



ODYSSEY

RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

In United States dollars

Independent Auditor's Report

To the Shareholders of
Odyssey Resources Limited

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We have audited the accompanying consolidated financial statements of Odyssey Resources Limited, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and 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 (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Odyssey Resources Limited 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 (IFRS).

/S/ Raymond Chabot Grant Thornton LLP ¹

Montréal
April 25, 2013

¹ CPA auditor, CA public accountancy permit no. A126822

Odyssey Resources Limited

Consolidated Statements of Financial Position

(Audited - in U.S. dollars)

	December 31, 2012	December 31, 2011
	\$	\$
ASSETS		
Current		
Cash	1,474,903	1,851,665
Accounts receivable	15,846	11,738
Refundable mining tax credits	-	76,292
Prepaid expenses	3,960	3,119
	1,494,709	1,942,814
Non-current		
Marketable securities (Note 3)	57,074	221,376
TOTAL ASSETS	1,551,783	2,164,190
LIABILITIES		
Current		
Accounts payable and accrued liabilities	14,863	35,700
TOTAL LIABILITIES	14,863	35,700
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	15,022,596	15,022,596
Contributed surplus	2,257,387	2,257,387
Deficit	(15,946,642)	(15,308,811)
Cumulative translation adjustment	203,579	157,318
TOTAL EQUITY	1,536,920	2,128,490
TOTAL LIABILITIES AND EQUITY	1,551,783	2,164,190

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

On behalf of the Board,

/s/ James Crombie

James Crombie, Director

/s/ Carmelo Marrelli

Carmelo Marrelli, Director

Odyssey Resources Limited
Consolidated Statements of Comprehensive Income
(Audited - in U.S. dollars)

	Year ended December 31,	
	2012	2011
	\$	\$
Expenses and other items		
Exploration (Note 6)	-	24,381
Management and administration (Note 7)	350,940	375,936
Business development	137,676	79,347
Fair value adjustment of marketable securities	168,457	(27,665)
Interest income	(19,242)	(19,555)
Net loss for the year	(637,831)	(432,444)
Other comprehensive income		
Foreign currency translation adjustment	46,261	(58,723)
Comprehensive loss for the year	(591,570)	(491,167)
Basic and diluted loss per share (Note 9)	(0.02)	(0.01)
Weighted average number of common shares - basic and diluted	36,231,486	36,231,486

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

Odyssey Resources Limited

Consolidated Statements of Changes in Shareholders' Equity

(Audited - in U.S. dollars)

	Number of issued and outstanding common shares	Share capital	Contributed surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity
		\$	\$	\$	\$	\$
Balance at December 31, 2011	36,231,486	15,022,596	2,257,387	(15,308,811)	157,318	2,128,490
Net loss for the year	-	-	-	(637,831)	-	(637,831)
Other comprehensive income						
Foreign currency translation adjustment	-	-	-	-	46,261	46,261
Balance at December 31, 2012	36,231,486	15,022,596	2,257,387	(15,946,642)	203,579	1,536,920
Balance at December 31, 2010	36,231,486	15,022,596	2,257,387	(14,876,367)	216,041	2,619,657
Net loss for the year	-	-	-	(432,444)	-	(432,444)
Other comprehensive income						
Foreign currency translation adjustment	-	-	-	-	(58,723)	(58,723)
Balance at December 31, 2011	36,231,486	15,022,596	2,257,387	(15,308,811)	157,318	2,128,490

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

Odyssey Resources Limited
Consolidated Statements of Cash Flows
(Audited - in U.S. dollars)

	Year ended December 31,	
	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Net loss	(637,831)	(432,444)
Adjustment		
Fair value adjustment of marketable securities	168,457	(27,665)
Changes in working capital items (Note 14)	51,506	61,511
	(417,868)	(398,598)
Effect of exchange rate changes on cash held in foreign currencies	41,106	(52,703)
Net change in cash	(376,762)	(451,301)
Cash, beginning of year	1,851,665	2,302,966
Cash, end of year	1,474,903	1,851,665
Finance income received included in operating activities	19,527	19,329

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

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

Odyssey Resources Limited ("Odyssey" or the "Company") is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. At December 31, 2012, the Company does not hold an interest in any mineral properties and during the year ended December 31, 2012, the Company did not carry out any exploration programs. The Company continues to assess new properties and seeks to acquire an interest in mineral properties if the Company believes they have merit and if it has adequate financial resources to do so. All amounts in these consolidated financial statements are expressed in United States dollars unless otherwise indicated.

