Financial Statements of

YORBEAU RESOURCES INC.

Years ended December 31, 2012 and 2011

YORBEAU RESOURCES INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Yorbeau Resources Inc.

We have audited the accompanying financial statements of Yorbeau Resources Inc., which comprise the statements of financial position as at December 31, 2012 and December 31, 2011, the statements of comprehensive loss, cash flows and changes in equity for the years then ended, and notes, comprising 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, the Company's going concern depends on its ability to raise financing in order to realize its assets and discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP*

March 1, 2013

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A115894

YORBEAU RESOURCES INC.

Statements of Financial Position

December 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents (note 5)	$ 60,538	$ 1,906,781
Current tax and other receivables (note 6)	161,654	1,066,120
Prepaid expenses	50,814	63,499
	273,006	3,036,400
Non-current assets:		
Mining properties and exploration and evaluation assets (note 7)	18,262,292	16,397,252
	$ 18,535,298	$ 19,433,652
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 528,679	$ 451,787
Liability related to flow-through shares	–	256,288
	528,679	708,075
Shareholders' equity		
Share capital and warrants (note 9)	42,016,618	42,012,118
Contributed surplus	2,158,866	1,860,773
Deficit	(26,168,865)	(25,147,314)
	18,006,619	18,725,577
Commitments and contingencies (note 12)		
	$ 18,535,298	$ 19,433,652

See accompanying notes to financial statements.

On behalf of the Board:

______(s) David Crevier_______ Director

______(s) Frank Di Tomaso____ Director

YORBEAU RESOURCES INC.

Statements of Comprehensive Loss

Years ended December 31, 2012 and 2011

	2012	2011
Expenses:		
Administrative charges	$ 969,727	$ 996,556
Share-based payments	299,926	139,573
Property maintenance	4,798	8,083
	1,274,451	1,144,212
Interest income	3,515	6,170
Other revenue related to flow-through shares	256,288	–
Loss and comprehensive loss	$ (1,014,648)	$ (1,138,042)
Net loss per share, basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	174,383,151	164,251,800

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Cash Flows

Years ended December 31, 2012 and 2011

		2012		2011
Cash provided by (used in):				
Operating:				
Loss and comprehensive loss	$	(1,014,648)	$	(1,138,042)
Adjustments for:				
Share-based payments		299,926		139,573
Other revenue related to flow-through shares		(256,288)		–
Interest income		(3,515)		(6,170)
Working capital adjustments:				
Change in current tax and other receivables		(23,377)		(46,772)
Change in prepaid expenses		12,685		(7,443)
Change in accounts payable and accrued liabilities		76,892		35,381
Interest received		3,515		6,170
		(904,810)		(1,017,303)
Investing:				
Additions to mining properties and exploration and evaluation assets		(1,999,619)		(2,375,011)
Credit on mining duties and resource tax credits		1,062,422		568,078
		(937,197)		(1,806,933)
Financing:				
Proceeds from issuance of shares		2,667		2,440,626
Share issue expenses		(6,903)		(312,471)
		(4,236)		2,128,155
Net decrease in cash and cash equivalents		(1,846,243)		(696,081)
Cash and cash equivalents, beginning of year		1,906,781		2,602,862
Cash and cash equivalents, end of year	$	60,538	$	1,906,781
Additional information concerning amounts paid during the year:				
Non-cash financing activity:				
Warrants with respect to share issuance expenses	$	–	$	13,023

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Equity

Years ended December 31, 2012 and 2011

	2012	2011
Share capital and warrants:		
Balance, beginning of year	$ 42,012,118	$ 39,827,780
Issuance of common shares	4,500	2,184,338
Balance, end of year	42,016,618	42,012,118
Contributed surplus:		
Balance, beginning of year	1,860,773	1,708,177
Share-based payments with respect to employees	283,901	119,900
Share-based payments with respect to investor relations	16,025	19,673
Cost of warrants with respect to share issuance expenses	–	13,023
Stock options exercised	(1,833)	–
Balance, end of year	2,158,866	1,860,773
Deficit:		
Balance, beginning of year	(25,147,314)	(23,683,778)
Loss and comprehensive loss	(1,014,648)	(1,138,042)
Share issue expenses	(6,903)	(325,494)
Balance, end of year	(26,168,865)	(25,147,314)
Total shareholders' equity, end of year	$ 18,006,619	$ 18,725,577

See accompanying notes to financial statements.

1. Reporting entity and going concern:

Yorbeau Resources Inc. (“Yorbeau” or the “Company”) is a company domiciled in Canada and incorporated under the laws of the Province of Québec. The address of the Company’s registered office is 110 Boulevard Crémazie, Suite 430, Montréal, Québec.

