Consolidated Financial Statements
(Expressed in Canadian dollars)

ASIAN MINERAL RESOURCES LIMITED

Years ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Asian Mineral Resources Limited

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

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' 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 audits 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 our 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, we consider 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 Asian Mineral Resources Limited as at December 31, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards**.**

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes that the Company will require additional funding in 2013 of approximately $16 million to complete the development and commence commercial production at the Ban Phuc mine. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants

Vancouver, Canada
April 22, 2013

ASIAN MINERAL RESOURCES LIMITED

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 15,269,580	$ 2,725,594
Accounts receivable and prepayments	865,024	250,725
Materials and supplies inventory (note 7)	1,136,747	1,138,806
	17,271,351	4,115,125
Non-current assets:		
Property and equipment (note 8)	20,366,281	15,706,361
Mineral property interest (note 9)	677,323	677,323
Total assets	$ 38,314,955	$ 20,498,809
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,510,281	$ 1,875,496
Non-current liabilities:		
Provision for closure and rehabilitation (note 10)	215,600	215,600
Equity:		
Share capital (note 11(b))	115,833,103	95,052,093
Share-based payments reserve (note 11(d))	516,433	984,521
Currency translation reserve	1,162,598	1,214,963
Deficit	(82,226,485)	(78,511,593)
Equity attributable to owners of the Company	35,285,649	18,739,984
Non-controlling interest	(696,575)	(332,271)
Total equity	34,589,074	18,407,713
Total liabilities and equity	$ 38,314,955	$ 20,498,809

Going concern (note 1)
Commitments and contingencies (note 19)
Subsequent event (note 20)

See accompanying notes to consolidated financial statements.

ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

	2012	2011
Operating costs and expenses:		
Amortization and depreciation	$ 140,314	$ 156,345
Directors fees	47,697	205,103
Exploration	71,522	7,483
Legal, audit and accounting	139,155	82,337
Listing and filing fees	48,111	31,934
Office and administration	384,655	651,373
Share-based payments (note 11(d))	256,279	4,540
Travel and conferences	125,912	50,244
Vietnam office expenses (note 12)	3,607,916	2,046,241
Loss from operations	4,821,561	3,235,600
Finance income and expenses:		
Interest income	(59,096)	(36,101)
Foreign exchange loss (gain)	35,280	(13,228)
	(23,816)	(49,329)
Loss for the year	4,797,745	3,186,271
Other comprehensive loss (gain):		
Foreign currency translation differences – foreign operations	58,183	(118,995)
Comprehensive loss for the year	$ 4,855,928	$ 3,067,276
Loss for the year attributable to:		
Owners of the Company	$ 4,439,259	$ 3,007,925
Non-controlling interest	358,486	178,346
	$ 4,797,745	$ 3,186,271
Comprehensive loss for the year attributable to:		
Owners of the Company	$ 4,491,624	$ 2,900,829
Non-controlling interest	364,304	166,447
	$ 4,855,928	$ 3,067,276
Basic and diluted owners' loss per share	$ 0.02	$ 0.02
Weighted average number of common shares outstanding	296,049,835	202,007,217

See accompanying notes to consolidated financial statements.

ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars, except number of common shares)

Years ended December 31, 2012 and 2011

	Number of Common shares (note 11(b))	Share capital (note 11(b))	Share-based payments reserve	Advance on subscription for common shares	Currency translation reserve	Deficit	Owners' equity	Non-controlling interest	Total
Balance, January 1, 2011	171,734,435	$ 90,372,093	$ 1,525,431	$ 75,000	$ 1,107,868	$ (76,049,118)	$ 17,031,274	$ (165,825)	$ 16,865,449
Issue of shares, net of costs	31,200,000	4,680,000	-	(75,000)	-	-	4,605,000	-	4,605,000
Share-based payments	-	-	4,540	-	-	-	4,540	-	4,540
Expiry of options	-	-	(545,450)	-	-	545,450	-	-	-
Currency translation gain (loss)	-	-	-	-	107,096	-	107,096	11,900	118,995
Loss for the year	-	-	-	-	-	(3,007,925)	(3,007,925)	(178,346)	(3,186,271)
Balance, December 31, 2011	202,934,435	95,052,093	984,521	-	1,214,963	(78,511,593)	18,739,984	(332,271)	18,407,713
Issue of shares, net of costs	322,272,727	20,781,010	-	-	-	-	20,781,010	-	20,781,010
Share-based payments	-	-	256,279	-	-	-	256,279	-	256,279
Expiry of options	-	-	(724,367)	-	-	724,367	-	-	-
Currency translation gain (loss)	-	-	-	-	(52,365)	-	(52,365)	(5,818)	(58,183)
Loss for the year	-	-	-	-	-	(4,439,259)	(4,439,259)	(358,486)	(4,797,745)
Balance, December 31, 2012	525,207,162	$115,833,103	$ 516,433	$ -	$ 1,162,598	$(82,226,485)	$ 35,285,649	$ (696,575)	$ 34,589,074

See accompanying notes to consolidated financial statements.

ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Cash flows
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Net income (loss) for the year	$ (4,797,745)	$ (3,186,271)
Items not involving cash:		
Share based payments (note 11(d))	256,279	4,540
Amortization and depreciation	140,314	156,345
Foreign currency translation	5,514	(149,470)
Changes in non-cash operating working capital:		
Accounts receivable and prepayments	(614,299)	(38,496)
Advances on subscriptions	-	75,000
Materials and supplies inventory	2,059	37,991
Accounts payable and accrued liabilities	1,634,785	320,914
	(3,373,093)	(2,779,447)
Investments:		
Purchase of property, plant and equipment	(4,863,931)	(976,747)
Financing:		
Issuance of common shares and warrants, net of issue costs (note 11(c)(i))	20,781,010	4,680,000
Advances on share subscriptions	-	(75,000)
	20,781,010	4,605,000
Increase in cash and cash equivalents	12,543,986	848,806
Cash and cash equivalents, beginning of year	2,725,594	1,876,788
Cash and cash equivalents, end of year	$ 15,269,580	$ 2,725,594

Supplemental cash flow information (note 15)

See accompanying notes to consolidated financial statements.

1. Nature of business and going concern:

Asian Mineral Resources Limited (the Company or AMR) is incorporated under the laws of the Province of British Columbia by a certificate of continuance as of December 31, 2004, having previously been incorporated and registered under the New Zealand Companies Act 1993. On April 19, 2004, the Company became listed on the TSX-Venture Exchange (TSX-V). The Company's principal business activity is the exploration and development of mineral property interests. Its principal mineral property interest, held through a joint venture, is in the Ban Phuc Project Area located 160 km west of Hanoi in Son La Province, in northwestern Vietnam.

The Company completed a definitive feasibility study in November 2005, updated in 2007, which supported mine development within a portion of the Ban Phuc Project Area. On December 17, 2007, the Company received a mining license to develop and mine the Ban Phuc deposit from the Vietnamese Ministry of Natural Resources and Environment. Project development commenced in late 2007, with production initially anticipated to commence in the second quarter of 2009. On October 1, 2008, the Company suspended project development activities at Ban Phuc and subsequently placed the project on care and maintenance for various reasons including the inability to obtain financing for project completion. During 2012, following private placement funding, construction activities recommenced with the expectation of initial commissioning of operations in mid-2013. Reference is made to the mineral property interest note (note 9) for a description of correspondence and discussion regarding the status of the mining license.

As at December 31, 2012, the Company has cash and cash equivalents of $15.3 million. The Company will require additional funds in order to complete the development and commence commercial production at the Ban Phuc mine, anticipated later in 2013. Subsequent to year-end, $12.5 million was raised pursuant to a rights offering prospectus (note 20). However, additional funding of approximately $16 million will be required in 2013. There can be no assurance that the Company will be able to obtain the financing needed in order to complete mine development, satisfy the Vietnamese government, achieve profitability and positive cash flows.

These financial statements have been prepared on a going concern basis, which assumes 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 as they come due. The conditions described above raise significant doubt about the Company's ability to continue as a going concern. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required, and these adjustments could be material.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board ('IASB').

(b) Approval of the financial statements:

The consolidated financial statements of Asian Mineral Resources Limited for the year ended December 31, 2012 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 22, 2013.

3. Significant accounting policies:

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

(a) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, utilizing the accrual method of accounting unless otherwise described in the notes below.

(b) Currency translation:

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of its subsidiary Ban Phuc Nickel Mines (BPNM) is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in place on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss.

For consolidation purposes, BPNM is translated into Canadian dollars using the current rate method, whereby assets and liabilities are translated using the exchange rate prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the relevant period. Translation differences are recognized in other comprehensive income and are accumulated within equity in the currency translation reserve.

(c) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest.

3. Significant accounting policies (continued):

(c) Basis of consolidation (continued):

Significant subsidiaries of Asian Mineral Resources Limited are as follows:

Name	Country of incorporation	Effective interest
Ban Phuc Nickel Mines Limited Liability Company	Vietnam	90%
AMR Nickel Limited	Cook Islands	100%
Asian Nickel Exploration Limited	Cook Islands	100%

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less when acquired.

