



Adex Mining Inc.
Consolidated Financial Statements
December 31, 2012

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Adex Mining Inc. (the "Company" or "Adex") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The consolidated financial statements have been audited by PricewaterhouseCoopers LLC. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED this 11th day of April, 2013.

ADEX MINING INC.

Per: (signed) "Yan Kim Po"
Name: Yan Kim Po
Title: Chief Executive Officer

Per: (signed) "William C. Burton"
Name: William C. Burton
Title: Chief Financial Officer



April 11, 2013

Independent Auditor's Report

To the Shareholders of Adex Mining Inc.

We have audited the accompanying consolidated financial statements of Adex Mining Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Adex Mining Inc. as at December 31, 2012 and December 31, 2011 and their financial performance and their cash flows for the years then ended in accordance with IFRS.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

ADEX Mining Inc.
Consolidated Statements of Financial Position

As at (In Canadian dollars)	December 31 2012 \$	December 31 2011 \$
Assets		
Current		
Cash and cash equivalents	2,716,664	5,196,045
HST & other receivables	208,490	420,002
Prepaid expenses	142,298	222,043
Interest receivable	39,339	37,140
	3,106,791	5,875,230
Non-current		
Exploration and evaluation (note 5)	10,906,129	10,332,831
Reclamation bonds (note 4)	930,013	878,903
Tailings impoundment facility (note 5)	663,468	644,523
Property, plant & equipment, net (note 6)	83,164	80,573
Equipment under finance lease (note 7)	-	9,193
Total Assets	15,689,565	17,821,253
Liabilities		
Current		
Accounts payable & accruals (note 10)	345,241	615,654
Related party payable (note 10)	17,034	186,830
Income tax payable	33,806	111,653
Finance lease obligation	-	17,400
	396,081	931,537
Non-current		
Income tax payable	-	28,679
Total Liabilities	396,081	960,216
Shareholders' equity (note 8)		
Share capital	51,169,336	51,169,336
Contributed surplus	2,770,582	2,593,782
Deficit	(38,646,434)	(36,902,080)
	15,293,484	16,861,037
Total liabilities and shareholders' equity	15,689,565	17,821,253

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

Nature of operations and liquidity - note 1
Commitments and contingencies - note 11

Approved on behalf of the board:

(signed) "Norm Betts"
Director

(signed) "Yan Kim Po"
Director

ADEX Mining Inc.
Consolidated Statements of Loss and Comprehensive Loss

For the year ended (In Canadian dollars)	December 31	
	2012	2011
	\$	\$
Expenses		
Administrative and general (notes 9 and 10)	1,275,623	2,086,525
Mineral property expenses	352,915	430,244
Stock-based compensation (note 8)	176,800	229,846
Depreciation	2,122	1,027
Total expenses	1,807,460	2,747,642
Interest earned on funds on deposit	63,106	42,389
Loss before income taxes	1,744,354	2,705,253
Income tax expense	-	71,332
Net loss and comprehensive loss	1,744,354	2,776,585
Weighted average number of shares outstanding	177,211,441	162,246,554
Basic and diluted loss per share	0.01	0.02

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

ADEX Mining Inc.
Consolidated Statements of Cash Flows

For the year ended (In Canadian dollars)	December 31	
	2012	2011
	\$	\$
Operating activities		
Net loss for the year	(1,744,354)	(2,776,585)
Items not affecting cash:		
Stock-based compensation	176,800	229,846
Depreciation of property, plant and equipment and assets under lease	50,042	67,161
Amortization of bond premium	21,996	18,257
Deferred income tax	-	(69,000)
	(1,495,516)	(2,530,321)
Change in non-cash working capital		
HST & other receivables	211,512	(178,731)
Prepaid expenses	79,745	(112,516)
Interest receivable	(2,199)	(2,978)
Income taxes payable	(106,526)	140,332
Related parties payable	(169,796)	186,830
Accounts payable & accruals	(270,413)	154,276
Cash used in operating activities	(1,753,193)	(2,343,108)
Investing activities		
Additions to property, plant & equipment	(43,441)	(66,945)
Additions to reclamation bonds	(73,104)	(67,655)
Additions to mineral properties	(592,243)	(2,611,562)
Cash used in investing activities	(708,788)	(2,746,162)
Financing activities		
Finance lease payments	(17,400)	(24,628)
Exercise of warrants	-	7,200,000
Exercise of compensation units	-	15,750
Financing expense	-	(604,000)
Cash (used in) provided by financing activities	(17,400)	6,587,122
Change in cash and cash equivalents	(2,479,381)	1,497,852
Cash and cash equivalents, beginning of the year	5,196,045	3,698,193
Cash and cash equivalents, end of the year	2,716,664	5,196,045
Cash and cash equivalents comprises:		
Cash	36,227	66,045
Guaranteed investment certificate	2,680,437	5,130,000

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

ADEX Mining Inc.