The Company is involved in the exploration of mineral properties in the Province of Québec. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its commitments and liabilities in the ordinary course of business.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Operating activities have not yet generated any revenue. The ability of the Company to meet its commitments as they become payable, including the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mining properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary to the carrying values of assets and liabilities if the going concern basis of accounting was not appropriate.

2. Statement of compliance:

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issue by the Board of Directors as at March 1, 2013.

3. Basis of preparation:

(a) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 4 and consists in the determination of capitalizable costs as exploration and evaluation assets as well as the recognition and measurement of refundable credit on mining duties.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 4 and 7 - recoverability of mining properties and exploration and evaluation assets;
- Notes 4 and 6 - assessment of refundable credit on mining duties and tax credit related to resources;
- Notes 4 and 10 - estimation of the fair value of share-based payments;
- Notes 4 and 11 - recoverability of income tax assets.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments:

Non-derivative financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classifies its cash and cash equivalents and other receivables as loans and receivables.

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less.

Financial liabilities at amortized cost:

The Company classifies its trade and accrued payables as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(b) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining permits and claims which include the rights to explore for mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment, and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

4. Significant accounting policies (continued):

(c) Impairment:

Financial assets:

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets:

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

4. Significant accounting policies (continued):

(c) Impairment (continued):

Non-financial assets (continued):

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

(d) Share capital:

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase to deficit, net of any tax effects.

Flow-through shares:

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through share issues.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

The Company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

When tax deductions are being renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reduced to zero, with a corresponding income recorded.

4. Significant accounting policies (continued):

(d) Share capital (continued):

Flow-through shares (continued):

When tax deductions are being renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced to zero, with a corresponding income recorded.

Warrants:

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

(e) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

(f) Leases:

All leases are classified as operating leases and as such the leased assets are not recognized in the Company's statement of financial position.

Payments made under operating leases are recognized either through the statement of comprehensive loss or through exploration and evaluation assets, depending its nature, on a straight-line basis over the term of the lease.

4. Significant accounting policies (continued):

(g) Finance income and finance costs:

Interest income is recognized as it accrues, using the effective interest method.

Interests received and interests paid are classified under operating activities in the statement of changes in cash flows.

(h) Refundable tax credit related to resources and refundable credit on mining duties:

The Company is eligible for a refundable resource tax credit on Canadian Exploration Expenditures, financed by treasury funds, other than flow-through shares financings, of up to 35%. This credit is recorded as a government grant against mining properties and exploration and evaluation assets.

The Company is also entitled to a refundable credit on mining duties under the Québec *Mining Duties Act*. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future. Accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Provided management's current intention is to sell the mining properties in the future, the credit on mining duties is recorded as a government grant against mining properties and exploration and evaluation assets. The Company records the credit at the rate of 16% (2011 - 15%) applicable on 50% of the eligible expense.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits.

4. Significant accounting policies (continued):

(i) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in valuation allowance) that should be recorded in equity. For this purpose, the accounting policy of the Company is to allocate changes in the recognition of deferred tax assets based on their expected maturity date.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

4. Significant accounting policies (continued):

(j) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

(k) Segment reporting:

The Company determined that it only has one operating segment, i.e. mining exploration.

(l) New standards and interpretations not yet adopted:

(i) IFRS 9, *Financial instruments:*

Effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The extent of the impact of adoption of this new standard has not yet been determined.

4. Significant accounting policies (continued):

(l) New standards and interpretations not yet adopted (continued):

(ii) IFRS 13, *Fair Value Measurement*:

In May 2011, the International Accounting Standards Board ("IASB") published IFRS 13, *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

IFRS 13 explains how to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its financial statements for years beginning on or after January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

5. Cash and cash equivalents:

	2012	2011
Bank balances	$ 60,538	$ 307,869
Call deposits	–	1,598,912
Cash and cash equivalents	$ 60,538	$ 1,906,781

6. Current tax and other receivables:

		2012		2011
Sales taxes	$	97,696	$	75,494
Tax credits for resources		50,000		780,782
Exploration credits on mining duties		7,000		204,061
Others		6,958		5,783
Current tax and other receivables	$	161,654	$	1,066,120

7. Mining properties and exploration and evaluation assets:

Mining properties and exploration and evaluation assets, which relate to the Rouyn property as well as the Beschefer property, are as follows:

		2012				2011		
		Rouyn		Beschefer		Rouyn		Beschefer
Balance, beginning of year	$	16,325,510	$	71,742	$	14,897,555	$	–
Additions		1,999,619		–		2,258,319		116,692
Mining and resource tax credits		(134,579)		–		(830,364)		(44,950)
Balance, end of year	$	18,190,550	$	71,742	$	16,325,510	$	71,742

(a) Rouyn Property:

Yorbeau owns 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel Townships, Québec. The Rouyn property is composed of one mining lease, one mining concession and a group of 90 mining claims. Twelve of these mining claims are subject to a $50,000 per annum royalty payable to Société Minière Alta inc., a company controlled by a director of Yorbeau.

