



MISTANGO RIVER

R E S O U R C E S

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the three month periods ended March 31, 2014 and 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Mistango River Resources Inc. are the responsibility of the management and Board of Directors of the Company.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

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

"Robert J. Kasner", President and CEO
Robert J. Kasner

"Johnny Oliveira", CFO
Johnny Oliveira

NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements for the three month periods ended March 31, 2014 and 2013 have not been reviewed by the Company's auditors.

Mistango River Resources Inc.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

(Canadian dollars)

AS AT,	March 31, 2014	December 31, 2013
ASSETS		(Audited)
Current		
Cash and cash equivalents (Note 4)	\$ 1,100,594	\$ 1,246,961
Marketable securities (Notes 5 and 14)	90,000	67,000
Trade and other receivables (Note 6)	16,229	14,858
Promissory note receivable (Note 7)	50,719	50,103
	1,257,542	1,378,922
Investments (Note 8)	8,349	25,054
Property, plant and equipment (Note 9)	108,804	87,726
	\$ 1,374,695	\$ 1,491,702
LIABILITIES		
Current		
Trade and other payables (Note 10 and 11)	\$ 271,985	\$ 268,026
	271,985	268,026
EQUITY		
Share capital (Note 12 (a))	21,061,066	21,061,066
Reserve for share based payments (Note 13(a))	3,903,594	3,903,594
Reserve for warrants (Note 13 (b))	800,000	800,000
Deficit	(24,632,701)	(24,528,440)
Accumulated other comprehensive income (loss)	(29,249)	(12,544)
	1,102,710	1,223,676
	\$ 1,374,695	\$ 1,491,702

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations (Note 15)

Approved on behalf of the Board on April 30, 2014:

"Robert J. Kasner", Director

"Daniel Farrell", Director

The accompanying notes are an integral part of these unaudited interim financial statements

Mistango River Resources Inc.

UNAUDITED INTERIM STATEMENTS OF LOSS AND LOSS

(Canadian dollars)

Three month periods ended March 31,	2014	2013
Expenses		
Salaries, fees and benefits (Note 11)	\$ 52,594	\$ 32,873
Share based compensation (Note 12 (b))	-	8,000
Professional and consulting fees (Note 11)	13,156	14,222
Office, general and administrative (Note 11)	7,356	6,820
Shareholder Information	7,255	35,908
Amortization (Note 9)	5,727	5,483
Exploration and evaluation expenditures (Notes 11 and 14)	41,173	464,978
Net loss before the undernoted	\$ (127,261)	\$ (568,284)
Unrealized gain on marketable securities (Note 5)	23,000	-
Flow-through share premium recovery (Note 12 (a))	-	93,000
Future income tax expense	-	(2,600)
Net loss for the period	\$ (104,261)	\$ (477,884)
Loss per share		
Basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		
Basic and diluted (000's)	38,073	37,973
Other Comprehensive Loss		
Net loss	\$ (104,261)	\$ (477,884)
Items that will be reclassified subsequently to loss		
Unrealized loss on investments	(16,705)	(18,279)
Total comprehensive loss	\$ (120,966)	\$ (496,163)

The accompanying notes are an integral part of these unaudited interim financial statements

Mistango River Resources Inc.

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars)

	Share Capital		Reserves			Accumulated other comprehensive income (loss)	Total
	Number of Shares	Amount	Share based payments	Warrants	Deficit		
Balance at December 31, 2012	37,973,481	\$ 21,055,066	\$ 3,814,594	\$ 800,000	\$ (24,813,285)	\$ 32,865	\$ 889,240
Shares issued for mineral properties	100,000	6,000	-	-	-	-	6,000
Share based payments	-	-	89,000	-	-	-	89,000
Net income for the year	-	-	-	-	284,845	-	284,845
Unrealized loss on investments for the year	-	-	-	-	-	(45,409)	(45,409)
Balance at December 31, 2013	38,073,481	\$ 21,061,066	\$ 3,903,594	\$ 800,000	\$ (24,528,440)	\$ (12,544)	\$ 1,223,676
Net loss for the period	-	-	-	-	(104,261)	-	(104,261)
Unrealized loss on investments for the period	-	-	-	-	-	(16,705)	(16,705)
Balance at March 31, 2014	38,073,481	\$ 21,061,066	\$ 3,903,594	\$ 800,000	\$ (24,632,701)	\$ (29,249)	\$ 1,102,710
Balance at December 31, 2012	37,973,481	\$ 21,055,066	\$ 3,814,594	\$ 800,000	\$ (24,813,285)	\$ 32,865	\$ 889,240
Share based payments	-	-	8,000	-	-	-	8,000
Net loss for the period	-	-	-	-	(477,884)	-	(477,884)
Unrealized loss on investments for the period	-	-	-	-	-	(18,279)	(18,279)
Balance at March 31, 2013	37,973,481	\$ 21,055,066	\$ 3,822,594	\$ 800,000	\$ (25,291,169)	\$ 14,586	\$ 401,077