Consolidated Statements of Changes in Equity

(In Canadian dollars)

	Share capital	Contributed Surplus	Warrants	Compensation unit options	Deficit	Total
	\$	\$	\$	\$	\$	\$
Balance, January 1, 2011	43,983,287	1,971,162	1,014,417	21,656	(34,125,495)	12,865,027
Net loss and comprehensive loss	-	-	-	-	(2,845,585)	(2,845,585)
Stock option compensation expense	-	229,846	-	-	-	229,846
Compensation unit options exercised	44,449	(34,892)	17,020	(10,828)	-	15,749
Warrants exercised	7,880,000	-	(680,000)	-	-	7,200,000
Share issue expense	(738,400)	-	134,400	-	-	(604,000)
Compensation units expired unexercised	-	10,828	-	(10,828)	-	-
Warrants expired unexercised, net of tax	-	416,837	(485,837)	-	69,000	-
Balance, December 31, 2011	51,169,336	2,593,782	-	-	(36,902,080)	16,861,038
Net loss and comprehensive loss	-	-	-	-	(1,744,354)	(1,744,354)
Stock option compensation expense	-	176,800	-	-	-	176,800
Balance, December 31, 2012	51,169,336	2,770,582	-	-	(38,646,434)	15,293,484

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

Adex Mining Inc.

Notes to the consolidated financial statements

December 31, 2012

1. NATURE OF OPERATIONS AND LIQUIDITY

Adex Mining Inc. (the "Company") holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the "Property" or "Mount Pleasant") where the Company is developing a potential polymetallic mine focusing on tin, indium, zinc, molybdenum and tungsten. Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine. The Company is incorporated and domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture exchange under the stock symbol "ADE". The principal head office of the Company is located at Suite 900, 67 Yonge Street, Toronto, Ontario, Canada M5E 1J8.

The Company has interests in resource properties which it is in the process of exploring and developing and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the year ended December 31, 2012, cash used in operations by the Company was \$1,753,193 and the Company carried an accumulated deficit of \$38,646,434. Furthermore, the Company had not generated revenue from operations. Management is able to control the timing of significant capital expenditures and at present has assessed it has sufficient cash balance to meet required operating expenditures through the end of fiscal 2013.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of December 31, 2012.

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

There are no new IFRS and/or International Financial Reporting Interpretations Committee ("IFRIC") pronouncements issued that are effective for the first time for the year ended December 31, 2012 that would be expected to have a material impact on the Company.

These consolidated financial statements have been approved by the Board of Directors on April 11, 2012.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year.

Principles of consolidation

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary Adex Minerals Corp. ("AMC"). All inter-company accounts and transactions have been eliminated on consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The Company is deemed to have one segment for reporting being the operations at the Company's Mt. Pleasant project.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of loss and comprehensive loss.

Government assistance and investment tax credits

Government assistance and investment tax credits are recorded as either a reduction of the cost of the applicable assets, or credited against the related expense incurred in the statement of operations, as determined by the terms and conditions of the agreements under which the assistance is provided to the Corporation or the nature of the expenditures which gave rise to the credits. Government assistance and investment tax credit receivables are recorded when their receipt is reasonably assured.

Property, plant & equipment

Property, plant & equipment is carried at cost, less accumulated amortization and asset impairment losses. Computer equipment comprises computer hardware and is amortized on a straight-line basis over 24 months. Automobiles are amortized on a straight-line basis over 24 months. Facility refurbishments are amortized over the new estimated life span of the refurbished facility. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Leases

Leases that transfer substantially all of the benefits and risks of ownership to the Company are accounted for at the commencement of the lease term as finance leases and recorded as assets at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments, together with an offsetting liability. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Environmental expenditures and rehabilitation

The operations of the Company may, in the future, be occasionally affected by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation.

Provisions for environmental rehabilitation include decommissioning and restoration costs when the Company has an obligation to dismantle and remove infrastructure and residual materials as well as to restore the disturbed area.

Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the disturbance occurs based on the net present value of estimated future costs. The provision for environmental rehabilitation is reviewed and adjusted each period to reflect developments which could include changes in closure dates, legislation, discount rate or estimated future costs.