(e) Prepayments:

Prepayments to suppliers and contractors are based on the contract progress, with payments made during the stages of works.

(f) Materials and supplies inventory:

Materials and supplies inventory consists of consumables used in development activities, such as explosives, fuel and spare parts which are valued at the lower of cost and net realizable value and, where appropriate, less a provision for obsolescence.

(g) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Plant and equipment includes capitalized development expenditures. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it to use, along with the future cost of dismantling and removing the asset.

Depreciation is provided on plant and equipment, calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual financial period with the affect of any changes recognized on a prospective basis.

Asset	Basis	Rate range
Building, plant, machinery, motor vehicles	Straight-line	14% - 25%
Furniture and office equipment	Straight-line	11% - 33%
Licenses and franchises	Straight-line	11% - 33%

Construction in progress represents the cost of plant and mine development which is under construction. No depreciation is provided for construction in progress during the period of construction.

3. Significant accounting policies (continued):

(h) Mineral property interest:

Exploration expenses incurred prior to determination of the feasibility of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations and issuance of a mining license are deferred, less accumulated amortization and any impairment losses, until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. When commercial production in an area of interest has commenced, the associated costs are amortized over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proven and probable reserves that affect units-of-production calculations are dealt with on a prospective basis.

(i) Impairment of long-lived assets:

At the end of each year, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any 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 the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and its 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 assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to its recoverable amount, but only to the extent 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 (CGU) in prior years. The reversal of an impairment loss is recognized immediately in profit and loss.

(j) Reserve estimates:

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* (NI 43-101). Reserves are used when performing impairment assessments on the Company's mineral property and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

3. Significant accounting policies (continued):

(k) Provision for closure and rehabilitation:

A provision for closure and rehabilitation is recognized when there is a legal or constructive obligation to remediate as a result of exploration, development and production activities undertaken, if the amount of the provision can be measured reliably. The estimated future obligations include the costs of dismantling, and removal of facilities and restoration. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the reporting date.

(l) Share capital:

Common shares are classified as equity. The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued at the quoted market price on the date the shares are issued. For unit placements the Company attributes all value to the common share component of the unit placements.

(m) Share-based payments:

The Company has a share option plan, under which the fair value of all share-based awards is estimated using the Black-Scholes Option-Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payment reserve is recorded as an increase to share capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

(n) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive loss except to the extent that the tax relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

3. Significant accounting policies (continued):

(n) Income taxes (continued):

Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

(o) Financial instruments:

(*i*) Non-derivative financial assets:

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its financial assets in the following categories:

(A) Financial assets at fair value through profit or loss (FVTPL);

(B) Held-to-maturity investments;

(C) Available-for-sale financial assets; and

(D) Loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

The Company has the following non-derivative financial assets: loans and receivables.

3. Significant accounting policies (continued):

(o) Financial instruments (continued):

(*i*) Non-derivative financial assets (continued):

Financial assets at FVTPL

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company does not have any financial assets at FVTPL.

Held-to-maturity investments

Investments are measured at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the statement of operations over the life of the financial instrument on an effective yield basis. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets (AFS)

Short-term investments are classified as available-for-sale and are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in profit and loss. Management assesses the carrying value of AFS financial assets each period and any impairment charges are recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss. The Company does not have any assets classified as available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and accounts receivable.

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each period end. Financial assets are impaired when 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 flows of the investment have been impacted.

3. Significant accounting policies (continued):

(o) Financial instruments (continued):

(*ii*) Non-derivative financial liabilities:

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Such financial liabilities are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition other financial liabilities are measured at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities; accounts payable and accrued liabilities which is classified as other financial liabilities.

(p) Loss per share:

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, loss available to common shareholders equals the reported loss.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. For all periods presented, diluted loss per share is the same as basic loss per share since the effect of the outstanding options (note 11(d)) and share purchase warrants (note 11(e)) would be anti-dilutive.

4. Changes in accounting standards:

The following accounting standards, which may be relevant to the Company have been introduced or revised by the IASB:

(a) Consolidation

In May 2011, the IASB issued IFRS 10 – *Consolidation Financial Statements* (IFRS 10), which superseded SIC 12 - *Consolidation – Special Purpose Entities* and the requirements relating to consolidated financial statements in IAS 27 – *Consolidated and Separate Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to

4. Changes in accounting standards (continued):

(a) Consolidation (continued)

variable returns from the investee and the ability to affect the investor's returns through its power over the investee.