The accompanying notes are an integral part of these unaudited interim financial statements

Mistango River Resources Inc.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

(Canadian dollars)

Three months ended March 31,	2014	2013
Operations		
Net loss	\$ (104,261)	\$ (477,884)
Adjustments to reconcile net loss to cash flow from operating activities:		
Unrealized gain on marketable securities	(23,000)	-
Amortization	5,727	5,483
Interest accretion on promissory note receivable	(616)	-
Share based payments	-	8,000
Future income tax expense	-	2,600
Flow-through share premium recovery	-	(93,000)
Net change in non-cash operating working capital items:		
Trade and other receivables	(1,371)	27,250
Prepaid expenses	-	5,000
Trade and other payables	3,959	(99,469)
	(119,562)	(622,020)
Investing		
Purchase of property, plant and equipment	(26,805)	-
	(26,805)	-
Net decrease in cash	(146,367)	(622,020)
Cash, beginning of period	1,246,961	1,113,125
Cash, end of period	\$ 1,100,594	\$ 491,105

The accompanying notes are an integral part of these unaudited interim financial statements

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS

Mistango River Resources Inc. ("Mistango" or the "Company") is a federally incorporated company. The Company's head office is located at 4 Al Wende Ave., Kirkland Lake, ON, P2N 3J5. Mistango's principal business is the acquisition and exploration of mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at March 31, 2014, the Company had cash and cash equivalents of \$1,100,594 (December 31, 2013 - \$1,246,961), working capital of \$985,557 (December 31, 2013 - \$1,110,896), had not yet achieved profitable operations, had accumulated losses of \$24,632,701 (December 31, 2013 - \$24,528,440) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage and has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

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

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

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

The future profitability of exploration properties and the Company's continued existence are dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unaudited interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as at April 24, 2014.

These unaudited interim financial statements were authorized by the Board of Directors of the Company on April 30, 2014.

2.2 Basis of presentation

These unaudited interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2013 annual financial statements. Management advises readers of these unaudited interim financial statements to review the audited financial statements and accompanying notes as at December 31, 2013 in conjunction with the review of these statements.

2.3 Future accounting policies and standards adopted

Future accounting policies

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

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after January 1, 2018, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Standards adopted

- IAS 32 '*Financial instruments, Presentation*' – In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendment affected presentation only and had no impact on the Company's financial position or performance.

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

2. BASIS OF PREPARATION *(continued)*

Standards adopted *(continued)*

- IAS 36 – Impairments of Assets (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The application of IAS 36 had no impact to the Company.
- IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The amendment affected presentation only and had no impact on the Company’s financial position or performance. The application of IAS 39 had no impact to the Company.
- IFRIC 21 – Levies (“IFRIC 21”) was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The application of IFRIC 21 had no impact to the Company.

2.4 Use of management estimates, judgments and measurement uncertainty

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

Income taxes

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

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

2. BASIS OF PREPARATION *(continued)*

Going concern assumption

Going concern presentation of the consolidated financial statements 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 of operations as they come due.

Measurement of financial instruments under Level 1 of the fair value hierarchy

Management also are required to make judgments on whether marketable securities have sufficient trading volume and reasonable bid-ask spread to determine if they are active enough to be measured at Level 1 of the fair value hierarchy or if other levels are more appropriate.

Calculation of share based payments and warrants

The Black-Scholes option pricing model is used to determine the fair value for the share based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Decommissioning provisions

These are made based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions on a quarterly basis. Actual rehabilitation costs will ultimately depend on actual future settlement amount for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

3. CAPITAL MANAGEMENT

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

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, accumulated deficit and accumulated other comprehensive income, which as at March 31, 2014 totaled \$1,102,710 (December 31, 2013 - \$1,223,676).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. The Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so. The Company expects its capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three month period ended March 31, 2014. The Company is not subject to externally imposed capital requirements.

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

4. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at March 31, 2014, contains cash on deposit with major Canadian banks of \$1,100,594 (December 31, 2013 - \$1,209,141) and \$Nil (December 31, 2013 - \$37,820) in short-term guaranteed investment certificates.

