Consolidated Financial Statements
(Stated in Canadian Dollars)

WOLFDEN
Resources Corporation

December 31, 2012 and 2011

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
979 Alloy Drive
Thunder Bay, ON
P7B5Z8

T (807) 345-6571
F (807) 345-0032
www.GrantThornton.ca

To the Shareholders of
Wolfden Resources Corporation

We have audited the accompanying consolidated financial statements of Wolfden Resources Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence 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 consolidated financial position of Wolfden Resources Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Thunder Bay, Canada
April 22, 2013

Chartered Accountants
Licensed Public Accountants

WOLFDEN
Resources Corporation
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)

As at	**December 31 2012 $**	December 31 2011 $
ASSETS		
Current assets		
Cash and cash equivalents	**5,589,589**	814,376
Accounts receivable	**85,567**	46,580
Prepaids and deferred transaction costs	**10,054**	66,003
Total current assets	**5,685,210**	926,959
Non-current assets		
Equipment and leaseholds [note 5] [note 9]	**106,320**	22,292
Total assets	**5,791,530**	949,251
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**133,407**	109,752
Deferred premium on flow-through shares	**152,734**	-
Total current liabilities	**286,141**	109,752
Non-current liabilities		
Deferred taxes [note 11]	**13,955**	-
Total non-current liabilities	**13,955**	-
EQUITY		
Share capital [note 7]	**16,404,408**	5,547,672
Share purchase warrants [note 7]	**336,141**	-
Equity settled employee benefits [note 7]	**312,570**	-
Other comprehensive income	**(98,706)**	(95,601)
Deficit	**(11,462,979)**	(4,612,572)
Total equity	**5,491,434**	839,499
Total liabilities and equity	**5,791,530**	949,251

Commitments [note 10]
Subsequent events [note 14]

See accompanying notes to the consolidated financial statements

These consolidated financial statements are authorized for issue by the Board of Directors on April 22, 2013

They are signed on the Corporation's behalf by:

"Don Hoy"
Director

"William McCrindle"
Director

WOLFDEN
Resources Corporation
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

For the year ended December 31,

	2012 $	2011 $
REVENUE		
Investment income	**13,708**	7,163
EXPENSES		
Depreciation *[note 5]*	**17,240**	4,776
Share-based payments *[note 7]*	**312,570**	-
Exchange (gain) loss	**5,332**	(31,807)
Exploration Expenses *[note 6]*	**5,832,053**	978,564
General and administrative expenses *[note 9]*	**592,909**	333,943
Professional fees	**95,142**	91,205
	6,855,246	1,376,681
Loss before income taxes	**(6,841,538)**	(1,369,518)
Deferred tax expense *[note 11]*	**8,869**	-
Loss for the year	**(6,850,407)**	(1,369,518)
Exchange differences on translation of foreign operations	**3,105**	35,884
Comprehensive loss for year	**(6,853,512)**	(1,405,402)
Basic and diluted loss per share *[note 8]*	**(0.22)**	(0.06)

See accompanying notes to the consolidated financial statements

WOLFDEN
Resources Corporation
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the year ended December 31,

	2012 $	2011 $
OPERATING ACTIVITIES		
Comprehensive loss for year	**(6,853,512)**	(1,405,402)
Add charges to earnings not involving a current payment of cash		
Depreciation	**17,240**	4,776
Share based payments	**312,570**	-
Deferred tax expense	**8,869**	-
Non-cash acquisition costs	**2,160,000**	-
	(4,354,833)	(1,400,626)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**(38,987)**	(46,151)
Prepaids and deferred transaction costs	**55,949**	(66,003)
Accounts payable and accrued liabilities	**23,655**	(34,915)
Cash used in operating activities	**(4,314,216)**	(1,547,695)
INVESTMENT ACTIVITIES		
Purchase of equipment and leaseholds	**(101,268)**	(27,068)
Cash used in investment activities	**(101,268)**	(27,068)
FINANCING ACTIVITIES		
Proceeds from shares issued in private placements	**10,136,020**	1,273,750
Share issue costs	**(945,323)**	-
Cash provided by financing activities	**9,190,697**	1,273,750
Increase (decrease) in cash and cash equivalents during year	**4,775,213**	(301,013)
Cash and cash equivalents, beginning of year	**814,376**	1,115,389
Cash and cash equivalents, end of year	**5,589,589**	814,376

