

# Chantrell Ventures Corp.

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying audited financial statements of Chantrell Ventures Corp. are the responsibility of the management and Board of Directors of the Company.

The audited financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Company maintains systems of internal controls that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the audited 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 audited 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 audited financial statements together with other financial information of the Company for issuance to the shareholders.

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.

"Paul A. Parisotto",  
President, CEO and CFO



A CHAN AND COMPANY LLP  
CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To: the Shareholders of  
Chantrell Ventures Corp.

We have audited the accompanying financial statements of Chantrell Ventures Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2012 and December 31, 2011, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012, December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 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 has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*"A Chan and Company LLP"*  
Chartered Accountants

**CHANTRELL VENTURES CORP.**

**AUDITED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

<b>As at December 31,</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 4)	\$ 676,715	\$ 1,052,817
Trade and other receivables (Note 5)	10,708	6,828
Prepaid expenses and deposits	8,349	35,303
	<b>695,772</b>	1,094,948
Equipment (Note 6)	19,125	23,906
	<b>\$ 714,897</b>	\$ 1,118,854
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables (Note 7 and 8)	\$ 7,968	\$ 16,290
	<b>7,968</b>	16,290
<b>EQUITY</b>		
Share capital (Note 9 (a))	2,563,000	2,563,000
Reserve for warrants (Note 10)	50,000	50,000
Reserve for share based payments (Note 11)	2,043,884	2,043,884
Deficit	(3,949,955)	(3,554,320)
	<b>706,929</b>	1,102,564
	<b>\$ 714,897</b>	\$ 1,118,854

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board on April 25, 2012:

"Paul A. Parisotto" Director

"Lorie Waisberg" Director

*The accompanying notes are an integral part of these audited financial statements*

**CHANTRELL VENTURES CORP.**

**AUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

---

<i>For the years ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Expenses</b>		
Share based payments (Note 9 (b))	\$ -	\$ 728,000
Management and consulting fees (Note 8)	<b>232,881</b>	181,667
Professional fees	<b>51,107</b>	49,723
Shareholder information	<b>25,354</b>	18,627
Office and miscellaneous	<b>74,312</b>	69,170
Project investigation costs	<b>7,200</b>	18,220
Depreciation (Note 6)	<b>4,781</b>	1,258
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (395,635)</b>	<b>\$ (1,066,665)</b>
<b>Loss per share</b>		
Basic and diluted	\$ (0.02)	\$ (0.06)
Weighted average number of common shares outstanding		
Basic and diluted (000's)	<b>18,612</b>	18,313

---

*The accompanying notes are an integral part of these audited financial statements*

**CHANTRELL VENTURES CORP.****AUDITED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian dollars)

	Share Capital		Reserves			Total
	Number of Shares	Amount	Share based payments	Warrants	Deficit	
Balance at December 31, 2010	12,336,857	\$ 1,660,097	\$ 1,315,884	\$ 168,528	\$ (2,487,655)	\$ 656,854
Exercise of purchase warrants	6,275,000	784,375	-	-	-	784,375
Reserve transferred on exercise of warrants	-	118,528	-	(118,528)	-	-
Share based payments	-	-	728,000	-	-	728,000
Total comprehensive loss for the year	-	-	-	-	(1,066,665)	(1,066,665)
<b>Balance at December 31, 2011</b>	<b>18,611,857</b>	<b>\$ 2,563,000</b>	<b>\$ 2,043,884</b>	<b>\$ 50,000</b>	<b>\$ (3,554,320)</b>	<b>\$ 1,102,564</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(395,635)</b>	<b>(395,635)</b>
<b>Balance at December 31, 2012</b>	<b>18,611,857</b>	<b>\$ 2,563,000</b>	<b>\$ 2,043,884</b>	<b>\$ 50,000</b>	<b>\$ (3,949,955)</b>	<b>\$ 706,929</b>

*The accompanying notes are an integral part of these audited financial statements*