5. MARKETABLE SECURITIES

As at March 31, 2014, marketable securities are comprised of 14,500 (December 31, 2013 – 14,500) common shares of Sandstorm Gold Ltd. (“Sandstorm”), a publicly traded Canadian company traded on the Toronto stock exchange (“TSX”). These marketable securities were acquired as part of the sale of the Company’s royalty in the HM Property (See Note 14). As at March 31, 2014, these FVTPL investments have been measured at their fair value, as determined by the closing bid price of the securities on March 31, 2014 of \$90,000 (December 31, 2013 – \$67,000). The Company recorded an unrealized gain during the three month period ended March 31, 2014 of \$23,000 (2013 - \$Nil) as a result of this revaluation to market value.

6. TRADE AND OTHER RECEIVABLES

The Company’s trade and other receivables consist solely of harmonized sales tax (“HST”) receivable due from government taxation authorities. These are broken down as follows:

As at,	March 31, 2014	December 31, 2013
HST receivable	\$ 16,229	\$ 14,858
Total trade and other receivables	\$ 16,229	\$ 14,858

At March 31, 2014, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 16.

The Company holds no collateral for any receivable amounts outstanding as March 31, 2014.

7. PROMISSORY NOTE RECEIVABLE

On December 17, 2013, the Company entered into a promissory note receivable (the “Note”) whereby it advanced RJK Explorations Inc. (“RJK”) a Company traded on the TSX-V \$50,000 in return for a Note in the same amount. This Note bears interest at 5% per annum and matures on December 17, 2014. The balances outstanding on the Note as at March 31, 2014 and December 31, 2013 are as follows:

As at,	December 31, 2013	December 31, 2013
Promissory note receivable	\$ 50,000	\$ 50,000
Accrued interest on promissory note receivable	719	103
Total promissory note receivable	\$ 50,719	\$ 50,103

At March 31, 2014, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against this Note. The credit risk on this Note receivable has been further discussed in Note 16.

The Company holds no collateral for this Note outstanding as at March 31, 2014.

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

8. INVESTMENTS

Investments include 835,121 shares of RJK and 136 shares of Strategic Resources Inc. ("SRI"), publicly-traded Canadian companies listed on the Toronto stock exchange Venture ("TSXV"). As at March 31, 2014, these available-for-sale investments have been measured at their fair value, as determined by the closing bid price of the securities on March 31, 2014 of \$8,349 (December 31, 2013 – \$25,054). The impact to the financial statements of this revaluation to market value resulted in a decrease of \$16,705 (2013 – \$20,879) to the value of the investments with a corresponding decrease in accumulated other comprehensive loss of \$18,279 (2013 – \$18,279) offset by future income tax expense of \$Nil (2013 – \$2,600) that has been included in the current period's net loss.

9. PROPERTY, PLANT AND EQUIPMENT

	Exploration equipment	Office furniture	Total
Cost			
As at January 1, 2013 and December 31, 2013	\$ 171,235	\$ 36,776	\$ 208,011
Additions	51,400	-	51,400
Disposals	(60,354)	-	(60,354)
As at March 31, 2014	\$ 162,281	\$ 36,776	\$ 199,057
Accumulated depreciation			
As at January 1, 2013	\$ 64,959	\$ 33,394	\$ 98,353
Amortization	21,256	676	21,932
As at December 31, 2013	\$ 86,215	\$ 34,070	\$ 120,285
Amortization	5,592	135	5,727
Disposals	(35,759)	-	(35,759)
As at March 31, 2014	\$ 56,048	\$ 34,205	\$ 90,253
Net book value			
As at December 31, 2013	\$ 85,020	\$ 2,706	\$ 87,726
As at March 31, 2014	\$ 106,233	\$ 2,571	\$ 108,804

10. TRADE AND OTHER PAYABLES

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

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

As at,	March 31, 2014	December 31, 2013
Less than 1 month	\$ 16,041	\$ 11,913
1 – 3 months	-	169
Over 3 months	255,944	255,944
Total trade and other payables	\$ 271,985	\$ 268,026

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management during the three month periods ended March 31, 2014 and 2013 included:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Balances:		
Short-term employee benefits	\$ 89,000	\$ 91,000
Total compensation paid to key management	<u>\$ 89,000</u>	<u>\$ 91,000</u>

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to Mistango. Management believes that all transactions were conducted in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and are as follows:

During the three month period ended March 31, 2014, the Company was charged \$6,000 (2013 - \$6,000) for administrative costs are comprised of rent paid to a company controlled by the President of the Company (See Note 15 - Commitments and Contractual Obligations).