See accompanying notes to the consolidated financial statements

WOLFDEN
Resources Corporation
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Stated in Canadian Dollars)

	Share Capital				Reserves				
Issued and outstanding:	Number of Shares	Share Capital	Shares subscribed	Warrants	Equity Settled Employee Benefits	Agents Options	Foreign exchange differences	Deficit	Total Equity
Balance as at December 31, 2010	19,958,333	4,273,922	-	-	-	-	(59,717)	(3,243,054)	971,151
Private placement	5,095,000	1,273,750	-	-	-	-	-	-	1,273,750
Loss and comprehensive loss for the year	-	-	-	-	-	-	(35,884)	(1,369,518)	(1,405,402)
Balance as at December 31, 2011	25,053,333	5,547,672	-	-	-	-	(95,601)	(4,612,572)	839,499
Private placement #1	720,000	180,000	-	-	-	-	-	-	180,000
Private placement #2	19,596,400	9,798,200	-	-	-	-	-	-	9,798,200
Share issue costs	-	(1,281,464)	-	336,141	-	-	-	-	(945,323)
Shares issued for mineral properties	4,320,000	2,160,000	-	-	-	-	-	-	2,160,000
Share-based payments	-	-	-	-	312,570	-	-	-	312,570
Loss and comprehensive loss for the year	-	-	-	-	-	-	(3,105)	(6,850,407)	(6,853,512)
Balance as at December 31, 2012	**49,689,733**	**16,404,408**	**-**	**336,141**	**312,570**	**-**	**(98,706)**	**(11,462,979)**	**5,491,434**

See accompanying notes to the consolidated financial statements

(Incorporated under the laws of Ontario)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

1. NATURE OF BUSINESS

Wolfden Resources Corporation (the "Corporation" or "Wolfden") was incorporated under the laws of the Province of Ontario on August 12, 2009. The principal business activity of the Corporation is the acquisition, exploration and development of mineral properties that it believes contain mineralization that will be economically recoverable in the future.

On April 23, 2010, the Corporation acquired all of the outstanding and issued shares in the capital of MPC Sub Corporation ("MPC Subco") from Mineral Processing Corporation ("MPC").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Statement of Compliance

These consolidated statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC")

Basis of Presentation

The consolidated annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. Measurement bases are more fully described in the accounting policies below.

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

Basis of consolidation

The Corporation's financial statements consolidate those of the parent Corporation and its subsidiary undertaking drawn up to December 31, 2012. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights. The Corporation's only subsidiary has a reporting date of December 31. The Corporation's subsidiary is:

	Percentage of ownership	Jurisdiction	Principal activity
MPC Sub Corporation.	100%	United States	Mineral exploration

All transactions and balances between the Corporation and its subsidiary are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of its subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income or loss of subsidiary acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

Business combinations

For business combinations occurring since January 1, 2010, the requirements of IFRS 3 have been applied. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars (CDN), which is also the functional currency of the parent Corporation. The functional currency of the Corporation's subsidiary is U.S. dollars (USD).

Foreign currency transactions are translated into the functional currency of the respective Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Corporation's financial statements, all assets, liabilities and transactions of Corporation entities with a functional currency other than the CDN (the Corporation's presentation currency) are translated into CDN upon consolidation. The functional currency of the entities in the Corporation have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into CDN at the closing rate at the reporting date. Income and expenses have been translated into the Corporation's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into CDN at the closing rate.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- held-to-maturity investments
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that the recoverable amount of a financial asset or a group of financial assets exceeds its carrying amount. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'general and administrative expenses', 'investment income' or 'other income'.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents, and accounts receivable fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity. The Corporation currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'Investment income'.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial liabilities

The Corporation's financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured initially at the transaction amount and subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'general and administrative expenses'.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default of delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Exploration and Evaluation

The Corporation is in the process of exploring its mineral properties and chooses to expense acquisition costs for property rights. Mineral property acquisition costs include the cash consideration given, direct legal costs incurred for the acquisition, and issuance of shares for mineral property interests. Where the Corporation has entered into an option agreement for the acquisition of an interest in a mineral property which provides for periodic payments, such amounts unpaid are not recorded as a liability since they are payable entirely at the Corporation's discretion.