The amount recognized as a liability for environmental rehabilitation is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of property, plant and equipment and is depreciated over the life of the corresponding asset. The impact of amortization or unwinding of the discount rate applied in establishing the net present value of the provision is recognized in financing expense. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, "Property, Plant and Equipment". Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying amount is taken immediately to the income statement.

If the change in estimate results in an increase in the rehabilitation provision and therefore an addition to the carrying amount of the asset, the entity is required to consider whether the new carrying amount is recoverable, and if this is an indication of impairment of the asset as a whole. If indication of impairment of the asset as a whole exists, the Company tests for impairment in accordance with IAS 36, "Impairment of Assets". If the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to the income statement. For closed sites, changes to estimated costs are recognized immediately in the income statement. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated cost of outstanding rehabilitation work at each statement of financial position date and any increase in overall cost is expensed.

Impairment of non-financial assets

The Company assesses the carrying amount of non-financial assets including property, plant and equipment at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset. The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset. Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset in an arm's length transaction. This is often accomplished by using a discounted cash flow technique.

Impairment is assessed at the cash-generating unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs. The carrying amounts of assets of the corporate head office that have not been allocated to a CGU are compared to their recoverable amounts to determine if there is any impairment loss.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

Exploration and evaluation expenditures

The Company capitalizes exploration and evaluation expenditures. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

The Company expenses mine site care and maintenance costs as incurred. Care and maintenance expenditures include site security, environmental monitoring and general repairs as required to ensure the property is safeguarded against loss and liability.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at December 31, 2012.

Stock based compensation

The Company uses the graded method of accounting for stock based compensation to employees, directors and non-employees. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Flow-through shares

Proceeds from the issuance of flow-through shares are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares.

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the deferred income tax liability related to the temporary difference arising at the earlier of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding recognition of the premium in the consolidated statements of loss and comprehensive loss.

Income taxes

The income tax expense or benefit for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are determined using the statement of financial position liability method based on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In calculating the deferred tax assets and liabilities, the tax rates used are those that have been enacted or substantively enacted by each reporting date in each of the jurisdictions and that are expected to apply when the assets are recovered or the liabilities are settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax liabilities are recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences with the exception of the following items:

- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the Company is able to control the timing of the reversal of temporary differences and such reversals are not probable in the foreseeable future;
- Temporary differences associated with goodwill;
- Temporary differences that arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and has no impact on either accounting profit or taxable profit; and
- Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits exist in future periods against which the deductible temporary differences can be utilized.

The probability that sufficient taxable profits exist in future periods against which the deferred tax assets can be utilized is reassessed at each reporting date. The amount of deferred tax assets recognized is adjusted accordingly.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and where the Company has the legal right to offset them.

Current and deferred taxes that relate to items recognized directly to equity are also recognized in equity. All other taxes are recognized in income tax expense in the consolidated statements of loss and comprehensive loss.

Loss per share

Basic loss per share amounts are calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury method, which assumes that all outstanding stock option grants and warrants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

Cash and cash equivalents

Cash and cash equivalents represent cash and short-term deposits with original maturity dates of less than three months or which are readily convertible into known amounts of cash. Cash and cash equivalents at December 31, 2012 consists of bank deposits and a short term guaranteed investment certificate. Cash and cash equivalents as at December 31, 2012 includes cash equivalents of \$2,680,438 (December 31, 2011 \$5,130,000).

Financial instruments

Financial instruments are measured at their fair values on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the effective interest rate method.

The Company has made the following classifications:

- Cash and cash equivalents and committed cash are classified as loans and receivables and are measured at amortized cost. Receivables are classified as loans and receivables and are recorded at their initial fair values. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- The Province of New Brunswick Reclamation bonds (see note 4) are classified as held to maturity and are measured at their purchase price inclusive of any premium or discount applicable to the market rate versus the prescribed 8.5% interest rate. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events

that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the IASB and the IFRIC Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

International Accounting Standards		Effective Date
IFRS 9 - Financial Instruments	In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.	January 1, 2015
IFRS 10 - Consolidation	IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.	January 1, 2013
IFRS 12 - Disclosure of Interests in Other Entities	IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off statement of financial position 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.	January 1, 2013
IFRS 13 – Fair Value Measurement	IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.	January 1, 2013

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company is under review by management and will be reported on in the interim reporting period ending March 31, 2013. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. ESTIMATES

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

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

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of recoverable amount and fair value less costs to sell. Determining the recoverable amount requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairment indicators of non-financial assets have been noted for the year ended December 31, 2012.

Stock-based compensation

The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. Option pricing models require the input of highly subjective assumptions including the expected price, volatility and expected life. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in the notes to the consolidated financial statements.