7. Mining properties and exploration and evaluation assets (continued):

(b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 staked mining claims in consideration of the issuance to Explorers of 350,000 Class A common shares of Yorbeau. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in the property in consideration of either a cash payment of $500,000 or the issuance to Explorers of 1,800,000 additional Class A common shares of Yorbeau, at the option of the Explorers. Yorbeau also owns a 100% interest in 120 staked claims located in the Beschefer Township. The 257 staked claims which form the Beschefer property were converted in July 2012 into an aggregate of 115 map designated claims. Yorbeau owns a 100% interest in 50 of these claims and an 80% interest in the remaining 65 claims.

(c) Ellison property:

In 2002, Yorbeau entered into an agreement with Agnico-Eagle Mines Limited ("Agnico"), pursuant to which Yorbeau transferred to Agnico all of its interests in the Ellison property in consideration of a cash payment of $1,000,000 of which $500,000 was received on closing and $500,000 is receivable upon commencement of commercial production. Yorbeau also retains a 2.5% net smelter return royalty when the current gold price as established by the London Bullion Market Association is over US$425 per ounce.

8. Accounts payable and accrued liabilities:

	2012	2011
Accounts payable	$ 403,615	$ 299,893
Accrued liabilities	125,064	151,894
Accounts payable and accrued liabilities	$ 528,679	$ 451,787

9. Share capital and warrants:

Authorized:

An unlimited number of Class A common shares, without nominal or par value

Shares fluctuated as follows during the year:

		2012		2011
	Number of shares	$	Number of shares	$
Balance, beginning of year	174,368,540	42,012,118	163,996,040	39,827,780
Shares issued:				
Private placement:				
Common	–	–	3,050,000	610,000
Flow-through	–	–	7,322,500	1,574,338
Exercised stock options	16,666	4,500	–	–
Balance, end of year	174,385,206	42,016,618	174,368,540	42,012,118

In February 2012, stock options were exercised that required the Company to issue 16,666 common shares at $0.16 per share for total proceeds of $2,667. Furthermore, once the options were exercised, the original cost of $1,833 that was accounted for in contributed surplus at the grant date was removed and accounted for in share capital.

In December 2011, the Company completed a private placement financing and issued 3,050,000 common shares at $0.20 per share as well as 7,322,500 flow-through shares at $0.25 per share for total gross proceeds of $2,440,626. In connection with this private placement, the Company issued 387,150 brokers' warrants exercisable at $0.20 until December 20, 2012. The Company accounted for these compensation warrants by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was $0.034 per warrant for a total value of $13,023.

9. Share capital and warrants (continued):

The number of share purchase outstanding warrants fluctuated as follows during the year:

	2012	2011
Balance, beginning of year	6,909,366	7,003,266
Warrants issued:		
Finder's fee	–	387,150
With respect to investor relations	–	200,000
Warrants expired	(6,709,366)	(681,050)
Balance, end of year	200,000	6,909,366

As at December 31, 2012, the following share purchase warrants were outstanding:

– 200,000 warrants at $0.25 per warrant expiring March 31, 2013 (relating to a consulting agreement with a public relations firm).

All stock options and share purchase warrants outstanding at the end of the year could potentially dilute basic earnings per share in the future.

10. Stock option plan:

As at December 31, 2012, 13,983,334 Class A common shares were reserved for future issuances under the stock option plan for the benefit of the directors, employees and service providers of the Company. Options are issued at an exercise price corresponding to the latest closing price of the Class A common shares on the Toronto Stock Exchange prior to the grant of the option. They vest over a period of three years and expire after a period of five years.

On February 3, 2012, the Company granted 2,500,000 stock options to directors, employees and service providers, exercisable at $0.27 per share. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of stock options granted was $0.17 per option.

On May 2, 2012, the Company granted 200,000 stock options to a service provider exercisable at $0.27 per share. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of stock options granted was $0.20 per option.