The Corporation has adopted the policy of expensing exploration costs and periodic maintenance costs incurred prior to the determination that a property has economically recoverable reserves.

Equipment and leaseholds

Equipment and leaseholds are stated at historical cost less accumulated depreciation and any provision for impairment in value. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in equipment and leaseholds if it is probable that future economic benefits associated with the expenditure will flow to the Corporation.

Depreciation on equipment is recognized on a declining balance basis to write down the cost or valuation less estimated residual value of equipment. Depreciation on leaseholds is recognized on the straight-line basis over the term of the lease, which is 5 years. The rates generally applicable are:

Computer equipment	30%
Vehicles	30%
Leaseholds	Straight line over term

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or 'other expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation's common shares, reserves, share options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Corporation periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Corporation, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Corporation's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. "bifurcation") of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

Share-based payment transactions

The Corporation operates equity-settled share-based remuneration plans for its employees, directors and consultants. None of the Corporation's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are less than that estimated on vesting.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Provisions

Provisions are recognized when the Corporation or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in the profit and loss.

Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Corporation's operating segments are its separately identifiable exploration and evaluation properties [see note 4 and note 6].

Significant accounting judgements and estimates

Significant judgements in applying the Corporation's accounting policies

In the application of the Corporation's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Functional currency of foreign subsidiary:

A significant judgement that members of management have made in the process of applying the Corporation's accounting policies and that have a significant effect on the amounts recognised in the consolidated financial statements is the policy on functional currency of the foreign subsidiary.

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Significant 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 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 estimates include:

i. the inputs used in accounting for share purchase option expense in the consolidated statement of comprehensive loss; and

ii. the provision for income taxes which is included in the consolidated statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position which have not yet been confirmed by the taxation authorities and;

iii. the estimated useful lives of equipment and leaseholds which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

Flow through shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in the deferred tax expense. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Corporation has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

a) Accounting Standards Issued and Effective January 1, 2013

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- Requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- Defines the principle of control, and establishes control as the basis for consolidated;
- Sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- Sets out the accounting requirements for the preparation of consolidated financial statements

IFRS 10 supersedes IAS 27 and SIC-12, Consolidation - Special Purpose Entities.

IFRS 11, Joint Arrangements, establishes the core principle that a party to a joint arrangement determines the type of joint arrangements in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with the type of joint arrangement.

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of consolidated 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, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, Share-based Payment;
- Leasing transactions within the scope of IAS 17, Leases;
- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS2, Inventories, or value in use in IAS 36, Impairment Assets.

IAS 1, Presentation of Financial Statements, was amended on June 16, 2011 by the IASB and requires entities preparing financial statements in accordance with IFRS to group together items within Other Comprehensive Income (“OCI”) that may be reclassified to the profit or loss section of the income statement and to separately group together items that will not be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that profit or loss and OCI should by presented as either a single statement or two consecutive statements and are effective for financial years commencing on or after July 1, 2012. Earlier application is permitted.

IAS 27, Separated Financial Statements, has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28, Investments in Associates and Joint Ventures, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associated or joint venture).

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

Accounting standards issued and effective January 1, 2015

IFRS 9, Financial Instruments, replaces the requirements in IAS 39, Financial Instruments: Recognition and Measurement for classifying and measuring financial assets and liabilities.

At their meeting in December, 2011, the IASB approved the deferral by two years of the effective date of IFRS 9, Financial Instruments, from January 1, 2013 to January 1, 2015. Early adoption continues to be permitted.

The amendments approved in December, 2011 also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

WOLFDEN
Resources Corporation
(Incorporated under the laws of Ontario)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

4. SEGMENTED INFORMATION

The Corporation's significant segments are represented by its separately identifiable exploration and evaluation properties (see *note 6* for disclosure by property). The Corporation also operates in two distinct geographic areas.