In addition, the IASB issued IFRS 12 – *Disclosure of Interest in Other Entities* (IFRS 12), which combines and enhances the disclosure requirements for the Company's subsidiaries and associates. The requirements of IFRS 12 include enhanced reporting of the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the company's consolidation financial statements. IFRS 12 is also effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The Company does not anticipate the application of IFRS 10 and IFRS 12 to have a significant impact on its consolidated financial statements.

(b) Financial Statements

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (IAS39) in its entirety with IFRS 9 - *Financial Instruments* (IFRS 9) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles–based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, which addressed the classification and measurement of the financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit and loss, financial guarantees and certain other exemptions. In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9, which deferred the mandatory effective date of IFRS 9 from January 1, 2013, to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(c) Fair Value Measurement

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement* (IFRS 13) as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable Inputs should be maximized while unobservable Inputs should be minimized. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The Company does not anticipate the application of IFRS 13 to have a significant impact on its consolidated financial statements.

4. Changes in accounting standards (continued):

(d) Joint Arrangements

In May 2011, the IASB issued IFRS 11 – *Joint arrangements* (IFRS 11), which supersedes IAS 31 - *Interest in Joint Ventures* and SIC 13 – Jointly Controlled Entities – *Non-Monetary Contributions by Venturers*. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. Under IFRS 11, joint arrangement are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method.

The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

5. Critical judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 6), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(a) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs.

Management has determined that exploration drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(b) Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. It has been determined that the functional currency for Ban Phuc Nickel Mines (BPNM) is the United States dollar, while the functional currency for the Company and its other subsidiaries is the Canadian dollar. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in the events and conditions, which determine the primary economic environment.

5. Critical judgments in applying accounting policies (continued)

(c) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its development of the Ban Phuc mine and for working capital requirements. Judgments must also be made with regard to events or conditions, which might give rise to significant uncertainty.

6. Key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions of the effect of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Differences between the actual results and present estimates and assumptions have the potential to materially affect the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effect on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

(a) Impairment of mineral properties, plant and equipment

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral properties, plant and equipment are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties, plant and equipment. Internal sources include the manner in which mineral properties, plant and equipment are being used or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral properties, plant and equipment, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from its mineral properties using an appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources and exploration potential and/or adverse current economics can result in a write down of the carrying amounts of the Company's mineral properties, plant and equipment.

6. Key sources of estimation uncertainty (continued)

(b) Estimated mine closure and rehabilitation costs

The Company's provision for mine closure and reclamation cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumption of risks associated with the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the mine closure and rehabilitation cost obligations are recorded with a corresponding change to the carrying amounts of the related mineral properties, plant and equipment for the period. Adjustments to the carrying amounts of the related mineral properties, plant and equipment can result in a change to the future depletion expense.

(c) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates for future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and can be implemented without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations it is reasonably possible that changes in these estimates could occur, which would materially affect the amounts of income tax assets recognized.

(d) Share based compensation

The Company includes an estimate of forfeitures, share price volatility, expected life and risk-free interest rates in the calculation of the expense related to certain long term employee incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the share based compensation expense and share based reserve.

(Expressed in Canadian dollars, unless otherwise stated)

7. Materials and supplies inventory:

	December 31, 2012	December 31, 2011
Materials and supplies inventory	$ 1,136,747	$ 1,138,806

Materials and supplies inventory consists of consumables used in development activities, such as explosives, consumables, fuel and spare parts.

8. **Property, plant and equipment:**

	Building, plant machinery, motor vehicles	Construction in progress	Furniture and office equipment	Total
Cost				
Balance January 1, 2011	$ 1,440,261	$ 13,233,056	$ 160,997	$ 14,834,314
Additions	455,443	736,904	-	1,192,347
Translation adjustment	25,427	240,117	2,921	268,465
Balance December 31, 2011	1,921,131	14,210,077	163,918	16,295,126
Additions	48,816	4,780,486	34,632	4,863,934
Translation adjustment	(7,510)	(55,549)	(641)	(63,700)
Balance December 31, 2012	$ 1,962,437	$ 18,935,014	$ 197,909	$ 21,095,360
Accumulated Depreciation				
Balance January 1, 2011	$ (337,812)	$ -	$ (94,608)	$ (432,420)
Depreciation expense	(143,560)	-	(12,785)	(156,345)
Balance December 31, 2011	(481,372)	-	(107,393)	(588,765)
Depreciation expense	(128,301)	-	(12,013)	(140,314)
Balance December 31, 2012	$ (609,673)	$ -	$ (119,406)	$ (729,079)
Net Book Value				
Balance December 31, 2011	$ 1,439,759	$ 14,210,077	$ 56,525	$ 15,706,361
Balance December 31, 2012	$ 1,352,764	$ 18,935,014	$ 78,503	$ 20,366,281