**CHANTRELL VENTURES CORP.****AUDITED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

<i>For the years ended December 31,</i>	<b>2012</b>	2011
<b>Cash flows used in operating activities</b>		
Net loss for the year	\$ (395,635)	\$ (1,066,665)
Add items not affecting cash:		
Share based payments (Note 9 (b))	-	728,000
Depreciation	4,781	1,258
Changes in non-cash working capital balances:		
Trade and other receivables	(3,880)	126,747
Prepaid expenses and deposits	26,954	(18,628)
Trade and other payables	(8,322)	(29,855)
Cash flows used in operating activities	(376,102)	(259,143)
<b>Cash flows from financing activities</b>		
Issue of common shares, net of issue costs (Note 9(a))	-	784,375
Cash flows provided from financing activities	-	784,375
<b>Cash flows used in investing activities</b>		
Purchases of equipment (Note 6)	-	(25,164)
Cash flows used in investing activities	-	(25,164)
Net (decrease) increase in cash	(376,102)	500,068
Cash, beginning of year	1,052,817	552,749
<b>Cash and cash equivalents, end of year</b>	<b>\$ 676,715</b>	<b>\$ 1,052,817</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest received	\$ 2,253	\$ -
Income tax paid	\$ -	\$ -

*The accompanying notes are an integral part of these audited financial statements*

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**  
(Expressed in Canadian dollars)

---

**1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS**

Chantrell Ventures Corp. (the "Company") is a public company incorporated under the laws of the Province of Alberta and continued into the Province of British Columbia under the Business Corporations Act on July 29, 2004. The Company's head office is located at 145 King St. W., Suite 2870, Toronto, ON, M5H 1J8.

As at December 31, 2012, the Company had working capital of \$687,804 (2011 – \$1,078,658), had not yet achieved profitable operations, had accumulated losses of \$3,949,955 (2011 - \$3,554,320) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is looking to acquire exploration and development assets. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds to cover planned operations throughout the next twelve month period. However, management may secure additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the statement of financial position classifications used in the financial statements.

**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized by the Board of Directors of the Company on April 25, 2013.

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.



**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

(Expressed in Canadian dollars)

---

**2. BASIS OF PRESENTATION** *(continued)*

**2.3 Use of management estimates, judgments and measurement uncertainty**

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of trade and other receivables, valuation of deferred income tax amounts and the calculation of share-based payments. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

***Income taxes***

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the statement of financial position date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

**2.4 Adoption of new and revised standards and interpretations**

The IASB issued a number of new and revised International Accounting Standards, IFRS, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the audited financial statements of the Company.

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

(Expressed in Canadian dollars)

---

**2. BASIS OF PRESENTATION** *(continued)*

**2.4 Adoption of new and revised standards and interpretations** *(continued)*

- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements*' - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 '*Investments in Associates and Joint Ventures*' - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee
- IAS 32 '*Financial Instruments, Presentation*' – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Mineral properties**

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

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

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized as its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related mineral property asset in the case where technical feasibility has been established, and expensed if technical feasibility is yet to be established. Once capitalized, the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

#### **3.3 Share based payments**

##### ***Share based payment transactions***

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

##### ***Equity-settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**3.3 Share based payments** *(continued)*

***Equity-settled transactions*** *(continued)*

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

**3.4 Taxation**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset 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.

**3.5 Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2012 and 2011, all of the outstanding stock options and warrants were antidilutive.

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

(Expressed in Canadian dollars)

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**3.6 Financial assets**

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

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

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2012, the Company has not classified any financial assets as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

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

**3.7 Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At December 31, 2012, the Company has not classified any financial liabilities as FVTPL.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**3.8 Impairment of financial assets**

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

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 recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

***Available-for-sale***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

**3.9 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**3.10 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with a remaining maturity of 90 days or less on the date of acquisition and which are readily convertible into a known amount of cash.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**3.11 Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

**3.12 Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss and the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount.

**3.13 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**  
(Expressed in Canadian dollars)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**3.13 Property, plant and equipment** *(continued)*

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method or unit-of-production method over the following expected useful lives:

- Office, furniture and fixtures 20%

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

**4. CASH AND CASH EQUIVALENTS**

The balance of cash and cash equivalents at December 31, 2012, consisted of \$1,528 (2011 - \$1,052,817) on deposit with major Canadian financial institutions in Canada and \$675,187 (2011 - \$Nil) in short-term guaranteed investment certificates and fixed instruments with maturities of less than 90 days.