December 31, 2012

	Canada $	USA $	Total $
Segmented Assets	5,790,536	994	**5,791,530**
Segmented Liabilities	(303,183)	3,087	**(300,096)**
Operating activities			
Depreciation	17,240	-	**17,240**
Share-based payments	312,570	-	**312,570**
Exchange (gain) loss	5,332	-	**5,332**
Exploration Expenses	5,597,539	234,514	**5,832,053**
General and administrative expenses	578,361	14,548	**592,909**
Professional fees	95,142	-	**95,142**
Total	**6,606,184**	**249,062**	**6,855,246**

December 31, 2011

	Canada $	USA $	Total $
Segmented Assets	944,583	4,668	949,251
Segmented Liabilities	(112,072)	2,320	(109,752)
Operating activities			
Depreciation	4,776	-	**4,776**
Share-based payments	-	-	**-**
Exchange (gain) loss	(31,807)	-	**(31,807)**
Exploration Expenses	268,190	710,374	**978,564**
General and administrative expenses	288,033	45,910	**333,943**
Professional fees	79,757	11,448	**91,205**
Total	**608,949**	**767,732**	**1,376,681**

WOLFDEN
Resources Corporation
(Incorporated under the laws of Ontario)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

5. EQUIPMENT AND LEASEHOLDS

	Computer Equipment $	Vehicles $	Leasehold $	Total $
Cost				
Balance, December 31, 2010	-	-	-	-
Assets acquired	-	27,068	-	27,068
Balance, December 31, 2011	-	27,068	-	27,068
Assets acquired	13,120	-	88,148	101,268
Balance, December 31, 2012	**13,120**	**27,068**	**88,148**	**128,336**
Accumulated depreciation				
Balance, December 31, 2010	-	-	-	-
Depreciation for the year	-	4,776	-	4,776
Balance, December 31, 2011	-	4,776	-	4,776
Depreciation for the year	984	5,971	10,285	17,240
Balance, December 31, 2012	**984**	**10,747**	**10,285**	**22,016**
Carrying amounts				
December 31, 2011				22,292
December 31, 2012				**106,320**

6. EXPLORATION AND EVALUATION

	Carlton / Aitkin	Armstrong	Clarence Stream	Other	Total for current year	2011	Total inception to date
Analytical/Sampling	-	3,250	-	121,252	**124,502**	48,267	**227,753**
Geological	-	-	49,040	836	**49,876**	243,189	**393,990**
Geophysical	-	-	-	25,897	**25,897**	46,719	**73,305**
Transportation/ Accommodation	-	-	8,436	2,104	**10,540**	1,151	**28,127**
Exploratory Drilling	4,203	-	5,095	-	**9,298**	219,351	**224,613**
Operations Support	588	-	20,077	695	**21,360**	733	**38,118**
Administration	689	-	687	-	**1,376**	9,199	**14,374**
Total Exploration	5,480	3,250	83,335	150,784	**242,849**	568,609	**1,000,280**
Acquisition/ Development	65,818	55,000	5,334,221	134,165	**5,589,204**	409,955	**8,937,575**
Total	71,298	58,250	5,417,556	284,949	**5,832,053**	978,564	**9,937,855**

Mineral property acquisitions and agreements

Carlton / Aitkin and Rum River Properties

As a part of the acquisition of MPC Subco, the Corporation acquired the right, title, and interest to mineral property interests located in Carlton, Aitkin, Kanabec and Mille Lacs counties in Minnesota. The Corporation relinquished its interest in the Rum River properties, as well as a portion of the Carlton-Aitkin properties, located in Minnesota U.S.A. The Corporation now retains only its interest in the Lawman leases that are part of the Carlton-Aitkin property.

Armstrong agreement

On September 19, 2011 the Corporation signed an agreement, which was amended on September 12, 2012, to acquire a 100% interest in the Armstrong Property located in New Brunswick. As consideration, the Corporation is required to make the following payments: (i) $40,000 cash payment was paid upon signing the agreement ; (ii) $70,000 in exploration expenditures before the Corporation lists on the stock exchange (this has been satisfied by the Corporation); (iii) $30,000 cash payment was paid on the date the Corporation listed on the stock exchange; (iv) $90,000 worth of common shares issued January 10, 2013; (v) $40,000 in cash payment and $40,000 worth of common shares on or prior to January 17, 2014; (vi) $40,000 in cash payment, $40,000 worth of common shares and $2,500,000 of exploration expenditures ($1,250,000 on diamond drilling) on or prior to January 17, 2015; (vii) $25,000 in cash payment, and $25,000 worth of common shares on or prior to January 17, 2016; and (viii) $25,000 in cash payment, and $25,000 worth of common shares and an additional $2,500,000 of exploration expenditures on or prior to January 17, 2017.