In October 2008, the Company suspended project activities at Ban Phuc due to an inability to raise financing to continue development given market conditions at the time. The project remained on a care and maintenance program until 2012, when development of the mine re-commenced. On transition to IFRS, an assessment was performed to determine whether an impairment reserve was warranted and on the basis of the discounted cash flow analysis, an impairment in the amount of $28 million was recorded. Similar assessments since that time have indicated no need for further impairment. Although the Company has re-commenced development, there has not yet been a material change in estimates that would result in the reversal of the previously recorded impairment loss at December 31, 2012.

(Expressed in Canadian dollars, unless otherwise stated)

9. Mineral property interest:

	December 31, 2012	December 31, 2011
Ban Phuc Project Area	$ 677,323	$ 677,323

The Company's mineral property interest is in the Ban Phuc Project Area in Vietnam. The mining license for Ban Phuc was received on December 17, 2007 and development activities commenced immediately thereafter. On October 1, 2008 the Company suspended project activities at Ban Phuc and subsequently the project was placed on a care and maintenance program. An impairment on Ban Phuc was recorded on transition to IFRS in the January 1, 2010 statements (note 8). In 2012 following the receipt of private placement funding, the Company has accelerated construction activities aimed to complete mine development during 2013.

The Ban Phuc project was the subject of a report dated October 6, 2011 made by the General Department of Geology and Minerals Vietnam (GDGMV), in which it identified a number of matters requiring remediation and requested that BPNM undertake a number of actions including speeding up mine construction and submitting to the Ministry of Natural Resources and Environment (MONRE) an explanation for the delay in mine construction. The Company's response addressed construction development to date, the reasons for the current care and maintenance status of the project, along with work completed during 2011 at the project site and planned efforts to speed up the mine construction. By letter dated February 14, 2012 the GDGMV advised BPNM that it was requesting BPNM to promptly invest in construction of facilities to ensure adherence to the mine construction schedule whereby completion is to occur by December 31, 2012 and that, should BPNM fail to do so, it would recommend to MONRE that BPNM's mining license be revoked. The Company engaged with MONRE and the other relevant Vietnamese authorities in further discussions, following which by letter dated September 6, 2012 the Son La People's Committee acknowledged the efforts the Company had made to accelerate the construction of the Ban Phuc mine and requested that production commence by June 30, 2013.

10. Provision for closure and rehabilitation

The Company has recorded a provision for the estimated cost of site closure and rehabilitation related to activities at its Ban Phuc project, in the amount of $215,600 for the year ended December 31, 2012 and 2011.

(Expressed in Canadian dollars, unless otherwise stated)

11. Share capital:

(a) Authorized:

The Company's share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, January 1, 2011	171,734,435	$ 90,372,093
Issued during the year:		
Shares issued on exercise of warrants (note 11(c)(ii))	31,200,000	4,680,000
Balance, December 31, 2011	202,934,435	95,052,093
Issued during the year:		
Shares issued under private placement (note 11(c(i))	322,272,726	20,781,010
Balance, December 31, 2012	525,207,161	$115,833,103

(c) Private placements:

(i) On May 25, 2012, the Company issued 108,333,333 units at $0.06 per unit for gross proceeds of $6,500,000. Each unit consisted of one common share and one half of one warrant to purchase a common share at $0.10 until 25 May 2017. The costs associated with this placement totaled $715,412.

On June 29, 2012, the Company issued 47,272,727 common shares at $0.11 per share for gross proceeds of $5,200,000. The costs associated with this placement totaled $119,929.

On December 18, 2012, the Company issued 166,666,666 common shares at $0.06 per share for gross proceeds of $10,000,000. The costs associated with the placement totaled $83,649.

(ii) On January 7, 2011, 31,200,000 share purchase warrants were exercised at $0.15 per share, for gross proceeds of $4,680,000 (note 11(e)). Funds in the amount of $75,000 received prior to the 2010 year-end were recorded as advances on subscriptions.