**5. TRADE AND OTHER RECEIVABLES**

The Company's trade and other receivables arise primarily from harmonized services tax ("HST") receivable due from government taxation authorities. Receivables are broken down as follows:

	<b>As at December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	<b>1,312</b>	-
HST receivable	<b>9,396</b>	6,828
<b>Total Trade and Other Receivables</b>	<b>10,708</b>	6,828

Below is an aged analysis of the Company's trade and other receivables:

	<b>As at December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Less than 1 month	<b>10,708</b>	6,828
<b>Total Trade and Other Receivables</b>	<b>10,708</b>	6,828

At December 31, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables is further discussed in Note 13.

The Company holds no collateral for any receivable amounts outstanding as at December 31, 2012.



**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**  
(Expressed in Canadian dollars)

**6. EQUIPMENT**

	Office, furniture and fixtures
<b>Cost</b>	
As at January 1, 2011	\$ -
<b>Additions</b>	<b>25,164</b>
<b>As at December 31, 2012 and 2011</b>	<b>\$ 25,164</b>
<b>Accumulated depreciation</b>	
As at January 1, 2011	\$ -
Depreciation	1,258
As at December 31, 2011	\$ 1,258
<b>Depreciation</b>	<b>4,781</b>
<b>As at December 31, 2012</b>	<b>\$ 6,039</b>
<b>Net book value</b>	
As at December 31, 2011	\$ 23,906
<b>As at December 31, 2012</b>	<b>\$ 19,125</b>

**7. TRADE AND OTHER PAYABLES**

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at December 31,	
	2012	2011
	\$	\$
Less than 1 month	7,968	16,290
<b>Total Trade and Other Payables</b>	<b>7,968</b>	<b>16,290</b>

**8. RELATED PARTY TRANSACTIONS**

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to Chantrell. All transactions were conducted in the normal course of operations and are measured at the exchange amounts.

**Compensation of key management personnel**

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management included:

Year ended December 31,	2012	2011
<b>Balances:</b>		
Employee salaries	\$ 233,000	\$ 182,000
Share based payments - options	-	728,000
Total compensation paid to key management	<b>\$ 233,000</b>	<b>\$ 910,000</b>

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

(Expressed in Canadian dollars)

**8. RELATED PARTY TRANSACTIONS** *(continued)*

As at December 31, 2012, the Company had \$2,000 (2011 - \$3,000) in trade and other payables due to a company controlled by an officer and director of the Company.

**9. SHARE CAPITAL**

**(a) Authorized – Unlimited Common shares without par value**  
**Unlimited Preferred shares without par value**

The issued and outstanding share capital is as follows:

**Common shares**

	<b>Number of Shares</b>	<b>Amount</b>
Balance, December 31, 2010	12,336,857	\$ 1,660,097
Issued for exercise of warrants	6,275,000	784,375
Reserve transferred on warrants exercised	-	118,528
<b>Balance, December 31, 2012 and 2011</b>	<b>18,611,857</b>	<b>\$ 2,563,000</b>

**(b) Options**

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The options vest immediately unless otherwise specified. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares. As at December 31, 2012, the Company had 1,186 (2011 – 1,186) options available for issuance under the plan. Continuity of the options outstanding to purchase common shares is as follows:

<b>As at December 31,</b>	<b>2012</b>		<b>2011</b>	
	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Options</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Options</b>
Outstanding at beginning of year	0.73	1,860,000	0.44	900,000
Transactions during the year:				
Granted	-	-	1.00	960,000
<b>Outstanding at end of year</b>	<b>0.73</b>	<b>1,860,000</b>	<b>0.73</b>	<b>1,860,000</b>

The following summarizes information on stock options outstanding at December 31, 2012.

<b>Range of Exercise Prices (\$)</b>	<b>No. of Options Outstanding</b>	<b>Weighted Average Remaining Life (Years)</b>	<b>Weighted Average Exercise Price (\$)</b>
0.44	900,000	2.93	0.44
1.00	960,000	3.16	1.00
0.44 – 1.00	1,860,000	3.04	0.73

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

(Expressed in Canadian dollars)

**9. SHARE CAPITAL** *(continued)*

**(b) Options** *(continued)*

The fair value of each option was estimated on the date of grant. The following is the assumptions used under Black-Scholes at the measurement date for the year ended December 31, 2011:

	<u>February 28, 2011</u>
Options Issued	960,000
Risk free interest rate	2.63%
Expected life	5 years
Exercise Price	\$1.00
Price volatility	101%
Dividend yield	Nil
Fair Value of options granted	\$728,000
Vesting	Immediately
Share based payments	<u>\$728,000</u>

The weighted average grant-date fair value of options granted during the year ended December 31, 2012 was \$Nil (2011 - \$0.76) per option issued.