Income taxes and recovery of deferred tax assets

Deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Management did not recognize deferred tax assets in excess of deferred tax liabilities as future taxable profits are not expected to until the Company reaches technical feasibility and commercial viability of the extraction of the mineral resources, the timing of which is uncertain as the Company is still in the exploration and evaluation stage.

Provision for environmental rehabilitation

Part of the the land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property and is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and provide the Ministry of Environment with monthly water quality monitoring reports and the results of water sampling and testing, and in perpetuity, to treat the water run-off. As the Company's activities currently don't affect the nature and amount of this run-off, the Company treats these costs as a period expense and has made no provision for this on-going activity.

4. RECLAMATION BONDS AND ASSET RETIREMENT OBLIGATIONS

The land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property. This obligation is secured by a form of lien titled “collateral mortgage” to the Province of New Brunswick for \$2 million on 22 hectares of land on which the mine site and primary buildings are located.

Reclamation bonds consist of Province of New Brunswick, 8.5% bonds maturing June 28, 2013. The bonds are pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine workings. The bonds are held for the benefit of the Company, and interest is paid bi-annually into a cash on deposit account, and is disbursed at the discretion of the Ministry of Finance of the Province of New Brunswick. Upon maturity of the bonds at June 28, 2013 the funds will be redeployed as per the then current requirements of the Department of Environment.

The Company’s Mount Pleasant property is governed by an Approval to Operate, which was granted by the New Brunswick Ministry of Environment in November 2007 and was valid until September 2012. The approval to operate was renewed as of October 1, 2012 and is valid until September 30, 2017. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a “Care and Maintenance” basis. However, the Company is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and the Company provides the Ministry of Environment with monthly water quality monitoring reports and the results of its monthly water sampling and testing. Additionally, Adex was required, by March 31, 2013, to submit to the Department a mine water management plan including a cost report on this new facility, a tailings flood plan and contingency plan, and a new sludge cell project proposal and timeline to complete. The approval also sets out parameters for the operation of the new mine water treatment facility to be approved and constructed, and the parameters for the operation of the tailings impoundment facility which already exists. These new plans are to be accompanied by an updated requirement to post a rehabilitation bond, which may or may not exceed the bond currently posted by Adex for this purpose.

Under the Approval to Operate, the Company is permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property. Consequently, the current security posted with the Province of New Brunswick is sufficient for the Company to continue exploration activities and metallurgical test work at the Property. However, the Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of the past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities may also trigger a provincial Environmental Impact Assessment (“EIA”) and may require the Company to upgrade its current Mine Water Treatment Plant. The Company will, therefore, enter into direct consultations with the provincial Ministry of Environment prior to initiating feasibility or dewatering activities, in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under a EIA.

EXPLORATION AND EVALUATION

Mount Pleasant Property, New Brunswick	Exploration & development \$	Tailings impoundment facility upgrade \$	Total \$
Balance, January 1, 2011	7,724,715	641,077	8,365,792
Additions	2,648,388	3,446	2,651,835
NRC-IRAP funding	(40,274)	-	(40,274)
Balance, December 31, 2011	10,332,831	644,523	10,977,354
Additions	573,298	18,945	592,243
Balance, December 31, 2012	10,906,129	663,468	11,569,597

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land. Current period expenditures to December 31, 2012 are expenses related to the current mine development program. Tailings Impoundment Facility expenditures to date relate to the rehabilitation of the Mount

Pleasant Tailings Impoundment Facility in order to comply with government regulations, and in anticipation of future production requirements.

The Company has received funding by The National Research Council of Canada – Industrial Research Assistance Program (“NRC-IRAP”) related to its zinc-indium hydrometallurgical flow sheet pilot program (funding to a maximum of \$248,000) and tin metal added value flow sheet (funding to a maximum of \$39,500). The Company has completed both of these projects and all funding has been received.

6. PROPERTY PLANT AND EQUIPMENT

Cost	Equipment & Facility refurbishments \$	Computer equipment \$	Automobiles \$	Total \$
Balance as at December 31, 2010	-	56,103	16,654	72,757
Additions	50,860	4,085	12,000	66,945
Balance as at December 31, 2011	50,860	60,188	28,654	139,702
Additions	16,161	4,436	22,844	43,441
Balance as at December 31, 2012	67,021	64,624	51,498	183,143

Accumulated depreciation	Equipment & Facility refurbishments \$	Computer equipment \$	Automobiles \$	Total \$
Balance as at December 31, 2010	-	10,152	16,654	26,806
Depreciation for the year	848	25,476	6,000	32,324
Balance as at December 31, 2011	848	35,628	22,654	59,130
Depreciation for the year	8,372	24,573	7,904	40,849
Balance as at December 31, 2012	9,220	60,201	30,558	99,978

Carrying amounts	Facility refurbishments \$	Computer equipment \$	Automobiles \$	Total \$
As at December 31, 2010	-	45,951	-	45,951
As at December 31, 2011	50,013	24,560	6,000	80,573
As at December 31, 2012	57,801	4,423	20,940	83,164

For the year ended December 31, 2012, the amount of amortization charged to mineral property expense is \$38,727 (\$31,297 for the year ended December 31, 2011).