There is a 1.5% NSR on the property in favour of the vendor, 0.5% of the NSR can be purchased by the Corporation for $2,000,000 on or before delivery of a positive feasibility study. An additional 0.5% of the NSR can be purchased for $2,500,000 on or before commencement of commercial production.

The Corporation is required to make $25,000 annual advance royalty payments after the Corporation acquires a 100% interest in the property until delivery of a positive feasibility study. $50,000 in annual advance royalty payments shall be made following delivery of a positive feasibility study up until the first anniversary date following commercial production. Advance royalty payments are deductible against proceeds of the NSR.

Bonus cash payments to vendor are as follows: (i) $25,000 and $50,000 worth of common shares upon discovery of volcanic-hosted massive sulphides ("VHMS") in situ on the property greater than 5% lead-zinc-copper over 1 metre; (ii) $125,000 cash and $150,000 worth of common shares upon delineation of a VHMS deposit in excess of 1,000,000 tonnes (greater than 5% lead-zinc-copper)

A penalty payment was made to the vendor of $25,000 when the Corporation did not list on a stock exchange in North America prior to March 19, 2012.

Clarence Stream Agreements

(i) On March 7, 2012 the Corporation executed an agreement, which was amended March 29, 2012, and further amended September 6, 2012, to purchase a 30% interest in the Clarence Stream property located in New Brunswick from Rockport Mining Corp. ("RMC"). The agreement amended the definition for the "Closing Date" to the date within 90 days of the Corporation's receipt of its Final Prospectus, and no later than November 30, 2012. On the Closing Date, October 18, 2012, RMC sold, assigned and transferred to the Corporation the Subject Interest and the Exploration Data, and the Corporation purchased the Subject Interest and Exploration Data from RMC, for the following consideration:

(a) A non-refundable deposit of $75,000 paid on signing of the agreement;
(b) the sum of $1,000,000, paid by the Corporation to RMC (or its designated Affiliate); and
(c) the allotment and issuance by the Corporation to RMC (or its designated Affiliate, subject to compliance with Applicable Securities Laws), of that number of IPO Securities having a deemed aggregate value equal to $560,000 (the “Transaction Units”) at a price per Transaction Unit equal to the IPO price of the IPO Securities.

Following the Closing Date, the Corporation agreed to retain qualified RMC consultants and personnel (the "Consultants") to assist the Corporation with future exploration work with respect to the Property and pay such Consultants an aggregate of up to $5,000 per month at industry standard rates for a period of 12 months following the Closing Date for aggregate payments to the Consultants of $60,000. In the event exploration work ceases or is delayed during the 12 month period following the Closing Date, such retainer and payments will be delayed and such time deadline will be extended for a time equal to such period that exploration work on the Property has ceased or been delayed and the balance of the $60,000 not paid shall be carried forward until a total of $60,000 has been expended.

(ii) On January 13, 2012 the Corporation executed an agreement to purchase a 70% interest in the Clarence Stream property located in New Brunswick from Cliffs Chromite Ontario Inc ("Cliffs"). This agreement was amended on March 30, 2012, and then further amended on September 10, 2012 to extend the Effective Date of the agreement. On the Effective Date, October 18, 2012, Cliffs sold, assigned and transferred to the Corporation the Subject Interest and the Exploration Data, and the Corporation purchased the Subject Interest and Exploration Data from Cliffs, for the following consideration:

(a) the sum of $10, paid by the Corporation to Cliffs on the Effective Date;
(b) the sum of $2,000,000, paid by the Corporation to Cliffs (or its designated Affiliate);
(c) the allotment and issuance by the Corporation to Cliffs (or its designated Affiliate, subject to compliance with Applicable Securities Laws), of that number of Shares having a deemed aggregate value equal to $1,600,000 (the “Transaction Shares”) at a price per Share equal to the IPO price of the Shares;
(d) the grant by, and agreement of, the Corporation to pay on behalf of itself and its successors and assigns, and the reservation by Cliffs on behalf of itself and its successors and assigns of, a 1% net smelter returns royalty on the Property (the “Net Smelter Returns Royalty”) in perpetuity for each year with respect to all Minerals, all as more formally provided in the Royalty Agreement; and
(e) the assumption of certain liabilities by the Corporation.