In June 2012, the TSX Venture Exchange ("TSXV") advised the Company that it was required to provide a submission to the TSXV on or before September 4, 2012 (subsequently extended to November 19, 2012), evidencing that it met Tier 2 continued listing requirements. The deficiencies identified relate to the fact that the Company has no significant interest or no right to earn a significant interest in a mineral property. Given that the Company was not able to satisfy this requirement, the TSXV transferred the Company's listing to the NEX board of the TSXV, effective November 21, 2012. The Company's common shares now trade under the symbol 'ODX.H'.

Odyssey was incorporated under the laws of Barbados in December 1994 and continued in April 2008 under the laws of the province of Ontario. The address of Odyssey's registered office is Brookfield Place, 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3.

Dundee Corporation and its affiliates hold approximately 36.9% of the issued common shares of Odyssey.

The Board of Directors approved and authorized for issuance these consolidated financial statements on April 25, 2013.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in effect at December 31, 2012. The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

Basis of evaluation

These consolidated financial statements have been prepared on a historical cost basis, except for the financial instruments presented at fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The Company has elected to present the statement of income and comprehensive income in a single statement.

Basis of consolidation

These consolidated financial statements include the accounts of Odyssey and its subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. All of the Company's subsidiaries had been liquidated prior to December 31, 2012. In November 2012, the Company liquidated its two wholly-owned Turkish subsidiaries and in September 2011, the Company liquidated its wholly-owned Moroccan subsidiary.

Foreign currency translation

These consolidated financial statements are presented in U.S. dollars, while the Canadian dollar is the functional currency of Odyssey and its subsidiaries. The functional currency of Odyssey and its subsidiaries has remained unchanged during the reporting periods.

Monetary assets and liabilities of Odyssey and its subsidiaries which are denominated in a foreign currency other than their functional currency are translated at the exchange rate in effect at the reporting date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Revenues and expenses denominated in a foreign currency are translated at the average rate in effect during the period with the exception of depreciation that is translated at the historical rate. Gains and losses on exchange arising from the translation of foreign operations are recorded in profit or loss.

The Company's Canadian dollar financial statements are translated to U.S. dollars as follows: assets and liabilities are translated at the closing rate in effect at the reporting date and income and expenses are translated at the average exchange rate for the period. The share capital and contributed surplus accounts are translated at rates in effect at the time of issuance. Exchange gains or losses resulting from the translation of the Company's accounts into the reporting currency are reported as other comprehensive income and presented as a separate component of shareholders' equity.

Odyssey Resources Limited

Notes to Consolidated Financial Statements

December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of a 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. The Company's financial instruments are comprised of the following:

Financial assets	Classification
Cash	Loans and Receivables
Accounts receivable	Loans and Receivables
Marketable securities	At fair value through profit or loss
Financial liabilities	
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

Income relating to financial assets that are recognized in profit or loss are presented as finance income.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized 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 method, less any impairment losses.

ii) Financial assets at fair value through profit or loss

Financial assets which are presented 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. Fair value adjustments are presented separately on the consolidated statements of comprehensive income.

iii) Financial liabilities

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are de-recognized when the obligations are extinguished, discharged, cancelled or expired.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

iv) Impairment of financial assets

All financial assets are assessed for indicators of impairment at the end of each reporting period. 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 assets, the estimated future cash flows of the investments have been negatively impacted. The carrying amount of financial assets is reduced by any impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

v) Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

The marketable securities held by the Company at December 31, 2012 and December 31, 2011 are classified as Level 1 financial instruments.

Refundable tax credits for mineral exploration expenses

The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec. The credit is accounted for against the exploration expenses incurred.

Mineral properties and exploration and evaluation expenditures

Costs incurred before the legal right to undertake exploration and development activities has been obtained are recognized in profit or loss. The cost of acquiring licenses related to mineral properties and other expenditures associated with the acquisition of exploration and evaluation assets are capitalized as intangible assets under mineral properties on a property-by-property basis and no depreciation expense is recognized on these assets during the exploration and evaluation period.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties and exploration and evaluation expenditures (continued)

Other exploration and evaluation expenditures are expensed as incurred. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. An impairment test is performed before reclassification and any impairment loss is then recognized in profit or loss.