7. EQUIPMENT UNDER FINANCE LEASE

The following is an analysis of equipment under finance lease:

As at	December 31 2012	December 31 2011
	\$	\$
Equipment (cost)	75,482	75,482
Accumulated depreciation	(75,482)	(66,289)
	-	9,193

The equipment under the finance lease is amortized on a straight-line basis over its economic life of 3 years. For the year ended December 31, 2012, the amount of amortization charged to mineral property expense was \$9,193 (\$34,838 for the year ended December 31, 2011).

8. SHAREHOLDERS' EQUITY

Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at December 31, 2012, the Company had 177,211,441 common shares, of no par value, issued and outstanding.

	Number of shares	Amount \$
Balance, January 1, 2011	137,080,192	43,983,287
Compensation unit options exercised	131,249	44,449
Series A Warrants exercised	40,000,000	7,880,000
Financing expense	-	(738,400)
Balance, December 31, 2011 and December 31, 2012	177,211,441	51,169,336

- (a) On October 19, 2010 the Company completed a private placement (the "Private Placement") transaction with Great Harvest Canadian Investment Company Limited ("Great Harvest") (see note 10 – Related party transactions) of 40,000,000 units (the "Units") at a price of \$0.12 per unit, with each Unit consisting of one common share of Adex and one common share purchase warrant (a "Series A Warrant"), raising gross proceeds of \$4.8 million. Each Series A Warrant entitled the holder thereof to acquire one common share at a price of \$0.18 at any time prior to the earlier of (i) October 19, 2011, and (ii) the 30th day following the delivery a definitive feasibility study ("DFS") on the either or both of the North Zone or the Fire Tower Zone of the Property.

Other transactions contemplated in the Private Placement agreement with Great Harvest include requiring Great Harvest, subject to (i) the results of the DFS being satisfactory to Great Harvest and (ii) the then capital requirements of the Company as determined at the relevant time by the board of directors of the Company, to provide or arrange for the provision to the Company of loan facilities (the "Facilities") in an aggregate amount of up to \$50,000,000 to be used for the commercial development of the Property, on such terms and conditions as may be agreed upon between the Company and the relevant financier(s). If an aggregate minimum of \$10 million of the Facilities are made available to be drawn down by the Company within 180 days of the delivery to Great Harvest of the report of the results of the Feasibility Study, Great Harvest will have the right (the "Share Purchase Right") to purchase, within 40 days of the Facilities being available to be drawn down by the Company, 1.2 common shares for each dollar of the facilities made available to be drawn down by the Company within one year of the completion of the Feasibility Study. The exercise price per common share pursuant to the Share Purchase Right will be equal to the volume weighted average trading price of the common shares on the TSX Venture Exchange (the "TSXV") for the five trading days ending the day immediately prior to the Facilities being available to be drawn down by the Company less the maximum discount there from permitted by the TSXV. The maximum number of common shares issuable pursuant to the Share Purchase Right is 60,000,000. The issuance of common shares pursuant to the exercise of the Share Purchase Right will be subject to further approval of the TSXV to be obtained following the Share Purchase Right becoming exercisable.

In connection with the above Private Placement, the agent to the transaction, was (i) paid a cash finder's fee of seven percent of the gross proceeds, (ii) issued by the Company as an additional finder's fee 2,800,000 Series A Warrants (seven percent of the Series A Warrants comprising part of the Private Placement), and (iii) issued by the Company as an additional finder's fee 2,800,000 common share purchase warrants ("Series B Warrants") (seven percent of the number of Series A Warrants comprising part of the Private Placement). Each Series B Warrant entitled the holder to acquire one common share at an exercise price of \$0.20 per common share until October 19, 2011, provided that (i) the Series B Warrants will only become exercisable when Series A Warrants are actually exercised, and (ii) the Series B Warrants will only be exercisable at any time to the extent of the number of Series B Warrants as is equal to 7% of the number of Series A Warrants comprising part of the Units which have been exercised at such time. In addition, the agent is entitled (i) to be paid by the Company a retainer of \$144,000 payable in 12 equal monthly installments of \$12,000, the first of which was paid on the closing of the Private Placement, (ii) to be paid an additional cash finder's fee equal to 7% of the gross proceeds realized by the Company on the exercise, if any, of the Series A Warrants comprising part of the Units issued pursuant to the Private Placement (a maximum of \$504,000), and (iii) to be paid by the Company an additional cash finder's fee equal to 1.5% of the principal amount of each loan made available by Great Harvest or a third

party financier arranged for by Great Harvest to be drawn down by the Company, to a maximum of \$750,000.