10. Share option plan (continued):

The following weighted average assumptions were used in these calculations:

	2012	2011
Risk-free interest rate	1.36%, 1.58%	2.74%
Expected life	5 years	5 years
Expected volatility	77.45%, 96.31%	99.42%
Expected dividend	0.00%	0.00%

The number of stock options outstanding fluctuated as follows during the year:

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	5,400,000	$ 0.24	5,730,000	$ 0.25
Expired	(2,750,000)	0.30	(380,000)	0.31
Granted	2,700,000	0.27	50,000	0.24
Exercised	(16,666)	0.16	–	–
Balance, end of year	5,333,334	$ 0.23	5,400,000	$ 0.24
Exercisable options, end of year	2,310,001	$ 0.18	4,193,333	$ 0.20

As at December 31, 2012, the following options were outstanding:

- 1,713,334 options at $0.16 per share until June 9, 2014
- 250,000 options at $0.28 per share until March 11, 2015
- 620,000 options at $0.25 per share until November 3, 2015
- 50,000 options at $0.24 per share until February 24, 2016
- 2,500,000 options at $0.27 per share until February 2, 2017
- 200,000 options at $0.27 per share until May 1, 2017

11. Income tax:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.9% (2011 - 28.4%) as a result of the following:

	2012	2011
Loss and comprehensive loss	$ (1,014,648)	$ (1,138,042)
Computed "expected" tax recovery	(272,940)	(323,204)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payments	80,680	34,052
Income tax at future rate	–	15,272
Change in unrecognized deferred income tax assets	(206,837)	–
Current year losses not recognized	–	273,880
Deferred tax arising from flow-through shares	492,438	–
Non taxable other revenue related to flow-through shares	(68,941)	–
Other	(24,400)	–
Total income tax recovery	$ –	$ –

As at December 31, 2012, the Company has exploration expenditures and other costs of approximately $23,007,000, which are being carried forward for income tax purposes indefinitely and which may be deducted from future taxable income. The Company also has $9,564,000 in tax losses available to reduce future years' income. These tax losses, for which the tax effect has not been recorded in the financial statements, expire as follows:

2014	$ 480,000
2015	525,000
2026	744,000
2027	977,000
2028	1,354,000
2029	1,591,000
2030	1,324,000
2031	1,326,000
2032	1,243,000
Total	$ 9,564,000

11. Income tax (continued):

Deferred tax assets have not been recognized in respect of the following items:

	2012	2011
Operating losses	$ 2,580,000	$ 2,252,000
Share issuance costs	104,000	166,000
Equipment	132,000	140,000
Mining properties and exploration and evaluation assets	1,237,000	1,698,000
Unrecognized deferred tax assets	$ 4,053,000	$ 4,256,000

12. Commitments and contingencies:

The Company has lease commitments for premises, trailers and a surface vehicle. Minimum lease payments are as follows:

	2012	2011
One year and less	$ 57,600	$ 72,836
More than one and less than five years	–	21,441
Total	$ 57,600	$ 94,277

The lease contracts are standard industry contracts. The lease for the premises is primarily based on square footage. Lease payments for the surface vehicle and trailers are based primarily on the cost of the units plus related financing costs.

13. Related party transactions:

Transactions with key management personnel

The compensation of directors and executive officers of the Company comprises:

	2012	2011
Short-term employee benefits	$ 100,003	$ 100,003
Share-based payments	189,729	25,781
Total	$ 289,732	$ 125,784

13. Related party transactions (continued):

Other related party transactions

During the year, a law firm, in which a director and officer of the Company is a partner, rendered legal and consulting services in the amount of $264,090 (2011 - $287,930), charged to administrative charges as well as with respect to financing in the amount of $6,360 (2011 - $92,475) charges to share issue expenses, totaling an aggregate amount of $270,450 (2011 - $380,405). As at December 31, 2012, the accounts payable include $134,681 (2011 - $152,874) owed to this legal firm.

Administrative charges in the statement of comprehensive loss include an amount of $50,000 (2011 - $50,000) paid as a royalty to Société Minière Alta inc., of which a director of Yorbeau is the sole shareholder (Note 7 (a)).

In addition, consulting services were charged to Yorbeau in the amount of $24,843 (2011 - $91,005) by a company, in which a director of Yorbeau is the president as well as the controlling shareholder. This amount was charged to administrative charges. As at December 31, 2012, the accounts payable include nil (2011 - $15,045) payable to this company.

Furthermore, mining properties include consulting fees in the amount of $57,500 (2011 - $33,600) charged by a director. As at December 31, 2012, the accounts payable include $5,749 (2011 - nil) payable to this director.

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

14. Subsequent events:

In January and February 2013, a director of the Company has made advances totalling $250,000 to the Company. The loans bear interest at a rate of 10% per annum and are repayable on demand.