At the end of each reporting period, the Company reviews the carrying amounts of its mineral properties to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Value in use takes into account estimated future cash flows associated with the asset, such value being 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. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property, with each property representing a potential cash generating unit. A previous impairment is reversed if the asset's recoverable amount exceeds its carrying amount.

Provisions, contingent liabilities and assets

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If 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 assessment of the time value of money. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets and are not recognized. A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset, as soon as the obligation to incur such costs arises and to the extent that such cost can be reasonably estimated. The Company had no provisions at December 31, 2012 and December 31, 2011.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 which affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right and intention to set-off current tax assets and liabilities from the same taxation authority.

Equity

Share capital represent the amount received on the issue of shares, less issuance costs. Contributed surplus includes charges related to stock options and warrants until such equity instruments are exercised. Deficit includes all current and prior year losses. Cumulative translation adjustment includes the impact of converting the accounts of the Company into the reporting currency. All transactions with owners of the parent company are recorded separately within equity.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payments are made in exchange for services received and are measured at their fair value. The fair value of the services rendered is determined indirectly by reference to the fair value of the equity instruments granted when the fair value of services rendered cannot be reliably estimated. The fair value of share-based payments to directors, officers, employees and consultants is recognized as an expense over the vesting period with a corresponding increase to contributed surplus. The fair value of stock options granted is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model and taking into account an estimated forfeiture rate and the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon the exercise of share-based payments, the proceeds received, net of any direct expenses, as well as the related compensation expense previously recorded as contributed surplus are credited to share capital.

Loss per share

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

Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares. For the purpose of calculating diluted loss per share, the Company assumes the exercise of its dilutive options and warrants. The assumed proceeds from these instruments are regarded as having been received from the issue of common shares at the average market price of its shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments 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 periods. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain 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 future periods if the revision affects both current and future periods. These estimates, judgments and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from the assumptions made, relate to, but are not limited to: i) the inputs used in accounting for share-based payment transactions (using the Black-Scholes model), including volatility, probable life of options granted, time of exercise of the options and forfeiture rate; ii) the recovery of refundable mining tax credits, in the event that exploration expenditures assessed to be eligible Canadian Exploration Expenses by the Company are subsequently disallowed by the tax authorities; iii) whether a past event has led to a liability that should be recognized in the consolidated statements of financial position or disclosed as a contingent liability; iv) management's determination of the functional currency of Odyssey and its subsidiaries, based on facts and circumstances that existed during the period; v) the assessment of the Company's ability to execute its strategy by funding future working capital requirements; and vi) management's position that there is no income tax consideration required within these consolidated financial statements.

Accounting standards issued but not yet applied

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these consolidated financial statements that are expected to be relevant to the Company are listed below, none of which have been early adopted by the Company. The Company intends to adopt them once they become effective. The Company is currently evaluating the impact that these standards, amendments and interpretations will have on its consolidated financial statements. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 7, Offsetting Financial Assets and Liabilities

Qualitative and quantitative disclosures have been added to IFRS 7, "Financial Instruments: Disclosures", relating to gross and net amounts of recognised financial instruments that are (a) set-off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set-off in the statement of financial position. These amendments are effective for annual reporting periods beginning on or after January 1, 2013. The required disclosures should be provided retrospectively. The Company does not anticipate a material impact on its consolidated financial statements from these amendments.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet applied (continued)

IFRS 9, Financial Instruments: Classification and Measurement

The IASB aims to replace IAS 39, "Financial Instruments: Recognition and Measurement" in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2012, the IASB published an exposure draft in order to make limited modifications to IFRS 9's financial asset classification, to address application issues. The Company has yet to assess the impact of this new standard on its consolidated financial statements. However, the Company does not expect to implement IFRS 9 until all of its chapters have been published and it can comprehensively assess the impact of all changes.

IFRS 10, Consolidated Financial Statements

This new standard provides guidance on the determination of control where this is difficult to assess and replaces the consolidation requirements in SIC 12, "Consolidation – Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements". This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 11, Joint Arrangements

This new standard replaces IAS 31, "Interests in Joint Ventures" and provides guidance on how to account for interests in jointly controlled entities. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

This new standard provides disclosure guidance on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet applied (continued)

IFRS 13, Fair Value Measurement

This new standard sets out a single IFRS definition and measurement framework for fair value. It does not affect which items are required to be fair valued. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements

The Amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax, then the amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately. The Company does not expect this will change the current presentation of items in OCI.