- (b) On December 14, 2010, 554,166 compensation unit options, with an assigned valuation of \$31,633, were exercised, providing gross proceeds of \$66,500. The compensation unit options exercised resulted in the issuance of 554,166 common shares and 554,166 half warrants. The total full warrants have an assigned valuation of \$14,087 and each full warrant was exercisable to purchase a common share at a price of \$0.20 per share until December 30, 2011.
- (c) On February 25, 2011, 131,249 compensation unit options, with an assigned valuation of \$ 17,871, were exercised, providing gross proceeds of \$15,750. The compensation unit options exercised resulted in the issuance of 131,249 common shares and 65,624 warrants. The total full warrants have an assigned valuation of \$17,020 and each full warrant was exercisable to purchase a common share at a price of \$0.20 per share until December 30, 2011.
- (d) On May 17, 2011, 40,000,000 Series A warrants were exercised, providing gross proceeds of \$7,200,000 and resulting in the 2,800,000 Series B Warrants, with a total valuation of \$134,400, becoming exercisable to the agent to the Great Harvest financing, all as per the October 19, 2010 financing terms described above in “note a”. These Series B warrants expired on October 19, 2011.

Contributed Surplus

	Amount \$
Balance, January 1, 2011	1,971,163
Warrants issued per compensation unit exercise	(34,892)
Common share options expense	229,846
Warrants expired unexercised net of tax	416,837
Compensation units expired unexercised	10,828
Balance, December 31, 2011	2,593,782
Common share options expense	176,800
Balance, December 31, 2012	2,770,582

Stock options

- (a) On August 16, 2011, the Company granted 2,350,000 common share options with an exercise price of \$0.15 per common share to the directors of the Company. The options vested quarterly in equal amounts over a twelve month period from the date of the grant and expire on August 15, 2016.
- (b) On September 19, 2011, the Company granted 250,000 common share options with an exercise price of \$0.13 per common share to a senior officer of the Company. The options vested quarterly in equal amounts over a twelve month period from the date of the grant and expire on September 18, 2016.
- (c) On October 18, 2011, the Company granted 250,000 common share options with an exercise price of \$0.145 per common share to certain employees and consultants of the Company. The options vested quarterly in equal amounts over a twelve month period from the date of the grant and expire on October 17, 2016.

The assigned Black-Scholes fair value of the total options granted for the year ended December 31, 2011 is \$356,700.

The following summary sets out the activity in outstanding common share stock options for the year ended December 31, 2012:

	Options #	Weighted- average exercise price \$
Outstanding, January 1, 2011	8,860,000	0.240
Issued August 16, 2011	2,350,000	0.150
Issued September 19, 2011	250,000	0.130
Issued October 18, 2011	250,000	0.145
Outstanding, December 31, 2011	11,710,000	0.220
Expired June 15, 2012	(1,580,000)	0.230
Expired June 29, 2012	(2,740,000)	0.300
Expired August 2, 2012	(250,000)	0.400
Expired August 20, 2012	(140,000)	0.350
Expired November 29, 2012	(150,000)	0.450
Outstanding, December 31, 2012	6,850,000	0.170
Options exercisable at December 31, 2012	6,850,000	0.170

The details of stock options outstanding at December 31, 2012 are as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
50,000	50,000	0.08 years	\$0.330	January 30, 2013
1,250,000	1,250,000	0.45 years	\$0.300	June 11, 2013
1,100,000	1,100,000	1.31 years	\$0.120	April 24, 2014
1,400,000	1,400,000	2.10 years	\$0.150	February 3, 2015
200,000	200,000	2.47 years	\$0.120	June 22, 2015
2,350,000	2,350,000	3.63 years	\$0.150	August 15, 2016
250,000	250,000	3.72 years	\$0.130	September 18, 2016
250,000	187,500	3.80 years	\$0.145	October 17, 2016
6,850,000	6,850,000			

Options that have been issued and remain outstanding vest over one year from the date of grant, in equal quarterly installments commencing three months following the date of grant.