(d) Share-based compensation:

The Company grants share purchase options pursuant to the policies of the TSX-Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person and termination of eligible person status. The purpose of the share purchase options is to retain and motivate management, staff, consultants and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

The Company granted 5,933,132 options to directors, in lieu of director fees related to the period from April 1, 2012 to June 30, 2013. During the year 379,659 options were forfeited when a director relinquished the interim Chief Executive Officer role. The options, which expire on July 17, 2017, are exercisable at $0.10 per share. 2,980,226 options vested during the year, with the remaining vesting in equal installments of 1,096,794 at March 31 and June 30, 2013.

(Expressed in Canadian dollars, unless otherwise stated)

11. Share capital (continued):

(d) Share-based compensation (continued):

The Company granted 4,500,000 options to its employees on November 15, 2012. The options, which expire on November 16, 2017, are exercisable at $0.10 per share and vest in equal quarterly installments of 1,125,000 options on March 31, June 30, September 30 and December 31, 2013.

During the year ended December 31, 2012, vesting of share options to directors and employees resulted in $256,279 (2011: $4,540) being recorded as share-based compensation. The compensation expense was estimated using the Black-Scholes option pricing model assuming a range of risk free interest rates averaging 1.57% and a range of expected volatilities of between 60-96%, an expected dividend rate of nil and an expected life of five years.

The continuity of outstanding share purchase options for the year ended December 31, 2012 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2011	Granted	Exercised	Expired/ cancelled/ forfeited	Balance December 31, 2012
February 8, 2012	$1.40	120,000	-	-	(120,000)	-
March 27, 2012	$1.80	300,000	-	-	(300,000)	-
November 26, 2012	$2.00	330,000	-	-	(330,000)	-
January 22, 2013	$1.55	200,000	-	-	-	200,000
July 1, 2014	$0.11	850,000	-	-	-	850,000
July 17,2017	$0.10	-	5,933,132	-	(379,659)	5,553,473
November 16, 2017	$0.10	-	4,500,000	-	-	4,500,000
		1,800,000	10,433,132	-	(1,129,659)	11,103,473
Weighted average exercise price		$ 0.99	$0.10	-	$1.24	$ 0.13
Weighted average remaining life (years)		1.51	4.71	-	4.55	4.37

The continuity of outstanding share purchase options for year ended December 31, 2011 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2010	Granted	Exercised	Expired/ cancelled/ forfeited	Balance December 31, 2011
September 7, 2011	$0.50	120,000	-	-	(120,000)	-
February 8, 2012	$1.40	240,000	-	-	(120,000)	120,000
March 27, 2012	$1.80	300,000	-	-	-	300,000
November 26, 2012	$2.00	540,000	-	-	(210,000)	330,000
January 22, 2013	$1.55	200,000	-	-	-	200,000
February 11, 2013	$1.40	150,000	-	-	(150,000)	-
July 1, 2014	$0.11	1,450,000	-	-	(600,000)	850,000
July 28, 2014	$0.11	1,110,000	-	-	(1,110,000)	-
		4,110,000	-	-	(2,310,000)	1,800,000
Weighted average exercise price		$ 0.69	-	-	$.45	$ 0.99
Weighted average remaining life (years)		2.80	-	-	2.05	1.51

(Expressed in Canadian dollars, unless otherwise stated)

11. Share capital (continued):

(d) Share-based compensation (continued):

As at December 31, 2012, 4,156,779 (2011 – 1,800,000) share purchase options were exercisable. These options have a weighted average exercise price of $0.17 (2011 - $0.99).

(e) Share purchase warrants:

The continuity of outstanding share purchase warrants for the year ended December 31, 2012 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2011	Granted	Exercised	Expired cancelled	Balance December 31, 2012
May 25, 2017	$0.10	-	54,166,667	-	-	54,166,667
Weighted average exercise price		-	-	-	-	$0.10
Weighted average remaining life (years)	-	-	-	-	-	4.40

The continuity of outstanding share purchase warrants for the year ended December 31, 2011 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2010	Granted	Exercised	Expired cancelled	Balance December 31, 2011
January 7, 2011	$0.15	59,000,000	-	31,200,000	27,800,000	-
		59,000,000	-	31,200,000	27,800,000	-

12. Vietnamese office expenses:

	2012	2011
Salary costs	$ 2,253,748	$ 1,166,360
Consulting fees	349,052	20,520
Travel expense	125,343	50,909
Office expenses	249,366	126,679
Storage costs	29,923	62,313
Insurance	80,682	57,332
Rent	62,598	52,291
Legal, licenses & permits	101,480	-
Community projects	(23,010)	124,034
Health, safety and environment	128,394	-
Other	250,340	385,803
	$ 3,607,916	$ 2,046,241

Other Vietnamese office expenses include expenses such as foreign contractor withholding tax, training costs and costs of consumables and parts.