Transition Guidance for IFRS 10, 11, 12

Subsequent to issuing the new standards, the IASB made some changes to the transitional provisions in IFRS 10, 11 and 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 11 and 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. This guidance is also effective for annual periods beginning on or after January 1, 2013.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

3. MARKETABLE SECURITIES

At December 31, 2012 and December 31, 2011, the Company held 3,000,000 shares of Ariana Resources plc, a London-based mineral exploration company. These shares are recorded at fair value using the last bid price and fair value adjustments are reported in profit or loss.

4. SHARE CAPITAL AND WARRANTS

Authorized

Unlimited number of common shares without par value. At December 31, 2012 and 2011, the Company has 36,231,486 issued and outstanding common shares.

Warrants

	Year ended December 31,	
	2012	2011
Number of warrants		
Balance, beginning of year	-	603,750
Expired	-	(603,750)
Balance, end of year	-	-

A total of 603,750 warrants granted in 2009 expired unexercised in 2011.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

5. STOCK OPTIONS

The shareholders of the Company have adopted and approved a stock option plan for certain employees, officers, directors and consultants to the Company. The Board of Directors has the responsibility to oversee the stock option plan. The Board of Directors may determine the time during which any options may vest. The Board of Directors determines the exercise price of each option granted at the time of grant, subject to the policies of the TSXV. The options are to be granted for such periods as the Board of Directors determines up to a maximum of five years. The maximum number of common shares issuable pursuant to the stock option plan must not exceed 10% of the total number of common shares outstanding from time to time.

The following table sets out the activity in stock options:

	Year ended December 31, 2012		Year ended December 31, 2011	
	Number	Can \$ (1)	Number	Can \$ (1)
Balance, beginning of year	1,975,000	0.20	2,246,300	0.27
Cancelled	-	-	(271,300)	(0.78)
Balance, end of year	1,975,000	0.20	1,975,000	0.20

(1) Average exercise price.

The following table reflects the stock options issued and outstanding at December 31, 2012 and 2011:

Issue date	Number of options	Exercise price Can \$	Remaining contractual life (years)	Number of options exercisable
June 25, 2009	1,975,000	0.20	1.5	1,975,000

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

6. EXPLORATION EXPENSES

	Year ended December 31,	
	2012	2011 (a)
	\$	\$
Drilling and assaying	-	1,437
Geology	-	19,601
Transport and travel	-	1,234
Supplies	-	2,109
	-	24,381

(a) These exploration expenses were incurred pursuant to an option agreement with Bear Lake Gold Ltd., a related party by virtue of a common director and management, and Newstrike Resources Ltd., to acquire a 25% interest in a gold project known as the Swansea property located in Ontario, Canada. In March 2011, the Company advised the owners that it was terminating the option agreement.

7. MANAGEMENT AND ADMINISTRATION EXPENSES

	Year ended December 31,	
	2012	2011
	\$	\$
Employee benefits	32,425	32,772
Administrative and consultants	144,191	172,404
Office	75,308	83,309
Investor relations and travel	6,509	6,786
Professional fees	76,137	66,516
Reporting issuer costs	15,813	13,777
Part XII.6 tax	-	474
Loss (gain) on foreign exchange	557	(102)
	350,940	375,936

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

8. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	Year ended		Year ended	
	December 31, 2012		December 31, 2011	
	\$		\$	
Loss before Income tax		(637,831)		(432,444)
Tax using the Company's domestic tax rate	26.90%	(171,577)	28.40%	(122,814)
Deferred tax on liquidation of subsidiaries	82.66%	(527,197)	-	-
Non-deductible expenses	(3.61%)	23,000	(1.00%)	4,306
Difference between current and future tax rate	-	-	(0.36%)	1,539
Unrecognized tax assets	(104.69%)	667,730	(24.57%)	106,230
Others	(1.26%)	8,044	(2.47%)	10,739
Deferred income tax	-	-	-	-

The effective tax rate in 2012 was lower than the effective tax rate in 2011 because of a change in the federal tax rate.