The weighted average fair value of the options outstanding is \$0.17 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 1.43% to 3.50% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility ranging from 91.8% to 169.35% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years. Under this method of calculation, the Company has recorded \$176,800 as stock-based compensation, being the fair value of the options vested during year ended December 31, 2012 (\$229,847 for the year ended December 31, 2011).

9. ADMINISTRATIVE AND GENERAL EXPENSES

The following table illustrates spending activity related to administrative and general expenses for the year ended December 31, 2012:

	For the year ended	
	December 31	
	2012	2011
	\$	\$
Wages, benefits and consulting (note 10)	518,115	457,670
Professional fees (legal & audit)	195,455	293,561
Directors fees (note 10)	187,254	188,177
Shareholder communications & promotion	127,647	150,680
Travel	93,622	192,014
Office rent	51,883	50,054
Office costs	37,578	52,213
Insurance	28,225	28,622
Business development	18,300	119,500
Regulatory and filing fees	17,544	29,034
Retirement allowance	-	525,000
	1,275,623	2,086,525

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel remuneration

Key management personnel remuneration is comprised of the Company's President & Chief Executive Officer, Chief Financial Officer and (for the period January 1 to June 30, 2012) Chief Operating Officer.

For the year ended December 31, 2012 the Company incurred related party expenses of \$352,399 (\$281,316 during the December 31, 2011). These expenses related to the payment of management fees to the Company's senior officers.

During the year ended December 31, 2011, the Company created a retirement allowance accrual of \$525,000 (nil for year ended December 31, 2012) to be paid out to retiring senior personnel, pending the resolution of the terms of the retirement agreements. During the year ended December 31, 2011, the Company paid out \$450,000 from this fund to a former member of senior management and, at December 31, 2012, \$75,000 remains on hand for future settlement, and final settlement negotiations are ongoing.

Included in stock-based compensation for the year ended December 31, 2012 is \$57,252 (\$61,953 for the year ended December 31, 2011) attributable to key management personnel.

Related party transactions

During the year ended December 31, 2012, the Company incurred directors and committee fees of \$187,254 (directors fees of \$188,177 during the year ended December 31, 2011). These amounts were expensed in the period incurred as administrative and general expenses.

During the year ended December 31, 2012, the Company incurred and paid technical and consulting fees of \$10,800 (\$41,854 for year ended December 31, 2011) to independent directors. These amounts were expensed in the period incurred as administrative and general expenses.

Included in stock-based compensation for the year ended December 31, 2012 is \$101,821 (\$142,281 for the year ended December 31, 2011) attributable to related parties.

Great Harvest, the Company's largest shareholder with 45.14% of the Company's common shares, is controlled by two of the Company's directors, one of whom also acts as the President and Chief Executive Officer. During the year ended December 31, 2012, the Company incurred expenses of \$31,721 (\$227,891 for the year ended December 31, 2011) from Great Harvest for travel, administrative and project expenses.

11. COMMITMENTS AND CONTINGENCIES

As at	December 31 2012	December 31 2011
	\$	\$
Accounts payable	183,381	437,567
Accrued liabilities	161,860	195,487
Income tax payable	33,806	140,332
Related party payable	17,034	186,830
	396,081	960,216

The Company has a contractual lease obligation related to its corporate premises that requires minimum total lease payments of \$199,023 until October 31, 2017.

The following table demonstrates the outstanding office lease commitment.

	\$
2013	39,162
2014	39,746
2015	41,500
2016	42,084
2017	36,531
	199,023

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Company is currently engaged in a legal proceeding in respect of the settlement of severance payment to a former employee. The Company has accrued \$75,000 in regards to settlement of this matter, however, the timing of the resolution of this matter, as well as the final settlement amount is uncertain and cannot be determined as at December 31, 2012.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories: loans and receivables, held to maturity and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	December 31, 2012		December 31, 2011	
	Carrying value	Fair Value	Carrying value	Fair Value
	\$	\$	\$	\$
Loans and receivables ⁽¹⁾	2,964,493	2,964,493	5,653,187	5,653,187
Held to maturity ⁽²⁾	930,013	930,013	878,903	878,903
Other financial liabilities ⁽³⁾	407,713	407,713	819,884	819,884

(1) Consists of cash and cash equivalents, accounts receivable and interest receivable.

(2) Reclamation bond

(3) Includes accounts payable and accruals.

The fair values of the Company's financial instruments are not materially different from their carrying value.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecast future sales of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time. A change in interest rates would have no effect on the value of, and/or the proceeds from, the Company's reclamation bond as it has a fixed interest rate.