Trade and other payables at March 31, 2014 includes \$Nil (December 31, 2013 - \$Nil) owing to officers, directors and companies controlled by officers and directors.

12. SHARE CAPITAL

(a) Common shares

Mistango's authorized share capital consists of an unlimited number of Class A Voting Common Shares, and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series is redeemable by the Company, in whole or in part, at the rate of \$1,000 per Series A share. The holders of the Series A shares are not entitled to dividends.

The issued Class A Voting Common Share capital is summarized as follows:

	Number of Shares	Amount
Balance, December 31, 2012	37,973,481	\$ 21,055,066
Issued for mineral properties	100,000	6,000
Balance, December 31, 2013 and March 31, 2014	38,073,481	\$ 21,061,066

During the year ended December 31, 2013, the flow-through share premium liability of \$116,000 was reversed (resulting from flow-through funds spent) and recorded as a flow-through share premium recovery in the statements of loss and comprehensive loss for the year ended December 31, 2013.

Mistango River Resources Inc.

(An Exploration Stage Enterprise)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

12. SHARE CAPITAL (continued)

(b) Options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares. As at March 31, 2014, the Company had 1,572,348 (December 31, 2013 – 1,572,348) options available for issuance under the Plan. The options outstanding to purchase common shares are as follows:

	March 31, 2014		December 31, 2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period/year	2,235,000	\$ 0.10	3,048,000	\$ 0.27
Transaction during the period/year				
Granted	-	-	2,235,000	0.10
Forfeited/Expired	-	-	(3,048,000)	0.27
Outstanding at end of period/year	2,235,000	\$ 0.10	2,235,000	\$ 0.10
Exercisable at end of period/year	2,235,000	\$ 0.10	2,235,000	\$ 0.10

The following summarizes information on the stock options outstanding at March 31, 2014:

Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
0.10	2,235,000	4.52	0.10

The fair value of each option was estimated on the date of grant. The following are the assumptions used under Black-Scholes at the measurement date for the year ended December 31, 2013:

	Vesting of prior issued options	October 7, 2013	Total
Options Issued		2,235,000	2,235,000
Risk-free interest rate		1.87%	
Expected life		5 years	
Exercise price		\$0.10	
Price volatility		100%	
Dividend yield		Nil	
Forfeiture rate		Nil	
Vesting		Immediately	
Share based compensation		\$91,000	\$91,000
Current year expense	(\$2,000)	\$91,000	\$89,000

The weighted average grant-date fair value of options granted during the three month period ended March 31, 2014 was \$Nil (Year ended December 31, 2013 - \$0.04) per option issued.

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12. SHARE CAPITAL (continued)

(c) Common Share Purchase Warrants

The exercise price and expiry date of the warrants outstanding at March 31, 2014 are as follows:

Warrants	Exercise Price	Expiry Date
5,250,000	0.35	June 8, 2014 ⁽¹⁾
<u>5,250,000</u>		

⁽¹⁾ These warrants are subject to acceleration, at the option of the Company, in the event that the closing price of the Common Shares equals or exceeds \$0.50 for a period of 10 consecutive trading days at any time before expiry.

13. RESERVES

(a) Share based payments

Reserve for share based payments is comprised of the following:

	March 31, 2014	December 31, 2013
Balance, beginning of the period/year	\$ 3,903,594	\$ 3,814,594
Share based payments	-	89,000
Balance, end of period/year	<u>\$ 3,903,594</u>	<u>\$ 3,903,594</u>

(b) Warrants

Reserve for share based payments is comprised of the following:

	March 31, 2014	December 31, 2013
Balance, beginning of the period/year	\$ 800,000	\$ 800,000
Balance, end of period/year	<u>\$ 800,000</u>	<u>\$ 800,000</u>

14. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENDITURES

The evaluation and exploration expenses for the Company are broken down as follows:

	Three month period ended March 31,		Cumulative to date *
	2014	2013	
Baldwin, Ontario	\$ 237	\$ 805	\$ 597,569
Casa Berardi, Quebec	-	-	685,643
Goldie, Ontario	-	-	511,825
Kirkland West, Ontario	1,208	1,208	257,906
Omega Property, Ontario	39,728	462,965	5,644,297
Sackville, Ontario	-	-	608,831
General and other	-	-	112,501
Exploration and evaluation expenditures	\$ 41,173	\$ 464,978	\$ 8,418,572

* Only properties currently under exploration are included in this figure.