There is a 2% and 1 % Net Smelter Royalty ("NSR") on the property, and the Corporation is required to make $15,000 advance royalty payments which are deductible against the 2% NSR.

(Incorporated under the laws of Ontario)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES

i. Authorized

The Corporation is authorized to issue an unlimited number of common shares.

ii. Details of share issuances

2012

Private Placement #1

On March 13, 2012 the Corporation completed a private placement of 720,000 Units at a price of $0.25 per Unit ("Units") for gross proceeds of $180,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable to purchase one common share of the Corporation for a period of 24 months at a price of $0.40.

Private Placement #2

On October 18, 2012 the Corporation completed its initial public offering (the "Offering") whereby the Corporation issued 16,440,000 units (each, a "Unit") at a price of $0.50 per Unit and 3,156,400 flow-through common shares (each, a "FT Share) at a price of $0.55 per FT Share for total gross proceeds of $9,956,020. Each Unit consists of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one common share at an exercise price of $0.75 per share until October 18, 2014. The Corporation has the right to require the holders of the Warrants to exercise the warrants in the event that the average trading price of the common share is equal to or greater than $1.50 for a period of 20 consecutive trading days.

On the closing date, the Corporation paid the Agents a cash commission of $580,199 and issued 1,339,208 warrants (each, an "Agent's Warrant"). Each Agent's Warrant entitles the holder to acquire one common share at an exercise price of $0.55 per share until October 18, 2014.

Shares issued for mineral properties

On October 18, 2012 the Corporation issued 4,320,000 common shares, valued at $2,160,000, for acquisition of a 100% interest in Clarence Stream property, located in New Brunswick.

2011

On February 25, 2011 the Corporation completed a private placement of 5,095,000 Units at a price of $0.25 per Unit ("Units") for gross proceeds of $1,273,750. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable to purchase one common share of the Corporation for a period of 12 months at a price of $0.40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

iii. Warrants

The following table reflects the continuity of warrants as at December 31, 2012:

Expiry Date	**Exercise Price $**	**2012 Opening Balance #**	**Warrants Issued #**	**Warrants Exercised #**	**Warrants Expired #**	**2012 Closing Balance #**
February 25, 2013*	0.40	2,547,500	-	-	-	**2,547,500**
March 13, 2013*	0.40	-	360,000	-	-	**360,000**
October 18, 2014	0.75	-	8,220,000	-	-	**8,220,000**
October 18, 2014	0.55	-	1,339,208	-	-	**1,339,208**
		2,547,500	9,919,208	-	-	**12,466,708**
Weighted average exercise price		0.40	0.71	-	-	**0.65**

* Subsequent to year end the expiry date of warrants were extended, see note 14 - Subsequent events.

The following table reflects the continuity of warrants as at December 31, 2011:

Expiry Date	Exercise Price $	2011 Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	December 31, 2011 Closing Balance #
February 25, 2013*	0.40	-	2,547,500	-	-	2,547,500

For purposes of the warrants granted, the fair value of each warrant was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2012	2011
Risk-free interest rate	**1.09**	-
Annualized volatility**	**100%**	-
Expected dividend	**Nil**	Nil
Expected warrant life in years	**2 years**	2 years

**Volatility was estimated using an average for volatilities of comparative companies.

iv. Share purchase option compensation plan

The Corporation has a stock option plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

The following table reflects the stock options outstanding as at December 31, 2012:

Expiry Date	Exercise Price $	2012 Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	2012 Closing Balance #
March 9, 2022	0.75	-	1,510,000	-	-	**1,510,000**
Weighted average exercise price		-	0.75	-	-	**0.75**

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $312,570 was recorded as compensation for the options (2011 - $NIL was recorded as compensation for the year). As of December 31, 2012 there were no unvested stock options. There were no options outstanding as at December 31, 2011.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2012	2011
Risk-free interest rate	**2.02%**	-
Annualized volatility**	**100%**	-
Expected dividend	**NIL**	NIL
Expected option life in years	**10 years**	-

**Volatility was estimated using an average for volatilities of comparative companies.

8. LOSS PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Corporation as the numerator. No adjustments to profit were necessary in 2012 or 2011.