**10. RESERVE FOR WARRANTS**

Reserve for warrants is comprised of the following:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Balance, beginning of the year	\$ 50,000	\$ 168,528
Fair value of contributed surplus transferred on warrants exercised	-	(118,528)
Balance, end of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>

**11. RESERVE FOR SHARE BASED PAYMENTS**

Reserve for share based payments is comprised of the following:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Balance, beginning of the year	\$ 2,043,884	\$ 1,315,884
Share based payments	-	728,000
Balance, end of year	<u>\$ 2,043,884</u>	<u>\$ 2,043,884</u>

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

(Expressed in Canadian dollars)

**12. INCOME TAXES**

**Deferred Tax Expense**

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the year ended December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Loss before income taxes	<b>(395,635)</b>	(1,066,665)
Combined Statutory rate	<u>26.5%</u>	28.3%
Estimated recovery of deferred taxes	<b>(104,800)</b>	(301,300)
Change in current and deferred tax rates	<b>(14,600)</b>	10,900
Stock-based compensation	-	205,600
Non-deductible items	<b>400</b>	800
Deferred tax benefits not recognized	<u>119,000</u>	84,000
Deferred tax expense	<u>-</u>	<u>-</u>

The Canadian statutory income tax rate of 26.5% (2010 – 28.25%) is comprised of the federal income tax rate at approximately 15.0% (2011 – 16.5%) and the provincial income tax rate of approximately 11.5% (2011 – 11.75%).

The primary differences which give rise to the deferred tax assets at December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
<b><i>Deferred tax assets</i></b>		
Deductible share issuance costs and other	<b>6,000</b>	6,000
Non-capital losses carried forward	<u>355,000</u>	236,000
	<b>361,000</b>	242,000
Less : valuation allowance	<u>(361,000)</u>	(242,000)
<b>Net deferred tax assets</b>	<u>-</u>	<u>-</u>

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately \$15,000 (2011 - \$23,000) and will be deductible in Canada over the next 3 (2011 – 4) years.

The Company has available for carry forward non-capital losses of \$1,341,000 (2011 - \$944,000). As at December 31, 2012, the non-capital losses carry forwards expire as follows:

	<u>\$</u>
December 31, 2027	<b>117,000</b>
December 31, 2028	<b>294,000</b>
December 31, 2029	<b>191,000</b>
December 31, 2031	<b>342,000</b>
December 31, 2032	<b>397,000</b>
	<u>1,341,000</u>

### **13. FINANCIAL INSTRUMENTS**

#### *Fair value*

The Company's financial instruments as at December 31, 2012 include cash and cash equivalents, trade and other receivables, and trade and other payables. Fair value of cash and cash equivalents is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other receivable and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

As at December 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Interest rate risk*

The Company's cash includes bank deposits that are subject to floating interest rates. The Company's current policy is to invest excess cash in bank deposits by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and trade and other receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consists of bank deposits, from which, management believes the risk of loss is remote. As at December 31, 2012, the Company's trade and other receivables primarily consist of amounts due from the Canadian government. The Company's receivables are normally collected within a 30-60 day period. The Company has not experienced any collection issues to December 31, 2012. The Company is exposed to credit risk with regards to the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at December 31, 2012 is the carrying value of cash and trade and other receivables.

**CHANTRELL VENTURES CORP.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**  
(Expressed in Canadian dollars)

---

**13. FINANCIAL INSTRUMENTS** *(continued)*

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012, the Company had working capital of \$687,804 (2011 – \$1,078,658), consisting of current assets of \$695,772 (2011 - \$1,094,948) compared to current liabilities of \$7,968 (2011 - \$16,290). The ability of the Company to continue to pursue its activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**14. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's activities; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, and deficit, which as at December 31, 2012 totaled \$706,929 (2011 – \$1,102,564).

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

The Company currently has no major sources of revenue; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital position and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest its cash in bank deposits, to ensure it is available for upcoming expenditures.

The Company expects its capital resources will be sufficient to carry out its acquisition and exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

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