(Expressed in Canadian dollars, unless otherwise stated)

13. Related party transactions:

(a) Balances receivable and payable:

The amounts due to related parties and included in accounts payable, are non-interest bearing, unsecured and due on demand, and comprise the following:

	2012	2011
Due to directors	$ -	$ 41,537

(b) Key management personnel payment:

Key management personnel payment includes the salaries and consulting fees paid to our senior officers /and directors as follows:

	2012	2011
Salary and consulting fees	$ 383,644	$ 1,076,742
Directors fees	47,697	205,103
Share-based payments to directors	244,051	1,082
	$ 675,392	$ 1,282,927

(c) Pala Investments Limited

During 2012 Pala Investments Limited (Pala) became a controlling shareholder of the Company.

On May 25, 2012, Pala purchased 108,333,333 units of the Company for gross proceeds of $6,500,000. Each unit consisted of one common share and one half of one common share purchase warrant which entitles Pala to purchase one common share at a price of $0.10 until May 25, 2017 (note 11 (c)(i)). Concurrently with this private placement, Pala purchased 49,481,600 AMR shares from the previous controlling shareholder. Following these transactions two Pala nominees were appointed to the Company's board of directors.

On June 29, 2012 Melior Resources Inc, a company controlled by Pala, purchased 47,272,727 shares of the Company by way of private placement (note 11(c)(i)).

On December 18, 2012 Pala purchased 150,000,000 common shares of the Company under a private placement (note 11 (c)(i)).

On December 20, 2012 Pala announced that they had purchased 25,891,581 shares of the Company by way of a share purchase agreement with a third party.

As a result of these 2012 transactions, at December 31, 2012 Pala owned and controlled, directly or indirectly 380,979,241 shares of the Company and 54,166,667 warrants to purchase AMR shares (note 11(e)), representing 72.5% of the issued and outstanding common shares of the Company on an undiluted basis and 75.1% on a partially diluted basis.

(Expressed in Canadian dollars, unless otherwise stated)

Subsequent to year-end, on March 28, 2013 Pala purchased 158,845,081 common shares of the Company pursuant to the excise of it basic subscription privilege in full under the Company's rights offering (note 20). In addition Pala purchased 88,762,232 common share of the Company pursuant to a standby commitment provided as part of the rights offering. Subsequent to these purchases Pala owned and controlled, directly or indirectly 617,086,554 common shares of the Company representing 79.6% of the issued and outstanding shares of the Company on an undiluted basis, or 80.9% on a partially diluted basis.

14. Segmented information:

The Company conducts its business as a single reportable operating segment, being the exploration and development of mineral properties in Vietnam. Geographical information is as follows:

December 31, 2012	Canada	Vietnam	Other	Total
Revenue (interest income)	$ 59,094	$ -	$ 2	$ 59,096
Loss for the year	1,318,731	3,478,944	70	4,797,745
Assets	12,588,205	25,048,599	678,151	38,314,955

December 31, 2011	Canada	Vietnam	Other	Total
Revenue (interest income)	$ 36,099	$ -	$ 2	$ 36,101
Loss for the year	1,304,096	1,880,120	2,055	3,186,271
Assets	2,442,835	16,190,489	1,865,485	20,498,809

(Expressed in Canadian dollars, unless otherwise stated)

15. Supplemental cash flow information:

		2012		2011
Supplemental information:				
Interest received	$	59,096	$	36,101
Non-cash financing and investing transactions:				
Movement from advances on share subscriptions to share capital		-		75,000
Closure and rehabilitation increase in property, plant and equipment		-		215,600
Movement from share based payments reserve to deficit for forfeited options		724,367		545,450

16. Financial risk management:

(a) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term guaranteed investment certificates and accounts receivable. The investments are held with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Accounts receivable consists of sales tax due from the Vietnamese government of $439,000 and other receivables of $426,000 which are not considered past due.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including its capital development and exploration expenditures. As at December 31, 2012, the Company had a cash and cash equivalent balance of $15.3 million (2011 - $2.7 million) to settle liabilities of $3.7 million (2011 - $2.1 million).

(c) Market risk:

The Company's primary market risks include changes in foreign exchange and interest rates on financial instruments in other than Canadian dollars. At December 31, 2012, the Company had no hedging agreements in place with respect to metal prices or exchange rates.