	2012	2011
Numerator:		
Comprehensive loss	**(6,853,512)**	(1,405,402)
Denominator:		
Weighted average number of common shares	**30,465,283**	24,271,634
Basic and diluted loss per share	**(0.22)**	(0.06)

9. RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
DSA Corporate services	Corporate secretarial
DSA Filing services	Filing services
The Alyris Group	Accounting, management and facilities rental
Alyris Leasing Inc.	Facilities
Mineral Processing Corporation	Management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

[a] Included in general and administrative expenses are amounts totaling $2,618 (2011 - $138) for corporate secretarial services provided by DSA Corporate Services of which is related to the Corporation through Shaun Drake, Corporate Secretary of Wolfden.

[b] Included in general and administrative expenses are amounts totaling $149,174 (2011 - $93,250), for IT consulting, and accounting and management services provided by 1752466 Ontario Inc., a company related to the Corporation through Ewan Downie, Director of Wolfden and Dan Mechis, Director of Wolfden.

[c] Included in general and administrative expenses are amounts totaling $940 (2011 - $22,476) for administrative and management services paid to Mineral Processing Corporation, a Company that is an insider of the Corporation and of which Thomas Quigley is a common director.

[d] Included in general and administrative expenses are amounts totaling $46,821 (2011 - $NIL) for rent, common cost, and co-op cost paid by Alyris Leasing Inc., a company related to the Corporation through Ewan Downie, Director of Wolfden and Dan Mechis, Director of Wolfden.

[e] Included in equipment and leaseholds are amounts totaling $88,148 (2011 - $NIL) for leasehold improvements and $13,120 (2011 - $NIL) for computer equipment paid to Alyris Leasing Inc., a company related to the Corporation through Ewan Downie, Director of Wolfden and Dan Mechis, Director of Wolfden.

[f] On March 29, 2012, the Corporation entered into a Loan Facility with Ewan Downie, Director of the Corporation, as amended on September 12, 2012, whereby amounts drawn down on the facility incur interest at 10% per annum and mature on November 30, 2012. During the year the Corporation drew down $125,000 of the loan facility This amount was subsequently paid back including the required interest.

Key management personnel remuneration includes the following amounts:

	2012 $	2011 $
Salary and wages	**168,000**	120,508
Share-based payments	**56,925**	-
Other compensation	**5,462**	-
	230,387	120,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

10. COMMITMENTS

The Corporation has commitments relating to an office lease, which includes rent, common cost, and co-op cost, expiring June 2017.

The minimum payments are as follows:

	$
2013	81,043
2014	81,043
2015	81,043
2016	81,043
Thereafter	40,523
	364,695

Flow-through renunciation

As at December 31, 2012, the Corporation renounced 100% of its flow-through related resource expenditures to investors. The Corporation has until February 1, 2013 to incur the expenditures before monthly interest charges begin to accrue on unspent funds. Interest charges incurred by the Corporation as a result of this income tax legislation are charged to income in the period incurred. Of the $1,736,020 in flow-through financing raised in 2012, the Corporation has incurred $55,421 in exploration expenses, and thus has $1,680,599 left to be spent by December 31, 2013.

11. INCOME TAXES

(a) The major components of income tax benefit are as follows:

	2012 $	2011 $
Origination and reversal of temporary differences	**1,747,006**	516,313
Tax benefit on previously unrecognized tax asset	**(1,568,924)**	(395,129)
Deferred tax liability incurred on renouncement expenses	**13,955**	-
Reversal of deferred flow through premium	**(5,086)**	-
Other	**(178,082)**	(121,184)
Income tax expense	**8,869**	-

(b) The Corporation's income tax benefit differs from the amount computed by applying the combined federal and provincial income tax rates to loss before income taxes as a result of the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

	2012 $	2011 $
Loss for the year	**(6,853,512)**	(1,405,402)
Statutory rates [(i)]	**26.50%**	36.70%
Income tax recovery computed at statutory rates	**(1,816,181)**	(516,313)
Increase in deferred tax assets not recognized	**1,634,729**	395,129
Non-deductible items	**83,368**	-
Effect of change in tax rates	**98,084**	-
Impact of attributes renounced to shareholders (flow-through shares)	**13,955**	-
Impact of flow-through share premium	**(5,086)**	-
Other	**-**	121,184
Income tax expense	**8,869**	-

(i) The Corporation operates in multiple jurisdictions, and the related income is subject to varying rates of taxation. The combined Canadian federal and provincial tax rate reflects the tax rates in effect in Ontario, Canada for each applicable tax year. The combined rate declined in 2012 to reflect a 1.5% decrease in the federal tax rate from 16.5% to 15%, effective January 1, 2012.

