued liabilities at December 31, 2012 is:

- \$18,198 payable to Stares Prospecting Ltd., (2012: \$20,150);
- \$4,346 payable to Eastrock Exploration Inc., (2012: \$14,221);
- \$6,780 payable to Nick Tsimidis, (2012: \$6,780)

Key management personnel remuneration during the period included \$94,418 (March 31, 2012 - \$178,180) in salaries and benefits and \$2,484 (March 31, 2012 - \$36,585) in share-based payments.

9. STAKING SECURITY DEPOSITS

Staking security deposits of \$15,580 (December 31, 2012 – \$22,281) represents security amounts paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These staking security deposits are refundable to the company upon submission by the company of a report covering the first year work requirements which meets the requirements of the Government of Newfoundland and Labrador.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2013 \$	December 31, 2012 \$
Shares issued for option on mineral properties	-	117,354
Shares received for option on mineral properties	28,000	

11. LOSS PER SHARE

Basic loss per share figures are calculated using the weighted average number of common shares outstanding during the period.

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations and therefore fully-diluted loss per share is not presented.

12. COMMITMENTS

The Company leases an automobile which has an expiry date of August 2013. The future minimum annual fiscal lease payments over the term of the leases are as follows:

2013	\$ 3,612
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The Company has entered into a lease agreement for its office premises in Thunder Bay, Ontario expiring September 15, 2014 for \$1,219 per month.

The Company also has commitments as described in note 6 related to exploration and evaluation assets.

During the period ended March 31, 2013, the Company hired King James Capital Corp. to provide investor relations and financial public relations services in exchange for a fee of \$2,000 per month for a term of twelve months. In addition, the Company granted to King James Capital Corp. 100,000 stock options at an exercise price of \$0.10 for a term of two years with one-quarter of the options granted vesting every three months following the date of grant.