16. Financial risk management (continued):

(c) Market risk (continued):

(*i*) Currency risk:

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates. The Company has offices in Canada and Vietnam and holds cash in Canadian, United States, Vietnamese and Australian currencies in line with forecasted expenditures. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar, Vietnamese dong and Australian dollar could have an effect on the Company's results of operations, financial position or cash flows.

At December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		2012		2011
Cash and cash equivalents	US$	3,547,101	US$	577,051
Accounts receivable		274,246		86,015
Accounts payable and accrued liabilities		(3,366,999)		(1,579,253)
	US$	(454,348)	US$	(916,187)
Canadian dollar equivalent (year-end)	$	(452,043)	$	(931,747)

A 10% change in the Canadian dollar against the US dollar at December 31, 2012 would result in a change of $45,204 (2011 - $93,174) to net income.

At December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in Vietnamese dong:

		2012		2011
Cash and cash equivalents	VND	298,403,666	VND	793,448,779
Accounts receivable		9,180,125,165		2,267,012,145
Accounts payable and accrued liabilities		-		-
	VND	9,478,528,831	VND	3,060,460,924
Canadian dollar equivalent (year-end)	$	454,977	$	146,904

16. Financial risk management (continued):

(c) Market risk (continued):

(*i*) Currency risk:

A 10% change in the Canadian dollar against the Vietnamese dong at December 31, 2012 would result in a change of $45,498 (2011 - $14,690) to net income.

At December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in Australian dollars:

		2012		2011
Cash and cash equivalents	A$	121,716	A$	122,496
	A$	121,716	A$	122,496
Canadian dollar equivalent (year-end)	$	125,844	$	117,510

A 10% change in the Canadian dollar against the Australian dollar at December 31, 2012 would result in a change of $12,584 (2011 - $11,751) to net income.

(*ii*) Interest rate risk:

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

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present low, however the Company's conservative investment strategy mitigates the risk of deterioration to the capital. A change of 100 basis points in the interest rate would not be material to the financial statements.

(d) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities;
- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

(Expressed in Canadian dollars, unless otherwise stated)

17. Income tax:

The Company's income tax recovery differs from the amounts computed by applying the Vietnam statutory rate of 15% as follows:

	2012	2011
Income (loss) for the year before income tax	$ (4,797,745)	$ (3,186,271)
Expected tax recovery	$ 719,662	$ 477,941
Foreign tax rates different from Vietnam Statutory rates	141,267	251,572
Change in unrecognized deferred tax assets	(3,939,875)	(280,816)
Other permanent differences	(319,515)	(448,697)
Change in future tax rate on opening temporary differences	3,398,461	-
Deferred income tax recovery	$ -	$ -

Unrecognized deferred tax assets

	2012	2011
Deferred financing costs	$ 189,371	$ 33,563
Mineral Property interest	2,045,113	1,245,497
Property and equipment	6,369,876	3,911,626
Provision for site closure and reclamation	53,625	33,027
Net operating losses:		
Vietnam	700,732	296,452
Canada	3,464,995	3,127,034
	$ 12,823,712	$ 8,647,199

As at December 31, 2012, the Company had tax losses of:

Tax loss		Expire between
Canada	$ 13,860,000	2014 and 2033
Vietnam	$ 27,909,000	2013 and 2017

At December 31, 2012, the Company had deductible temporary differences other than tax losses of $34,633,000 for which deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize the benefits.

There is no taxable temporary difference with respect to investments in subsidiaries that has not been recognized as at December 31, 2012.

18. Capital management:

The Company manages its capital structure and makes adjustment to it, in order to have the funds available to support its exploration, development and other activities. The adequacy of the capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company's strategy, the metals markets, the mining industry, economic condition and the associated risks. The Company intends to use debt financing for the final development funding of the Ban Phuc, if such funding can be negotiated, however it has no debt at this time. The Company's capital management approach is reviewed on an ongoing basis. The Company is not subject to externally imposed capital requirements.

19. Commitments and contingencies:

The Company is disputing the right of a former director and a company controlled by him to a 0.25% gross royalty on the Company's share of smelter proceeds or other sale of product (less royalties), derived from the BPNM joint venture.

20. Subsequent event:

On March 28, 2013, the Company completed a shareholder rights offering for aggregate gross proceeds of $12.5 million. The Company issued 250,000,000 common shares pursuant to the rights offering, of which 161,237,768 shares were issued pursuant to the exercise of the basic subscription privilege and additional subscription privilege and the remaining 88,762,232 shares were issued to the Company's controlling shareholder Pala Investments Limited pursuant to a negotiated standby commitment.