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14. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENDITURES *(continued)*

In September 2013, the Company completed a royalty purchase agreement (the "Agreement") with Premier Royalty Inc. ("Premier"), an arm's length third party, to sell Mistango's 2% net smelter return royalty (the "Royalty") on Kirkland Lake Gold Inc.'s ("Kirkland") HM Property, located in Kirkland Lake, Ontario. Under the terms of the Agreement, Mistango sold the Royalty to Premier in consideration of a cash payment of \$1,250,000 and 100,000 (received with a fair value of \$81,000) common shares of Premier. Total consideration for the Royalty was valued at \$1,331,000. In October 2013, all the common shares of Premier were acquired by Sandstorm, a publicly traded Canadian company traded on the TSX, on the basis of 0.145 of a Sandstorm share for each Premier share held.

On June 14, 2011, the Company entered into a property option agreement to acquire a 100% interest in six claims in close proximity to the Company's Omega property in Larder Lake, Ontario. To acquire a 100% interest the Company will pay cash of \$150,000 as follows: \$25,000 on signing (paid), \$25,000 on or before June 30, 2012 (paid), \$50,000 on or before June 30, 2013, and \$50,000 on or before June 30, 2014 and issue 300,000 common shares as follows: 50,000 on signing (issued with a fair value of \$8,000), 50,000 on or before June 30, 2012 (issued with a fair value of \$10,000), 100,000 on or before June 30, 2013 (issued with a fair value of \$6,000), and 100,000 on or before September 30, 2014. In addition, the Company is required to carry out \$500,000 in work expenditures on these claims by June 30, 2014. The vendor will retain a 3% Net Smelter Royalty ("NSR").

During the year ended December 31, 2013, the Company entered into an amendment on the property option agreement. Under the original agreement the Company was to pay \$50,000 on or before June 30, 2013 and additional \$50,000 on or before June 30, 2014. Under the new agreement the Company will pay \$110,000 on or before June 30, 2014.

15. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

The Company may become subject to tax audits of the flow-through expenditures renounced to investors; however, the Company believes that all Canadian Exploration Expenditures were effected and renounced in compliance with the prescribed regulations of the *Income Tax Act (Canada)*.

During the year ended December 31, 2013, Mistango signed a one-year lease extension on the Kirkland Lake premises. Pursuant to the terms of the renewed lease agreement, the Company is committed to paying approximately \$22,245 per year, to a company owned by the President of Mistango.

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16. FINANCIAL INSTRUMENTS

Fair Value Hierarchy

Financial instruments recorded at fair value on the statement 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);

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

Fair value

The Company's financial instruments as at March 31, 2014 include cash and cash equivalents, marketable securities, trade and other receivables, promissory note receivable, investments, and trade and other payables. The Company has designated its cash and cash equivalents and marketable securities as FVTPL, which are measured at fair value. Cash and cash equivalents and marketable securities are determined based on transaction values and are categorized as Level 1 measurement. The Company has designated its investments as available-for-sale, which are measured at fair value and is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other receivables, promissory note receivable and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

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

Interest-rate risk

The Company has cash and cash equivalents balances bearing fixed interest rates and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk

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

The Company's credit risk is primarily attributable to cash and cash equivalents, receivables and promissory note receivable included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and short-term guaranteed investment certificates, which have been invested in a Canadian chartered bank, from which management believes the risk of loss is remote. As at March 31, 2014, the Company's receivables primarily consist of amounts due from the Canadian government. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to March 31, 2014. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

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16. FINANCIAL INSTRUMENTS *(continued)*

The Company's maximum exposure to credit risk as at March 31, 2014 is the carrying value of cash and cash equivalents, trade and other receivables and promissory note receivable.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2014, the Company had current assets of \$1,257,542 (December 31, 2013 - \$1,378,922) to settle current liabilities of \$271,985 (December 31, 2013 - \$268,026). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities (other than long-term debt) have contractual maturities of less than 30 days and are subject to normal trade terms. As at March 31, 2014, the Company had working capital of \$985,557 (December 31, 2013 - \$1,110,896).

Price risk

The Company holds common shares of companies traded on the TSXV or TSX. The Company has classified some of these investments as FVTPL and others as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

- i. The Company's marketable securities and investments are subject to fair value fluctuations. As at March 31, 2014, if the fair value of the marketable securities and investments had decreased/increased by 10% with all other variables held constant, net comprehensive income (loss) for the three month period ended March 31, 2014 would have been approximately \$10,000 (2013 - \$5,000) higher/lower.