(iii) Sensitivity analysis

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis discloses the possibility of an effect on the reported loss at December 31, 2012 assuming that a reasonably possible change in the relevant risk variable has occurred at December 31, 2012 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities (where available) or historical data.

The Company does not hold any investments, other than cash, subject to variable interest, therefore any changes in interest rates will not give rise to significant changes to the net loss.

The Company does not hold any assets in currency, nor has significant foreign currency liabilities, therefore any changes in foreign exchange rates will not give rise to significant changes to the net loss.

At December 31, 2012, a change in the value of tungsten, molybdenum, tin, indium or zinc would not change the recognized value of any of the Company's financial instruments.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents with major commercial banks with strong credit ratings.

The carrying amounts of financial assets recorded in the financial statements represent the Company's maximum exposure to credit risk.

(c) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate

cash reserves and by continuously monitoring forecast and actual cash flows. At December 31, 2012, the Company had a cash and cash equivalent balance of \$2,716,664 (December 31, 2011 – \$5,196,045). The Company has forecasted cash flows for its 2013 fiscal year. The forecast is based on management's best estimates of operating conditions in the context of current economic conditions and today's capital market climate.

The Company is a development stage company currently focused on exploring and developing its Mount Pleasant Property and has not generated revenue or cash flow from this project. The Company's sole source of funding to this point has been the issuance of equity securities. The Company has limited financial resources and no current source of recurring revenue and continues to rely on the issuance of shares or other sources of financing to generate the funds required to complete the development, commissioning and commencement of production of the Mount Pleasant property and corporate expenditures. Should additional funding be required to complete the construction, commissioning or operations of the Mount Pleasant property there is no assurance that such additional funding will be available to the Company. Should such funding be required, failure to obtain funding could result in delay or indefinite postponement of the development of the Mount Pleasant property.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

13. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain adequate levels of funding to support evaluation and development projects, to expand regional exploration activities within the Property and to maintain corporate and administrative functions.

The Company manages its capital structure in a manner that provides sufficient funding for project evaluation and development and operational activities. Funds are primarily secured through the issue and sale of common shares. There can be no assurances that the Company will be able to continue to provide adequate funds in this manner.

The Company maintains minimal surplus capital and therefore does not have significant non-cash investments. All working capital for immediate needs is invested in liquid and highly rated financial instruments, such as money market funds with major Canadian financial institutions. The total cash and cash equivalents on hand at December 31, 2012 is 2,716,664 (\$5,196,045 at December 31, 2011).

14. INCOME TAXES

The major components of income tax expense for the years ended December 2012 and 2011 are:

Consolidated statement of comprehensive income

The major components of the income tax expense are as follows:

	2012	2011
	\$	\$
Current income tax	-	112,266
Deferred income tax	-	(40,934)
Income tax expense	-	71,332

A reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2012 and December 31, 2011 is as follows:

	2012 \$	2011 \$
Accounting profit (loss) before income tax	1,744,354	2,705,254
Canadian statutory income tax rate	26.50%	28.25%
	462,254	764,234
Stock based compensation	(46,852)	(64,931)
Transitional tax debit	-	(140,332)
Tax effect of unrecognized temporary differences	(415,402)	(487,639)
Total income tax expense (recovery)	-	71,332

The 2012 statutory tax rate of 26.50% differs from the 2011 statutory tax rate of 28.25% because of the reduction in both federal and Ontario substantively enacted tax rates.

Deferred income tax

The Company recognized the tax benefits of temporary differences related to tax losses up to the extent of deferred tax liabilities related to mineral properties.

	December 31, 2012 \$	December 31, 2011 \$
<i>Deferred income tax asset</i>		
Non-capital losses carried forward	516,000	492,000
<i>Deferred income tax liability</i>		
Mineral properties	(516,000)	(492,000)
	-	-

For the year ended December 31, 2011, the Company included in income tax an expense of \$69,000 and nil for the year ended December 31, 2012 related to warrants expiry.

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the financial statements due to the unpredictability of future earnings.

	December 31, 2012 \$	December 31, 2011 \$
Deductible temporary differences		
Non-capital losses carried forward	9,260,000	7,721,000
Share issuance costs	595,000	850,000
	9,855,000	8,571,000

At December 31, 2012, the Company has share issuance expenses of approximately \$595,000 (December 31, 2011 - \$850,000) deductible from 2013 to 2015 and Canadian non-capital losses of approximately \$11,206,000 (December 31, 2011 - \$9,688,000) expiring as follows:

	\$
2014	116,000
2015	386,000
2026	391,000
2027	1,572,000
2028	1,540,000
2029	1,406,000
2030	1,476,000
2031	2,553,000
2032	1,766,000
	11,206,000