Unrecognized deductible temporary differences for which no deferred tax assets have been recognized are as follows:

	December 31, 2012		December 31, 2011	
	\$	\$	\$	\$
	Federal	Quebec	Federal	Quebec
Non-capital loss carry-forwards	6,656,376	6,656,376	6,052,557	6,052,557
Capital loss carry-forwards	3,919,684	3,919,684	-	-
Exploration expenses	210,172	2,170,118	176,514	2,093,918
Marketable securities	151,126	151,126	-	-
Plant and equipment	24,436	24,436	23,906	23,906
Share issue costs	32,056	32,056	68,182	68,182
	10,993,850	12,953,796	6,321,159	8,238,563

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise these benefits.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

8. INCOME TAXES (continued)

Non-capital losses expire as follows:

	Canada
	\$
2014	799,403
2015	936,944
2026	1,482,287
2027	922,629
2028	843,000
2029	415,852
2030	343,848
2031	432,953
2032	479,460
	6,656,376

9. NET LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2012 was based on the loss attributable to common shareholders of \$637,831 (year ended December 31, 2011 - \$432,444) and the weighted average number of common shares outstanding of 36,231,486 (year ended December 31, 2011 – 36,231,486).

Excluded from the calculation of the diluted loss per share for the year ended December 31, 2012 are 1,975,000 stock options (1,975,000 stock options for the year ended December 31, 2011) because to include them would be anti-dilutive.

10. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. At December 31, 2012 and 2011, the Company did not have an interest in any mineral property.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

11. CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at December 31, 2012, managed capital was \$1,536,920 (\$2,128,490 at December 31, 2011).

The Company currently does not hold an interest in any mineral property but continues to assess new mineral properties and seeks to acquire an interest in properties if the Company believes that they have merit and if it has adequate financial resources to do so. As such, the Company is dependent on external financing to fund its activities. Until such time as the Company enters into an agreement to acquire a mineral property, the Company will minimize discretionary disbursements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended December 31, 2012. The Company is not subject to any externally imposed capital requirements at December 31, 2012.

12. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. There were no changes to the financial objectives, policies and processes during the year ended December 31, 2012.

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. Generally, the carrying amount of the Company's financial assets exposed to credit risk, net of applicable provisions for losses, represents the maximum amount of exposure to credit risk. At December 31, 2012, the Company's financial assets exposed to credit risk consist primarily of cash and accounts receivable. To mitigate exposure to credit risk, the Company has established a policy to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company's cash is held with a large Canadian-based financial institution. Accounts receivable, other than sales taxes receivable, amount to \$1,402 at December 31, 2012. Credit risk is therefore not considered significant.

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

12. FINANCIAL RISK MANAGEMENT (continued)

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's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. At December 31, 2012, the Company's working capital totals \$1,479,846 (\$1,907,114 at December 31, 2011). Current liabilities of \$14,863 (\$35,700 at December 31, 2011) are due within the next 3 months. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of its operations, the Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates since most of the Company's business transactions are denominated in Canadian dollars, which is the Company's functional currency. At December 31, 2012 and 2011, the marketable securities held by the Company are denominated in British pounds. The impact on profit or loss and on equity of a 10% increase or decrease in the British Pound to the US dollar exchange rate on the Company's marketable securities would be \$5,700 at December 31, 2012 (\$22,100 at December 31, 2011).

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in rates would affect the reported loss in 2012 by approximately \$14,700 (\$18,500 in 2011).

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, marketable securities, accounts receivable and accounts payable and accrued liabilities. Other than marketable securities, the fair value of these financial instruments approximates their carrying value, given the short-term maturity of these instruments. A plus or minus 10% change in the value of the marketable securities would affect shareholders' equity by approximately \$5,700 (\$22,100 at December 31, 2011).

Odyssey Resources Limited

Notes to Consolidated Financial Statements
December 31, 2012 (Audited - in U.S. dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31,	
	2012	2011
	\$	\$
Changes in working capital items		
Accounts receivable	(3,830)	128,593
Refundable mining tax credits	77,636	421,913
Prepaid expenses and other	(768)	1,464
Accounts payable and accrued liabilities	(21,532)	(490,459)
	51,506	61,511

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Company paid or accrued administration expenses of \$133,256 to Reunion Gold Corporation, a related party by virtue of common directors and management (\$119,086 during the year ended December 31, 2011).

During the year ended December 31, 2012, the Company paid or accrued an amount of nil to A.S. Horvath Engineering Inc., a company controlled by a director of Bear Lake Gold Ltd., a company with a common director and management (\$4,565 during the year ended December 31, 2011 – Note 6a).

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

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to senior key management, including the Executive Chairman, the Chief Executive Officer and the Chief Financial Officer, is as follows:

	Year ended December 31,	
	2012	2011
	\$	\$
Employee benefits	32,425	32,772
Consulting fees	21,380	23,802
	53,805	56,574