(c) The deferred income tax assets (liabilities) reported on the balance sheet are comprised of temporary differences as presented below:

	2012 $	2011 $
Deferred income tax liabilities		
Exploration and evaluation	**(13,955)**	-
Balance at the beginning of the year	**-**	-
Recognized in P & L	**(8,869)**	-
Deferred premium on flow-through shares	**(5,086)**	-
Balance at the end of the year	**(13,955)**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

(d) Deferred tax assets not recognized

Management believes that it is not probable that sufficient taxable profits will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

	2012	2011
	$	$
Non-capital losses	**403,687**	184,537
Common share issue costs	**189,163**	-
Exploration and evaluation	**1,452,577**	67,047
Deferred tax assets not recognized	**2,045,427**	251,584
Unused operating tax losses expiring 2029 to 2032	**1,614,750**	738,148
Deductible temporary differences	**6,566,956**	268,189
Total unused operating tax losses	**8,181,706**	1,006,337

12. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Canada. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk
Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of off-set exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade credit risk
The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.

ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of six months or less and are cashable at any time. Limits are also established based on the type of investment, the counterparty and the credit rate.

iii) Derivative financial instruments
As at December 31, 2012, the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments in order to manage credit risk, it will only enter into derivative financial instruments with highly rate investment grade counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

[b] Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

[c] 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 risk that the Corporation will realize a significant loss as a result of a decline in the fair market value is limited as the Corporation holds all of its funds in cash.

[d] Currency risk
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar, however it has operations located in the United States, and as such is subject to fluctuations in that currency. Changes in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At December 31, 2012 a 100 basis point decrease/increase in the U.S. Dollar would result in a foreign exchange gain/loss of approximately CDN$2,350.

The Corporation does not invest in derivatives to mitigate these risks.

13. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

The Corporation expects its current capital resources will be sufficient to carry out its exploration plans and operations through 2013.

WOLFDEN
Resources Corporation
(Incorporated under the laws of Ontario)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(Stated in Canadian Dollars)

14. SUBSEQUENT EVENTS

Peacock Property Agreement

On February 14, 2013 entered into a Letter of Intent ("LOI") to purchase a 100% interest in the Peacock Property in the District of Cochrane in Ontario. The Corporation shall have the right to earn an undivided 100% interest in the Property, subject to the NSR, by making cash payments and issuing common shares in the capital of the Corporation over a three year period:

[a] The estimated cost of $8,500 to resample the drill core and verify gold assays, will be borne by Wolfden, upon signing of this LOI;
[b] $7,500 and 20,000 shares of Wolfden on or before the 6 month anniversary date of signing of the LOI;
[c] $10,000 and 20,000 shares of Wolfden on or before the 1st anniversary date of signing of the LOI;
[d] $20,000 and 20,000 shares of Wolfden on or before the 2nd anniversary date of signing of the LOI;
[e] $40,000 and 40,000 shares of Wolfden on or before the 3rd anniversary date of signing of the LOI;

There is a 2% NSR on the property in favour of the vendor, the Corporation has the right to purchase 1% of the NSR for $500,000 per each 0.5% increment.

Warrant Extension

On February 13, 2013 the Corporation applied to the TSX Venture Exchange (the "Exchange") to extend the term of the following warrants being (1) 2,547,500 warrants that were originally issued on February 25, 2011 and are exercisable at $0.40 per share presently expiring on February 25, 2013 until February 25, 2014; and (2) 360,000 warrants that were originally issued on March 13, 2012 and are exercisable at $0.40 per share presently expiring on March 13, 2013 until March 13, 2014. The exercise price of all of the warrants to be extended will remain the same.